

Tax information regarding convertibles – Czech Republic

Both the interest income on the convertible as well as sale or exercise of the convertible will be treated as income from employment. Income from employment is taxed at a flat rate of 15% which should be withheld and reported to the tax authority directly by the employer and should thus not require any action undertaken by you.

Income from the convertible exceeding the maximum assessment base of CZK 1,277,328 will also be subject to solidarity charge of 7%. Solidarity surcharge is effective until the end of 2017 and may not be applicable thereafter. The maximum assessment base for 2020 is 1 672 080 CZK (which equals 48 times average monthly salary).

Both the interest income on the convertible as well as sale or exercise of the convertible will be subject to employee social security charges and health insurance contributions if the total employment income for the tax year in question has not reached the cap (for 2020 the maximum is 1 672 080 CZK). Social security charges are not withdrawn from income exceeding the cap and health insurance charges are 4.5%.

The social security payment and health insurance contributions are to be withheld and reported to the tax authority directly by the employer and should not require any action undertaken by You.

With reference to the above there will be no additional action required by You from a tax perspective and your income from convertibles should be taxed at a top marginal tax rate of 22% taking the solidarity charge into consideration.

Please note that the above is based on advice provided to ÅF Pöyry AB by Ernst & Young (EY). Your particular tax situation has not been assessed and you take part on the advice above on a non-reliance basis. We recommend that you consult your personal tax advisor.