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Your Payroll in the Hands of Professionals

Payroll Accounting in the Czech Republic

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"Properly managed payroll accounting allows you to focus on growing your business with the confidence that all obligations toward employees and government authorities are being fulfilled accurately and on time. Our specialists take full responsibility for payroll processing, communication with authorities, and all related administration – giving you the peace of mind and freedom to concentrate on your core activities."

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Basic Information on Payroll Processing in the Czech Republic

Accurate and timely payroll processing is an essential part of the smooth operation of any company. Czech legislation imposes several obligations on employers, which may initially seem complex. The following overview provides key information on payroll accounting in the Czech Republic – from establishing an employment relationship to statutory deductions and the year-end payroll closing process.

Employment Relationship

Employment relationships are largely governed by the Labor Code, and they are established between an employer and an employee under the following agreements:
- Employment contract
- Agreement to complete a job (in Czech, it is known as Dohoda o provedení práce or DPP) – limited to a maximum of 300 hours per calendar year
- Agreement to perform work (in Czech, it is known as Dohoda o pracovní činnosti or DPČ) – limited to a maximum of 20 hours per week

Registration of a New Employer

When a newly established company – or a foreign company – hires its first employee, it must complete the following steps:
- Register for employment (payroll) tax/withholding tax (no later than 8 days after the first employment contract is concluded)
- Arrange the employer's liability insurance for occupational injuries and diseases (this insurance can only be arranged through Kooperativa)
- Register with the relevant social security administration office and health insurance company (no later than 8 days)

Documents needed for the registration:
- Power of attorney authorizing representation of the employer before authorities
- List of employees
- Bank account details for statutory deductions (social security, health insurance, taxes)
- A1/E101 Form for the EU employees, along with any relevant documents
- Copies of employment contracts/agreements and completed personal questionnaires
- Excerpt from the employer's record in the Commercial Register
- Internal regulations and policies (e.g. guidelines on bonuses, allowances and employee benefits)
- Indemnification agreements, garnishments orders, and payroll deductions agreements, if applicable

Legal Requirements When Establishing Employment

When hiring a new employee, the employer must complete the following steps no later than 8 days from the employment start day:
- Register the employee with the relevant health insurance company
- Register the employee with the Czech social security administration office
- Register foreigners at the Labour Office – no later than the employment start day

Documents required when hiring an employee:
- Record of employment from the previous employer (in Czech, it is known as zápočtový list)
- Decision on pension status (if the employee is a pensioner)
- Proof of qualifications, clean criminal record, medical fitness to work
- Income taxpayer declaration
- Completed personal questionnaire
- Written consent from the employee for electronic delivery of documents (e.g. pay slips, personal records for pension insurance (in Czech, this is known as ELDP)
- For foreigner nationals: a document proving eligibility to work
- The employee must immediately notify the employer of any changes to their bank accounts or health insurance company

Legal Requirements When Terminating Employment

When terminating an employment relationship, the employer must complete the following steps:
- Deregister the employee with the Czech social security administration office and health insurance company (no later than 8 days); foreign nationals must be also deregistered with the Labour Office
- Provide the payroll accountant with a document confirming the termination of employment
- Issue a record of employment (in Czech, it is known as zápočtový list) to the employee (on or before the final day of employment)

Statutory Deductions and Income Tax

Employee contributions:
- Social insurance: 7.1% of gross wages
- Health insurance: 4.5% of gross wages
- Income tax: 15% of gross wages
- Progressive tax: If the employee's gross annual income exceeds the statutory limit, a higher tax rate of 23% applies on the portion above the threshold

Employer contributions:
- Social insurance: 24.8% of the employee's gross wages
- Health insurance: 9% of the employee's gross wages

Payday and Monthly Obligations

In the Czech Republic, wages are usually paid around the 15th day of the following month.

On payday, the employer must:
- Pay wages to the employee's bank account
- Apply any excessive garnishments or wage deductions (if applicable)
- Send pay slips to employees
- Prepare payroll summaries (recapitulations) for accounting and archiving purposes

By the 20th day of the following month, the employer must:
- Pay health insurance premiums to the relevant health insurance company
- Submit the employer's health insurance premium report
- Pay social security contributions to the relevant social security administration office
- Submit social security contributions and payments reports to the Czech social security administration office
- Pay employment tax (payroll tax)
- Pay injury insurance premiums (quarterly)

Additional employer obligations:
- Monitor insolvency or bankruptcy proceedings of employees or any other proceeding enforcing the court's decisions
- Maintain accurate attendance records, incl. work shifts, overtime and paid leave
- Maintain und update shift schedules (rosters)
- Submit income reports for tax non-residents, if applicable

Payroll Year-End Closing

- Prepare annual employee pay statements (they must be archived for at least 45 years)
- Collect and process documents required for the annual settlement of personal income tax advances for the employment tax and tax benefits, incl. a signed taxpayer declaration
- Demonstrate the compulsory employment quota for disabled persons
- Prepare the annual settlement of employment tax (payroll tax)
- Prepare the annual settlement of withholding tax at the special personal income tax rate
- Submit personal records for pension insurance (in Czech, this is known as ELDP)
- Archive all relevant payroll and accounting documents

Obligations to Be Fulfilled at the Employee's Request

- Prepare the annual settlement of personal income tax advances for the employment tax
- Issue a confirmation on employment duration (no later than 8 days after receiving the request)
- Provide a confirmation of total assessment bases from which health insurance premiums and social security contributions were deducted (no later than 8 days after receiving the request)
- Issue a certificate of taxable income (no later than 10 days after receiving the request)

Selected Employee's Absences from Work

REASON FOR ABSENCE	PAID BY	COMPENSATION
Sick leave (Days 1–14)	Employer	Approx. 60% of wages
Sick leave (Day 15 onward)	Social Security Administration	As defined by law
Nursing and maternity leave	Social Security Administration	As defined by law
Paternity leave	Social security Administration	About 60% of wages
Paid leave, wedding, funeral, medical appointments and others	Employer	100% of average hourly earnings for the 3 previous months

Your contact persons

Marcel Slezák, ACCA
Head of Business Process Outsourcing
Associate Partner

P +420 236 163 110
marcel.slezak@roedl.com

Petr Hojsák, CA
Tax advisor
Certified Accountant
Associate Partner

P +420 236 163 272
petr.hojsak@roedl.com

Hana Nicole Horníčková
Manager – Payroll
Payroll Accountant

P +420 530 300 523
hana.hornickova@roedl.com

Andrea Slabochová
Head of Payroll Department Prague

P +420 236 163 287
andrea.slabochova@roedl.com

Rödl & Partner

As attorneys, tax advisers, auditors, accountants and management and IT consultants, we are present with 116 own offices in 50 countries. Worldwide, our clients trust our around 6,000 colleagues.

In the Czech Republic, we have been offering our services since 1991. Today, we provide our legal, tax, audit, business process outsourcing and management & business consulting services through more than 320 professionals operating in our offices in Prague and Brno.

Rödl & Partner holds the prestigious title of the Czech Law Firm of the Year in the field of tax law in years 2012 to 2024.

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Platnéřská 191/2
110 00 Praha 1
Czech Republic
P +420 236 163 111
prag@roedl.com

Květná 178/34
603 00 Brno
Czech Republic
P +420 530 300 500
bruenn@roedl.com

Prague | Brno
www.roedl.cz

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