

## The bill amending certain acts in connection with capital market development

27<sup>th</sup> April 2020

The Ministry of Finance submitted for inter-ministerial consultation<sup>1</sup> a bill in connection with capital market development; the bill includes the following significant changes to personal income taxes:

- ▶ Introduction of a “long-term investment account”, which should, thanks to a tax benefit, motivate individuals to save for old age through investments on capital markets.
- ▶ The account should work as individuals’ personal investment account (governed by the Capital Market Undertakings Act) used to invest in selected types of assets (e.g. securities issued by investment funds under collective investment schemes, bonds issued by the Czech Republic, covered bonds, investment instruments).
- ▶ Pursuant to the Income Taxes Act, the long-term investment account will fall under the newly introduced legislative abbreviation “Old-age Saving Products” subject to unified tax treatment. This will also include supplementary pension insurance with a state contribution (the “3rd pillar”), supplementary pension savings, pension insurance from a pension insurance institution and private life insurance.
- ▶ Individuals could deduct from their tax base a total of CZK 48,000 per year as contributions paid towards Old-age Saving Products (today, the limit is CZK 24,000 for private life insurance and CZK 24,000 for pension products).
- ▶ Employers’ contributions of up to CZK 50,000 per year would also be exempt from payroll income tax

We will continue to monitor the development of the law for you. If you have any questions, please do not hesitate to contact the authors of the article or your regular EY tax team.

<sup>1</sup> <https://www.mfcr.cz/cs/soukromy-sektor/kapitalovy-trh/podnikani-na-kapitalovem-trhu/2020/zahajeni-meziresortniho-pripominkoveho-r-38154>



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