



Czech Republic

Tax, Accounting and Other Updates for 2026

Tax, Accounting and Other Updates for 2026

In this newsletter, we bring you a summary of the most important changes, particularly in the areas of taxation and accounting, which were adopted in 2025 and will become effective as of 2026.

I. New Project: Unified Monthly Employer Report

As of 2026, the project of the Unified Monthly Employer Report (hereinafter also referred to as the “UMER”) will be launched. The purpose of this project is for employers to submit, on a monthly basis, highly detailed information to the state about all their employees, including their earnings and other extensive data.

Currently, several institutions are involved in the project, in particular the Czech Social Security Administration, the Financial Administration, labour offices and the Czech Statistical Office. Health insurance companies are not involved in the first phase; however, it is expected that they will join at a later stage (most likely from 2028 at the earliest).

The main objective of the UMER is administrative simplification, as employers will submit a single monthly report replacing a number of existing regular filings, whether monthly, quarterly or annual. Since the authorities will have access to detailed information on monthly earnings of all employees, certain obligations on the employees’ side will also be simplified. For example, if an individual files a personal income tax return via the MOJE daně portal, data on income from employment will be automatically pre-filled, meaning taxpayers will no longer need to manually transcribe amounts from income confirmations issued by their employers.

As mentioned above, the project is effective as of 2026. However, due to delays in the approval and preparation process, employers will in practice start submitting monthly reports from April 2026. The UMER will be submitted electronically on a regular basis by the 20th day of the following month. Data for the first quarter of 2026 will have to be submitted retroactively, within the period from 1 April 2026 to 30 June 2026.

It should be noted that the scope of the data included in the monthly report will be very extensive. In order to meet the information requirements of the relevant authorities, all employers will be required to report data that are currently submitted only by some of them (for example, the highest level of education attained by the employee), as well as additional data that have not been reported so far. For this reason, thorough preparation for the launch of the project is essential, in particular, a review of the data currently recorded by employers about their existing employees and the completion of newly required information for all employees. Adequate support from HR and payroll software systems will also be indispensable.

The Unified Monthly Employer Report is regulated by a standalone act published as Act No. 323/2025 Sb. The Government of the Czech Republic has issued an implementing regulation under No. 417/2025 Sb., which specifies the individual data to be reported. This regulation already provides an overview of the required data. In addition, the Czech Social Security Administration, which will receive the reports, will publish the so-called data structure of the submission, including code lists for individual data items.

The UMER project was approved together with a so-called accompanying act amending other legal regulations (published as Act No. 360/2025 Sb.). This act includes a number of changes in taxation (some of which are described below), as well as amendments in other areas. One of the key changes is that, with effect from 1 July 2026, employers will be obliged to register new employees with the Czech Social Security Administration no later than before the commencement of work (currently, employers have a deadline of 8 days). If the employee is not a foreign worker, it will be possible to carry out a “partial” registration prior to commencement of work (providing only basic details), with the remaining information to be completed within the standard eight-day deadline.

II. Updates in Income Taxes and Related Areas

1. Changes Concerning So-Called Leisure-Time Employee Benefits

The Income Taxes Act allows for tax-advantaged provision of so-called leisure-time benefits, i.e., non-cash benefits provided for specified purposes (such as non-cash contributions to sports and cultural events, use of educational or recreational facilities, childcare facilities for pre-school children, or certain healthcare-related goods and services). These benefits are exempt from personal income tax (and therefore not subject to social security and health insurance contributions). However, since the effectiveness of the consolidation package, an exemption limit has applied: as of 2025, the limit equals one average wage for healthcare benefits and half of the average wage for other benefits.

Effective 2026, the tax conditions for providing these benefits are being tightened. For the benefits to remain tax-exempt, they must not constitute “wages, salary, remuneration or compensation for lost income”. This amendment responds to favourable case law of the Supreme Administrative Court that addressed the possibility of converting salary into leisure-time benefits (the so-called salary swap). The Financial Administration of the Czech Republic has also issued guidance, noting that such benefits will not be considered tax-exempt if they are provided to employees as consideration for work performed.

We recommend that all employers conduct a thorough review of their benefit programmes. At the same time, we note that this tightening applies only to leisure-time benefits as defined in Section 6(9)(d) of the Income Taxes Act, and does not affect other benefits such as contributions to pension savings, private life insurance or long-term investment products.

2. Further Changes to Employee Share and Option Plans (ESOP)

In previous editions of our newsletter, we informed you about several changes in employee share and option plans. As of 2026, another change will come into effect, aimed at making these plans more attractive for a certain group of employers (during the legislative process, this was often referred to as support for start-ups).

The essence of the change is significant: while the acquisition of an employee share is generally taxable as employment income and subject to social security and health insurance contributions, under the new rules the acquisition of an ownership interest (employee share) or a non-transferable promise to acquire such an interest (non-transferable option) will still be subject to income tax but will not be subject to social security or health insurance contributions.

However, the new rules will apply only to a limited group of employers and employees, referred to in the Income Taxes Act as “qualified” employers and “qualified” employees. A qualified employer is an entity whose annual turnover does not exceed CZK 2.5 billion and whose total assets do not exceed CZK 2 billion (and which is not part of a group exceeding these thresholds). Certain entities are excluded, in particular, banks, insurance companies, lawyers, tax advisors and auditors. The Act also sets conditions for a qualified employee, such as a maximum 5% ownership interest, at least 12 months of employment with the employer, and attainment of a specified minimum level of employment income.

We would like to point out one disadvantage of this “qualified” taxation model: where this deferred taxation regime is applied, it will never be possible in the future to apply the employee’s income tax exemption upon the sale of securities or ownership interests that have been held for more than three or five years.

3. Abolition of the CZK 40 million Exemption Limit for Capital Gains on Securities and Shares

As previously reported, a limit on the exemption of personal income from the sale of securities and ownership interests was introduced with effect from 2025. During 2025, this limit was also extended to exempt income from the sale of crypto assets. For 2025, therefore, if an individual has exempt income (i.e., income meeting the time test) from the sale of securities, shares and crypto assets exceeding a total of CZK 40 million, the exemption applies only up to this amount, and income exceeding the limit is taxable.

As of 2026, the original legal regime applicable until the end of 2024 is reinstated for income from the sale of securities and shares, meaning that the exemption limit is abolished. Consequently, if such income meets the applicable time tests (three years for securities and five years for shares), it will be fully exempt from tax without any cap. The CZK 40 million exemption limit will, however, continue to apply to income from the sale of crypto assets.

4. Extension of the Deduction of Interest from the Personal Income Tax Base

The Income Taxes Act allows individuals to deduct interest on specified loans (in particular, mortgage loans) used to finance their own housing needs. As of 2026, this deduction will also apply where the loan is taken out by a housing cooperative of which the individual is a member. In such a case, the cooperative member will be entitled to deduct a proportionate part of the interest paid by the cooperative, corresponding to their ownership share, provided that the other statutory conditions are met.

5. Increase in the Threshold for Low-Value Receivables Eligible for Accelerated Tax Provisions

Under the Act on Reserves for the Determination of the Income Tax Base, tax-deductible provisions may be created more quickly for so-called low-value receivables overdue by more than 12 months. Until now, the threshold for low-value receivables has been CZK 30,000, applying both to the individual receivable value at inception and to the aggregate value of receivables per debtor per tax period.

As of 2026, both thresholds will be increased to CZK 50,000, thereby extending the scope of receivables eligible for accelerated creation of tax provisions.

6. Increase in the R&D Tax Deduction

With effect from 2026, the tax deduction for research and development activities will be increased. Currently, taxpayers may deduct up to 100% (or up to 110%) of eligible R&D expenditures. Under the new rules, expenditures may be deducted at up to 150%, subject to a cap of CZK 50 million for the entire group of taxpayers forming the same deduction group. In addition, unused portions of the deduction may be carried forward for up to five subsequent years (instead of the current three years). The aim is to further incentivise R&D activities.

7. Changes in the Taxation of Remuneration of Non-Resident Members of Statutory Bodies

Currently, remuneration paid by a Czech legal entity to a non-resident individual for the performance of a governing body is subject to withholding tax. As of 2026, such remuneration will instead be subject to standard advance income tax payments. This change will mainly affect cases where the remuneration of a member of a governing body exceeds 36 times the average annual wage. Amounts exceeding this threshold will be taxed at the 23% rate, whereas previously the entire remuneration was subject to a 15% withholding tax regardless of amount.

In such cases, the non-resident individual will also be required to file a personal income tax return.

8. Abolition of the Employer's Obligation to Withhold Advance Personal Income Tax in a Specific Case

As of 2026, the Income Taxes Act will explicitly provide that employers are not required to withhold advance personal income tax where a Czech tax resident employee performs work in a country with which the Czech Republic has concluded a double taxation treaty, and the income is paid through the Czech employer. This concerns situations of international employee leasing, where the foreign entity becomes the economic employer and is obliged to withhold tax in its jurisdiction. The amendment prevents double withholding of advance tax.

9. Amendment to the Public Health Insurance Act and Related Legislation

As of 2026, amendments to public health insurance legislation will come into effect, including in particular:

- mandatory electronic communication with health insurance companies in XML format,
- a new procedure for applying reduced assessment bases for employees caring for at least one child under the age of seven, requiring confirmation from the health insurance company,
- mandatory cashless payment of insurance contributions.

III. Accounting Updates

1. Amendments to Existing Accounting Regulations

The Accounting Act classifies accounting entities into micro, small, medium-sized and large categories. In 2025, amendments were approved, increasing the financial thresholds used for classification (total assets and net turnover). Although adopted in 2025, transitional provisions allow these changes to be applied retrospectively to 2024.

As a result, an accounting entity may change (reduce) its category even for 2025, affecting its accounting and financial reporting obligations.

The amendment to the Accounting Act also abolishes the statutory audit requirement for small accounting entities, for which the obligation to undergo an audit has so far been assessed based on whether the entity exceeded, for two consecutive accounting periods, at least two (or, in the case of certain entities, even just one) of the three prescribed criteria. The amendment is effective from 2026, more precisely for accounting periods beginning on or after 1 January 2026. This means that if a small accounting entity still exceeds the criteria for a mandatory audit for the 2025 accounting period, it must have the audit performed. From 2026 onwards, micro and small accounting entities will no longer be subject to a statutory audit under accounting regulations, whereas medium-sized and large accounting entities will remain subject to this obligation.

2. Preparation of New Accounting Legislation

In previous newsletters, we have repeatedly informed you that a project to prepare new accounting regulations is underway, specifically a new Accounting Act, implementing decrees and accompanying legislation. This project progressed to the next stage at the end of November, as the draft new regulations (the Accounting Act and the so-called accompanying act) were approved by the Government and submitted to the Chamber of Deputies of the Parliament of the Czech Republic for consideration. It will now be up to the Members of Parliament to decide how quickly (and whether at all) the drafts are approved.

The draft of the new Accounting Act introduces a modern framework for accounting regulation, in particular for financial reporting. It includes, for example, a conceptual framework for financial reporting (including the previously missing definition of the fundamental elements of financial statements), a new approach to lease accounting, an expansion of the obligation or option to prepare financial statements in accordance with international standards (IFRS), the introduction of measurement of long-term receivables and liabilities at present value, and a number of other changes. A key part of the accompanying act is an amendment to the Income Taxes Act, which, among other things, substantially simplifies tax depreciation of assets, introduces the concept of “tax value” defining the maximum amount that may be applied as a tax-deductible item in relation to a given asset, and newly allows the tax base of accounting entities that prepare their accounts under IFRS to be derived from profit or loss determined in accordance with international standards.

The effective date of the new rules will depend on the speed of the legislative process in Parliament; however, they will not take effect earlier than 1 January 2028. Nevertheless, it is advisable for accounting entities to pay attention to the proposed legislation and begin preparing for the likely changes.

3. New Interpretations of the National Accounting Council

The National Accounting Council has issued two new interpretations: I-51 on the presentation of demonstration products and goods, and I-52 on employee benefits.

IV. Act on Mandatory Contributions to Retirement Savings Products

As of 2026, a new act introduces mandatory employer contributions to retirement savings products for employees performing hazardous work (classified in risk category 3). The contribution will amount to 4% of the assessment base for social security contributions, provided the employee works at least three shifts in the month. Employers are obliged to inform eligible employees by 15 January 2026.

V. Parametric and Other Changes

Several so-called parametric changes will take effect from 2026 – let us mention just some of them:

- the minimum wage will increase to CZK 22,400 per month (CZK 134.40 per hour),
- the average wage will be CZK 48,967; a wide range of parameters are derived from the average wage (see below),
- exemption limits for leisure-time benefits will be CZK 48,967 (healthcare benefits) and CZK 24,483.50 (other benefits),
- the income threshold for participation of employees working under an agreement to perform work (DPP) will increase to CZK 12,000 per month; this means that if the income of an
- employee working under an Agreement to Perform Work (DPP) does not reach this amount, no social security or health insurance contributions are payable on such income,
- the minimum advance payments of self-employed persons for social security and health insurance contributions are increasing. For public health insurance, the monthly advance payment will rise from CZK 3,143 to CZK 3,306. For social security (i.e. pension insurance), the increase is more significant, from CZK 4,759 per month to CZK 5,720 per month. This is due to the fact that, as a result of the consolidation package, the minimum assessment base (expressed as a percentage of the average wage) has increased in recent periods. However, the new governing coalition has begun discussing a draft amendment to the relevant legislation, as a result of which the increase for 2026 should not be as high. This draft still has to go through the legislative process, but it is expected to take effect retroactively from the beginning of 2026.
- foreign meal allowance rates for travel reimbursements will increase for several countries.

Finally, we note that since mid-November 2025 the Czech National Bank has supported instant payments, facilitating the payment of taxes, insurance contributions and customs duties.

Praha

Rohanské nábřeží 721/39
186 00 Praha 8 - Karlín
Czech Republic
T: +420 241 015 111
E: recepce.praha@claczech.cz

Liberec

Ke Střelnici 322/6
460 01 Liberec IV-Perštýn
Czech Republic
T: +420 485 104 158
E: recepce.liberec@claczech.cz

Olomouc

tr. Kosmonautů 1221/2a
779 00 Olomouc
Czech Republic
T: +420 585 203 803
E: recepce.olomouc@claczech.cz