

2 PERSONAL INCOME TAX

In the Czech Republic, the personal income tax is regulated together with the corporate income tax by an act called Income Taxes Act (Act no. 586/1992 Sb., as amended).¹⁰ This Act lies down that the objects of taxation are the following types of income (no matter if it is a monetary or a non-monetary income or the income was acquired by exchange):

- Income from dependent activity (employment) and emoluments of office-holders (function benefits);
- Income from business and from other independent gainful activity;
- Capital property income;
- Rental (lease) income;
- Other income.

Each of these incomes are described individually in Sections 6 – 10 of the Income Taxes Act and for each of these incomes it is necessary to calculate so called partial tax base and at the end every taxpayer must calculate these partial tax bases together to get the tax base.

2.1 *Incomes from Dependent Activities and Function Benefits*

Incomes from dependent activities are defined as incomes from the recent or former labor relationship, service relationship or membership relationship or a similar relationship if the taxpayer – employee – must respect the payor's – employer's – commands in the course of execution of work for the payor.

Besides that incomes for work of pupils and students in practice training, incomes for work done by members of co-operatives, associates and agents of limited liability companies and limited partners of limited partnerships, incomes for work of company liquidators, remunerations of members of statutory bodies and other bodies of legal entities and incomes following in connection with recent, future or former execution of dependent activity or of function regardless of whether they follow from the payor for whom the taxpayer executes he dependent activity or function or from the payor for whom the taxpayer does not execute the dependent activity or function are considered to be the incomes from dependent activities.¹¹

The income is even 1 % (but not less than 1 000 CZK¹²) of the input price of a motor vehicle in each month, if the employee can use it not only for business but for himself, too.

Function benefits are defined as function salaries of members of the government, deputies and senators of the Parliament of the Czech Republic and salaries of chiefs of central authorities of the state administration and remunerations for execution of function in authorities of

¹⁰ Vide for example Pařízková, I. in: Mrkývka P. a kol. Finanční právo a finanční správa – 2nd part. Brno: Masarykova univerzita v Brně, 2004. ISBN: 80-210-3579-X. Marková, H. Zákon o daních z příjmů. Komentář. Praha: C. H. Beck, 2007. 80-7179-474-0. Mrkývka, P. Opodatkowanie dochodu w Republice Czeskiej. in: Etel, L. (ed.). Opodatkowanie dochodu w wybranych krajach Europy Środkowej i Wschodniej. Białystok: Temida2, 2006. P. 93-128. ISBN 83-89620-17-0.

¹¹ See Section 6(1) Income Taxes Act.

¹² 25 CZK = 1 EUR.