EUROPEAN
COMMISSION

Brussels, 24.11.2026
SWD(2026) 1206 final

**COMMISSION STAFF WORKING DOCUMENT**

***Mind the Gap 2026: Country fiche – Czechia***

***Accompanying the document***

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**Mind the Gap 2026: Boosting public finances through joint efforts to reduce tax gaps and improve compliance**

{COM(2026) 630 final} - {SWD(2026) 1201 final} - {SWD(2026) 1202 final} - {SWD(2026) 1203 final} - {SWD(2026) 1204 final} - {SWD(2026) 1205 final} - {SWD(2026) 1207 final} - {SWD(2026) 1208 final} - {SWD(2026) 1209 final} - {SWD(2026) 1210 final} - {SWD(2026) 1211 final} - {SWD(2026) 1212 final} - {SWD(2026) 1213 final} - {SWD(2026) 1214 final} - {SWD(2026) 1215 final} - {SWD(2026) 1216 final} - {SWD(2026) 1217 final} - {SWD(2026) 1218 final} - {SWD(2026) 1219 final} - {SWD(2026) 1220 final} - {SWD(2026) 1221 final} - {SWD(2026) 1222 final} - {SWD(2026) 1223 final} - {SWD(2026) 1224 final} - {SWD(2026) 1225 final} - {SWD(2026) 1226 final} - {SWD(2026) 1227 final} - {SWD(2026) 1228 final}

# Country fiche: Czechia

**Summary box: Areas of Strength and Areas for Improvement**

**Areas of Strength**

- **The VAT compliance gap in Czechia was lower than the EU average in 2023, at 8% of the VAT Total Tax Liability (VTTL).** The continued use of digital reporting and risk-based compliance measures, such as the VAT Control Statement, ensures the effective collection of VAT. Ongoing digitalisation efforts, including preparations for the VAT in the Digital Age (ViDA) package, will further support compliance.

- **Czechia has notable strengths in digital tax administration and risk-focused enforcement.** The country operates a highly digitalised tax system with automated registration checks, online services, and AI-assisted tools for taxpayer support. Its audit segmentation effectively targets high-value taxpayers, while VAT registration combines automated verification with risk-based follow-up.

**Areas for Improvement**

- **While Czechia regularly reports on tax expenditures, the effectiveness of tax expenditures could be reviewed and evaluated more systematically.** Czechia publishes an annual report which provides provision-level estimates on tax expenditures related to PIT, CIT and VAT. The report estimated that in 2023, forgone revenue from tax expenditures reached CZK 892.1 billion (ca. EUR 37.2 billion) or 11.5% of GDP. The introduction of a dedicated evaluation framework could allow for a better overall effectiveness, governance and performance of tax expenditures.

- **Czechia could improve pre-filling opportunities for taxpayers and increase the efficiency of tax debt recovery.** Pre-filled returns for PIT and VAT are not yet available, despite highly digitalised filing processes and basic pre-filling of taxpayer information through the MOJE daně portal. In addition, the tax administration could move beyond the current basic digital tools used for tax recovery, which offer limited integration and analytical capabilities, towards more advanced and supportive digital technologies.

# 1. Introduction and policy context

## 1.1. Snapshot of the tax system

**The tax-to-GDP ratio is relatively low in Czechia, with some revenue sources underused.** Tax revenue (including social contributions) increased to 35.0% of GDP in 2024 (from 33.9% in 2023), though it remains 4.4 percentage points (pps) below the EU average ([1]). Czechia obtains more than half of its tax revenue from labour taxes (50.3% in 2024, close to the EU average), with the largest weight of social contributions in the EU. Consumption taxes accounted in 2024 for 30.0% of total tax revenue, 3.2 pps above the EU average, thanks to relatively high VAT revenues. Finally, capital taxes represented 19.7% of total, almost 2 pps below the EU average. Looking into specific tax types, revenues from environmental taxes (1.4% of GDP, 0.7 pps below the EU average) and, particularly, property taxes (0.4% of GDP in 2024, compared to 1.8% in the EU) are comparatively low despite their consideration as growth-friendly revenue sources.

**Despite the limited progressivity of Czechia's labour tax system, income concentration is low.** The tax wedge ([2]) for single workers earning 50% of the average wage (37.7% in 2025) was much higher than the EU average (31.6%), while it was below the EU average at high earnings levels. To a large extent, this is a consequence of the personal income tax (PIT) system, which envisages only two tax brackets. As a result, the difference in the tax wedge between high-income (167% of average wage) and low-income earners (50% of average wage) was, at 5.2 pps, among the lowest in the EU (average: 12.5 pps). Such feature reduces financial incentives to increase labour-market participation among low-income and part-time workers. Moreover, the ability of Czechia's tax-and-benefit system to reduce the Gini coefficient ([3]) has decreased in recent years and, at 5.9 pps in 2024, is clearly below the EU average (7.8 pps). Despite this context, Czechia still shows one of the lowest income concentrations in the EU, with an income quintile share ratio (S80/S20) of 3.34 in 2025 (income reference year 2024), compared to 4.62 EU-wide ([4]). In addition, at 11.5% Czechia has the lowest at-risk-of-poverty or social exclusion rate (AROPE) ([5]) in the EU (average: 20.9%).

[1] Data on tax revenues are based on European Commission: Data on Taxation Trends, edition 2026 (reference year 2024), which are produced by DG Taxation and Customs from ESA table 9 and National Tax List data, as collected and validated by Eurostat. The 2027 edition (reference year 2025) will be published in the first quarter of 2027. Recent Eurostat release shows a tax-to-GDP ratio of 35.1% in 2025, compared to an EU average of 39.7% (data of 30/10/2026 on [GOV_10A_TAXAG]).

[2] The tax wedge is an indicator of the tax burden on labour that can be assessed at different earnings levels. It is calculated as the sum of personal income tax, employee social-security contributions, employer social-security contributions and other mandatory contributions, net of cash family benefits where relevant, expressed as a percentage of total labour costs (composed of the gross wage plus employer social-security contributions). Data are based on the EUROMOD model, calculated by the Joint Research Centre of the European Commission. Unless indicated differently, values indicated in this country fiche refer to single earners.

[3] European Commission, DG ECFIN calculations based on EU-SILC survey data. A Gini coefficient of 0 expresses perfect equality where everyone has the same income, while a coefficient of 100 expresses full inequality where only one person has all the income. The difference between the "gross" (excluding pensions from social transfers) and the "net" Gini coefficient, i.e. before and after application of the tax-benefit system, reflects the difference between market income and disposable income.

[4] The income quintile ratio (S80/S20) is a headline indicator in the EU Social Scoreboard used to monitor income inequality. It measures the ratio between the total equivalised disposable income received by the top 20% of the population and the bottom 20%.

[5] Share of people living in households experiencing at least one of the three poverty and social exclusion risks: risk of poverty, severe material and social deprivation, and/or living in a household with very low work intensity.

**In 2026, Czechia has received the following country-specific recommendations (CSRs) in the area of taxation ([6]):**

- *Enhance public investment and administrative efficiency by simplifying and incentivising cooperation among municipal administrations and adjust municipal tax assignment rules, if relevant.*
- *Boost innovation and enhance the business environment by improving the regulatory framework for start-ups, reducing research system fragmentation and accelerating technology adoption, including through technology transfer from academia and effective use of R&D tax benefits.*
- *Reduce the tax burden on low-income workers and exemptions for high-income self-employed.*

## 1.2. Tax complexity and simplification measures

### 1.2.1. Measures of tax complexity

**Czechia's tax system appears to be of moderate complexity overall.** Survey-based evidence from the Tax Complexity Index (TCI) places Czechia close to the middle of the EU distribution, ranking 17th among Member States. The underlying components of the TCI suggest that complexity arises more from the tax code than from administrative procedures ([7]). Citizen perceptions, however, point to relatively high filing burdens. Only 26% of respondents in Czechia report that completing their tax return is easy, one of the lowest shares in the EU and well below the EU average of 49%. In addition, reported reliance on professional assistance is comparatively high (14%) compared to the EU average (9%) ([8]).

**Legislative activity appears comparatively limited.** Czechia recorded 7 tax changes entering into force or announced in 2025, well below the EU average of around 14 ([9]). Previous years saw only 1 tax change in 2024, 20 in 2023 and 12 in 2022. With the exception of 2023, when legislative activity was slightly above the corresponding EU average, the number of tax changes remained below the EU average, pointing overall to a relatively stable tax policy environment. The reforms in 2025 are relatively targeted and include measures to strengthen research and innovation through enhanced R&D tax deductions, facilitate business activity by increasing the threshold for the one-off write-off of receivables, and modernise the VAT system through changes to the treatment of irrecoverable receivables and supplies without the right to deduct input VAT. While these measures require businesses to adapt to new rules in the short run, they are largely focused on specific policy objectives and do not bring broad changes to the tax system.

[6] https://data.consilium.europa.eu/doc/document/ST-11115-2026-INIT/en/pdf.

[7] The Tax Complexity Index (TCI), developed under the Global MNC Tax Complexity Project, measures the complexity of countries' corporate income tax systems as faced by multinational firms. Based on survey data from tax professionals, it captures both the complexity of tax rules (tax code) and administrative procedures (tax framework), with values ranging from zero (not complex) to one (extremely complex).

[8] European Commission (2025), Flash Eurobarometer 562: Citizens' attitudes towards taxation, fieldwork conducted between 9 and 17 April 2025. Available at: https://europa.eu/eurobarometer/.

[9] The information is based on the tax measures reported by national administrations in the Joint OECD-European Commission Annual Tax Policy Reform Questionnaire, by aggregating and processing the responses received to the 2026 questionnaire. Responses to the 2026 questionnaire are relative to tax policy measures self-reported by the Member States that were implemented, legislated, or announced in each country between 1 January and 31 December 2025. While comprehensive, the list of tax measures is non-exhaustive.

**Demand-side indicators provide additional context.** The accounting, bookkeeping and tax consultancy sector accounts for around 0.7% of gross operating surplus, below the EU average of 0.9% ([10]). While this indicator is influenced by several factors, it does not point to a particularly important professional services sector or unusually strong demand for specialised tax and accounting expertise in general ([11]). Taken together, the evidence indicates that complexity in Czechia stems less from legislative activity and more from the practical burden associated with understanding and complying with existing rules.

### 1.2.2. National simplification efforts

**Czechia has taken steps to modernise and simplify its tax reporting framework for businesses and public administrations.** In this context, the Single Monthly Employer Reporting System ([12]), managed by the Ministry of Labour and Social Affairs and implemented as of 1 January 2026, introduced a major simplification ([13]). It enables employers to fulfil multiple reporting obligations to several public authorities through a single monthly electronic submission. For this purpose, each natural person is assigned a single personal identification number, unless one has previously been assigned. . From 1 April 2026, employers' registration obligations towards tax administration are abolished and registration is carried out only through the Czech Social Security Administration ([14]), removing duplication and alleviating compliance burden. Beyond easing reporting requirements, this portal serves as a centralised system for collecting, storing and making data on employers and employees directly available to public authorities, within the scope of their competence and for the purposes laid down by relevant statutory legislations, thereby supporting a more effective use of this information ([15]). Furthermore, the Single Monthly Employer Reporting System is expected to support efforts to combat the shadow economy and strengthen the basis for further digitalisation of the tax reporting system, including by facilitating the deployment of pre-filling of tax returns ([16]).

**Czechia is encouraging digital filing of PIT tax returns.** As of 2021, Czechia grants taxpayers who file their personal income tax return electronically an additional month compared with the deadline for paper submissions. This provides a clear incentive for the uptake of digital services and supports the broader simplification and modernisation of the tax administration ([17]).

[10] A higher share of gross operating surplus indicates that the accounting, bookkeeping and tax consultancy sector generates a relatively larger share of operating profits and value added in the economy. While not a direct measure of tax complexity, it may point to a comparatively important professional services sector and, indirectly, to greater demand for specialised tax and accounting expertise.

[11] While some cross-border provision of accounting, tax consultancy and related services may be captured through imports and exports of services, available evidence suggests that such flows are relatively limited. In particular, data from the Eurostat's EU inter-country supply table at basic prices (reference year 2023) indicate that cross-national transactions in these services represent only a small share of overall activity, if any, suggesting that their impact on the interpretation of domestic sector size is likely to be limited.

[12] Single Monthly Employer Report, Website of the Czech Social Security Administration.

[13] Act No. 323/2025 Coll. On Uniform Monthly Employer Reporting.

[14] Tax news for 2026, Website of the Financial Administration of the Czech Republic.

[15] Data will be accessible by the Ministry of Labour and Social Affairs of the Czech Republic, the Czech Social Security Administration, the Czech Statistical Office, the Labour Office of the Czech Republic, the Ministry of Finance, and the Financial Administration of the Czech Republic.

[16] Activities report of the Financial and customs administrations of the Czech Republic for 2024, July 2025.

[17] Personal Income Tax Return, Website of the Czech Government.

### 1.3. Measures of the non-observed economy and the shadow economy

**Estimates of economic activities outside the formal economy are relevant for gauging tax gaps.** The non-observed economy (NOE) is an official figure provided by national statistical authorities estimating all economic activities that may not be captured in the basic data sources used for compiling national accounts. It includes underground, informal, illegal, and household self-use production, as well as activities missed due to imperfect data collection ([18]). The shadow economy is an analogous but narrower concept — used in the economic literature and measured via macroeconomic models — that usually encompasses only legal, market-based productive activities deliberately concealed from public authorities to evade taxes or regulations. Due to limitations and methodological differences between the two approaches, model-based estimates of the shadow economy paradoxically often turn out to be considerably higher than NOE-based estimates.

**Specifically, recent data from official sources ([19]) allow to estimate the size of the NOE in Czechia at 10% of GDP for 2022.** The NOE comprises the underground economy (7.7%) and informal economy (1.7%), while statistical deficiencies and illegal economy represent 0.39% and 0.21% of GDP respectively. Czechia thus records a NOE above the EU average (7.4% of GDP) ([20]). The largest part of NOE is concentrated in 'Construction' (1.9%) of total GVA), followed by 'Real estate activities' (1.6%) and 'Manufacturing' (1.3%). At industry level, the highest shares of NOE are presented by 'Agriculture' (42%), 'Other Service Activities' (41.6% of its GVA), and 'Construction' (35.3%).

**Different models produce substantially different estimates for the shadow economy, reflecting the complexity of such estimation.** As in most EU Member States, model-based estimates of the shadow economy for Czechia are higher than the NOE estimate discussed above**.** In 2022, the shadow economy in Czechia represented 13.3% of its GDP, according to estimates by Schneider and Asllani for the European Parliament ([21]). This ratio is -4.1 pps below the EU-27 unweighted average, and it has decreased compared to 2003 (19.5% of GDP). The report indicates that indirect taxes and self-employment are the main drivers of the shadow economy in Czechia. Several other studies provide estimates of similar magnitude for the size of the shadow economy ([22]). However, using a currency demand approach (CDA), a recent study by EY ([23]) reports lower estimates for Czechia's shadow economy, at 6.5% of GDP in 2023 (EU average 7.9%), down from 13.1% in 2000 (EU average 13.2%).

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[18] Statistical deficiencies (N7) are related to incomplete, not collected or not directly collectable data. See Fernandes, A. (2025), The non-observed economy in the national accounts: New evidence for EU and EFTA Member States - available at https://www.sciencedirect.com/science/article/pii/S0313592625000712 - for the definitions of the other components of NOE: Producers deliberately not registering (N1); Illegal economy (N2); Producers not required to register (N3); Registered legal persons not surveyed (N4); Registered entrepreneurs not surveyed (N5); Producers deliberately misreporting (N6). Informal economy = N3+N4+N5. Underground economy= N1+N6. In other words, the informal economy specifically covers unregistered or small-scale unincorporated enterprises run by households.

[19] For data and documents used for calculations by TAXUD, see Section 1.3 "Measures of the non-observed economy and the shadow economy" in European Commission (2026), Methods and data for analysing tax gaps and compliance enforcement capacity in EU Member States, Directorate-General for Taxation and Customs Union.

[20] The (unweighted) EU average does not include Luxembourg, which has not yet sent data to EUROSTAT.

[21] This study uses a MIMIC approach (Multiple Indicator Multiple Cause). European Parliament (2022), Taxation of the informal economy in the EU. Study available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2022/734007/IPOL_STU(2022)734007_EN.pdf.

[22] See Fernandes op. cit. (2025) for an overview of various studies.

[23] The report is available at https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/insights/tax/documents/ey-gl-shadow-economy-report-02-2025.pdf.

## 2. Compliance tax gaps

### 2.1 Overview

**Czechia is still in the process of developing robust methodologies to assess compliance tax gaps related to PIT, corporate income tax (CIT) and other taxes.** With respect to CIT gap estimation, Czechia reported relying mostly on a bottom-up approach drawing on various audit types ([24]) but is exploring the development of a complementary top-down approach. While a comprehensive and systematic assessment of the PIT gap is not yet implemented, Czechia intends to extend the analysis to other high-revenue taxes and contributions such as employment taxes, social and health contributions. There is no evidence of the establishment of a dedicated team, and Czechia does not publish official estimates of CIT and PIT gaps. Simultaneously, the Financial Administration is engaging with other public agencies such as the Czech Statistical Office as well as the academic sector, with a view to improving compliance tax gap measurement, including through the development of advanced fiscal forecasting models.

**Czechia has contributed to the TADEUS/Fiscalis project on estimating tax gaps**. Between 2021 and 2025, Czechia has been part of the first cycle of the TADEUS/Fiscalis project group to develop a common approach on tax gaps estimation, launched with the support of the European Commission ([25]). The second cycle of the project was launched in 2026.

### 2.2 Compliance tax gaps in VAT

**For 2023, the VAT compliance gap ([26]) in Czechia was estimated at around 8% of the VAT Total Tax Liability (VTTL) ([27]), or approximately CZK 50 billion (EUR 2 billion).** It has followed a consistent downward trend from around 15% in 2019, to below the EU average of 9.5% in 2023, dropping by 7 pps in five years ([28]). The decline in 2023 was linked to the decrease in the share of services, including a fall in hard-to-tax service categories (such as recreation, restaurants and accommodation) and slower tourism growth, as well as a decrease in bankruptcy declarations.

**Czechia has continued to strengthen VAT compliance through the use of digital reporting and risk-based compliance measures.** The Financial Administration continues to rely on the VAT Control Statement, which enables transaction-level cross-checking of VAT data and supports the detection of fraud and under-reporting. These measures form an important part of Czechia's VAT compliance framework, alongside broader economic and structural factors that have contributed to the decline in the VAT compliance gap in recent years. At the policy level, Czechia also introduced the 2024 Consolidation Package, which simplified the VAT rate structure by replacing the two reduced VAT rates with a single reduced rate. While this reform primarily concerned VAT policy rather than compliance, it is expected to simplify VAT administration and reduce compliance costs for businesses. Looking ahead, Czechia is expected to continue strengthening its digital VAT

[24] European Commission: Directorate-General for Taxation and Customs Union, Towards a common approach to tax gap estimation in the EU – Fiscalis Project Group 008 – Final report, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/3068071.
[25] For details, please refer to the TADEUS website, the FISCALIS programme website and the Final Report of the Project.
[26] The VAT compliance gap is an estimate of revenues lost due to VAT fraud, evasion and avoidance, bankruptcies and financial insolvencies, or miscalculations.
[27] The VAT Total Tax Liability (VTTL) is the theoretical tax revenue that would be collected in a situation of perfect taxpayer compliance, assuming an unchanged net VAT base.
[28] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.

reporting framework in preparation for the implementation of the EU's VAT in the Digital Age (ViDA) reforms.

### 2.3 Compliance tax gaps in corporate and personal income tax

**Czechia has advanced the estimation of the CIT compliance gap, but the PIT gap assessment is still at an early stage of methodological development.** Current CIT estimations are based on a bottom-up approach, drawing on the findings from the tax administration's inspection activities, including risk-based tax audits and procedures for removing doubts aimed at verifying the accuracy of tax declarations ([29]). Czechia's estimates have so far covered the period 2014-2017. However, the reliability of these estimates has been weakened by loopholes later identified in the tax programming method, which led to a disproportionate focus on lower-risk entities. These shortcomings may have affected the representativeness of the results. Consequently, Czechia is taking steps towards the development of a structured top-down method for estimating the CIT compliance gap. This method will rely on data provided by the Czech Statistical Office and tax statistics published by the General Financial Directorate. It will draw on detailed information on profits, losses and total tax liability, classified according to the Statistical Classification of Economic Activities in the European Community (NACE).

**European Commission estimates suggest a slightly above-average CIT compliance gap in Czechia.** Based on a methodology developed by the Joint Research Centre which relies on a top-down approach using national accounts data and estimates of the non-observed economy produced by national statistical offices, the CIT compliance gap of Czechia is estimated at around 12.3% of collected CIT revenues based on 2022 data ([30]). Based on the same methodology, the (unweighted) average CIT compliance gap is 9.2% of collected CIT revenues across all Member States. Compared to an earlier estimate of around 11.1% in 2018, this points to a moderate increase over time and a level above the EU average.

**The European Commission is not aware of any formalised methodology currently in use in Czechia to measure the PIT compliance gap.** The Financial Administration is in the process of selecting suitable risk indicators that would provide a basis for the development of a comprehensive methodology. However, three independent academic studies, relying on a top-down approach but whose findings are not based on official estimates nor endorsed by the Czech Financial Administration and Ministry of Finance, suggest a PIT gap of about 5% to 14% of PIT revenues collected ([31]).

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[29] European Commission (2025), Directorate-General for Taxation and Customs Union, Towards a common approach to tax gap estimation in the EU – Fiscalis Project Group 008 – Final report, Publications Office of the European Union, https://data.europa.eu/doi/10.2778/3068071. The procedure for removing doubts is an audit tool laid down in Sections 89 and 90 of the Czech Tax Code. Under this procedure, the tax authority may formally request that the taxpayer substantiate the correctness and completeness of the information declared in its tax return. If the taxpayer fails to respond, or if the response does not dispel the tax authority's doubts, the authority may proceed with a formal tax audit.

[30] European Commission estimates are based on a top-down methodology for approximating CIT compliance gaps using national accounts data. The approach relies on exhaustiveness adjustments made by national statistical offices to Gross Operating Surplus, Gross Value Added and Gross Domestic Product in order to account for non-observed economic activity in the compilation of GNI. The method provides a harmonised proxy for domestic underreporting of corporate income, but does not capture all sources of CIT revenue losses, in particular those related to international profit shifting or other forms of legal tax optimisation. For further information on the data sources, underlying assumptions and methodological caveats, see Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

[31] Finardi, S., and Jiříková, T. (2025). Personal Income Tax Gap: The Czech Experience. In M. Balyt-ska, H. Bohušová, & P. Luty (Eds.), The V4 and Ukraine Fight with Tax Fraud and Money Laundering (pp. 71-77). Publishing House of Wroclaw

### 2.4 Other compliance tax gaps

**The Commission continues its work on excise gap estimation**, developing and scrutinising methodologies with experts from over 20 Member States, with the aim of delivering more robust estimates that better support policy and operational work. This work also illustrates Member States' growing engagement in the field.

**While Czechia does not currently estimate excise tax gaps, it devotes resources to strengthening EU cooperation on excise matters** through its participation in the Fiscalis project group on Excise Gap and Risk.

**Czechia does not publish any information on possible other compliance tax gaps estimations.** There are no official programmes or published figures for compliance gaps related to other taxes.

## 3. Policy Tax Gaps

### 3.1 Tax expenditure reporting and evaluation

**Czechia monitors tax expenditures as part of the budgetary cycle, supported by a formalised methodology ([32]) and grounded in legal reporting obligations**. The law on the Rules of Budget Responsibility ([33]) requires publishing information annually on the impact of tax expenditures on general government' revenues via a report annexed to the State Budget ([34]). This report is publicly available, in Czech and in English, on a dedicated page of the Ministry of Finance's website ([35]).

**The annual report provides estimates on tax expenditures related to PIT, CIT and VAT ([36]), while tax expenditures related to excise duties, real estate taxes and other taxes are not covered.** The information is reported at the level of individual provisions, with each measure being classified under one of the four categories of tax expenditures (tax exemptions, tax deductions, tax credits and reduced tax rates). The scope of reporting is further limited to measures for which data are available and whose budgetary impact exceeds CZK 100 million (ca. EUR 4.1 million), with estimates produced ex post and subject to a two-year delay. Czech authorities identify data unavailability and the administrative burden related to their collection as one of the main obstacles to a broader coverage. In that respect, the implementation of the Single Monthly Employer Reporting System may improve data availability and support a more comprehensive tax expenditure analysis. In addition, although estimates are based on a forgone revenue method, the report does not outline aggregate indicators such as the total revenue forgone as a share of GDP or of general government revenues, nor beneficiary counts ([37]), and does not link tax expenditures to their policy objectives. However, the report sets out projections of the expected effects of selected legislative

University of Economics and Business. Hájek, J. and Olexová, C., (2022). Comparing personal income tax gap in the Czech Republic and Slovakia, Politická ekonomie 2022, 70(1):27-50.

[32] Methodology for calculating tax relief in the Czech Republic, website of the Ministry of Finance of the Czech Republic.

[33] Act No 23/2017 Coll.

[34] Tax expenditures, Annex No.3 of the Report on the Draft Law on the State Budget of the Czech Republic, 14 November 2025.

[35] Website of the Ministry of Finance of the Czech Republic, section "Tax expenditures".

[36] Tax expenditures estimation in the Czech Republic for 2023, Annex No.3 of the Report on the Draft Law on the State Budget of the Czech Republic, 14 November 2025.

[37] Country Profile | GTETI. Czech authorities note the potential issues with tax expenditure aggregates due to policy interaction and non-quantified tax expenditures.

amendments affecting the next budget year. On this basis, the Czech Ministry of Finance forecasts that legislative measures adopted between 2023 and 2025 may reduce tax expenditures by around CZK 4.6 billion in 2026 (ca. EUR 189 million), compared with previous years. Several projects funded by the Technical Support Instrument (TSI) ([38]) address similar issues. The Ministry of Finance is involved in a project that supports the implementation of spending reviews. Meanwhile, the Government Office is participating in a project focused on applying the "Do No Significant Harm" principle at the national level. Furthermore, Czechia undertook in 2024 a Tax Administration Diagnostic Assessment Tool (TADAT) under the European Commission's Technical Support Instrument multi-country project, deployed in cooperation with the Fiscal Affairs Department of the International Monetary Fund ([39]).

**In 2023, tax expenditures reported by Czechia reached CZK 892.1 billion (ca. EUR 37.2 billion), which is about 29% of the total government revenues ([40]) and 11.5% of GDP ([41]).** This marks a slight increase compared to 2022, when the reported revenue forgone stood at CZK 823.6 billion (ca. EUR 33.5 billion) ([42]). Consequently, Czechia ranks among the EU Member States with the highest tax expenditures-to-GDP ratios. With a total of 27 provisions reported for 2023, tax expenditures related to PIT account for the largest share, at about 63%, of total tax expenditures ([43]). Most forgone revenues in PIT are due to the basic tax credit, tax exemptions related to pension insurance benefits and services, benefits provided under public health insurance schemes and the child tax credit. VAT-related tax exemptions, although limited to 6 reported provisions, account for a further 34% ([44]). The remainder stems from 16 CIT tax expenditures.

**Compared to other Member States, transparency and comprehensiveness of tax expenditure reporting in Czechia shows room for improvement (overall ranked 18th, according to the Global Tax Expenditures Transparency Index (GTETI) score).** According to the GTETI analysis, transparency in TE reporting in Czechia is below the EU average overall. Figure 1 depicts the GTETI results for the five dimensions analysed in comparison to EU averages ([45]). Maximum value for each dimension is 20. Czechia is on par with the EU average on 'Public Availability' and 'Institutional Framework'. However, 'Methodology and Scope' is below the EU average (7.60 vs 9.28), 'Descriptive Tax Expenditure Data' is below the EU average (9.40 vs 11.28),

[38] Czechia - Reforms and Investments - European Commission

[39] This project provided the Czech authorities with a baseline assessment of the tax administration performance supporting the identification of reform priorities and highlighting the main strengths and areas of improvement across tax administration systems, processes and institutional arrangements.

[40] Total government revenues were CZK 3.08 trillion (ca. EUR 128 billion) in 2023. Website of the Czech National Bank, Statistical data, Government finance statistics.

[41] Gross Domestic Product was CZK 7.7 trillion (ca. EUR 320.1 billion) in 2023. Eurostat, data browser, Gross Domestic Product at market prices.

[42] Tax expenditures estimation in the Czech Republic for 2022, Annex No.3 of the Report on the Draft Law on the State Budget of the Czech Republic, 10 March 2024.

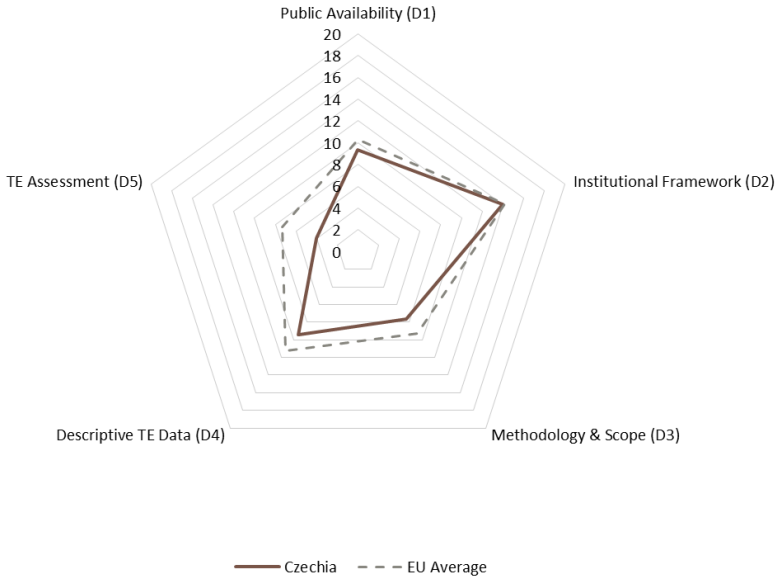
[43] Tax expenditures estimation in the Czech Republic for 2023, Annex No.3 of the Report on the Draft Law on the State Budget of the Czech Republic, 14 November 2025.

[44] These figures differ from the estimates of the VAT rate gap and national policy-driven VAT exemption gap produced under DG TAXUD's VAT gap in Europe study and presented in section 3.2. This is due to differences in the methodology applied.

[45] See the Global Tax Expenditures Transparency Index (GTETI) companion paper (2026) and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches) for details. The GTETI summarises information in five dimensions. These are (1) Public availability — whether a TE report exists and is accessible; (2) Institutional framework — its legal mandate, periodicity, and integration into the budget process; (3) Methodology and scope — the benchmark definition, estimation method, and coverage of taxes; (4) Descriptive tax expenditure data — the granularity and classification of reported provisions; and (5) Tax expenditure assessment — the quality of revenue-forgone estimates and whether TEs are evaluated for effectiveness.

and 'Tax Expenditure Assessment' is below the EU average (4.00 vs 7.34), indicating no forward projections, no evaluation framework, no ex-post evaluations.

**Figure 1**: Czechia vs EU average — GTETI v2.1 dimension scores (max 20 per dimension)




Source: GTETI v2.1.

**While there is no dedicated formal and systematic process for reviewing tax expenditures, since 2025, ex-post regulatory impact assessments have become a systematic component of the general policy-making and legislative process.** These reviews aim at assessing whether the legislation enacted is achieving its intended objectives as well as the administrative burden it imposes on the public and the government services. Reviews are performed based an annual work plan identifying laws, or set of laws, selected for ex-post assessments. While this process was not specifically designed for that purpose, it may therefore encompass tax expenditures provisions ([46]). In addition, the Czech Fiscal Council (Národní rozpočtová rada - NRR), as part of its mandate to monitor general government finances, has addressed selected tax expenditures in its opinions on fiscal consolidation ([47]). No comprehensive assessment by the Supreme Audit Office (Nejvyšší kontrolní úřad- NKU) of the overall effectiveness, governance and performance of the tax expenditures framework is available.

## 3.2 Policy tax gaps in VAT

**Czechia's VAT policy gap is relatively low, reflecting a broad VAT base and a tax system with comparatively limited use of reduced rates and exemptions.** A key recent policy development was the 2024 tax consolidation package, which simplified the VAT rate structure by replacing the previous two reduced VAT rates (10% and 15%) with a single reduced rate of 12%, while retaining the standard rate of 21%. This reform also reduced the number of goods and services eligible for preferential treatment and is expected to improve the neutrality and simplicity of the VAT system, thereby contributing to a lower VAT policy gap.

[46] Regulatory Impact Assessment Manual, Website of the Office of the Government of the Czech Republic
[47] Statements and Opinions, Website of the Czech Fiscal Council.

**The VAT policy gaps in Czechia (national policy-driven VAT exemption gap and VAT rate gap) were below the EU average in 2023.** Revenues forgone due to the application of reduced rates and national policy-driven exemptions reached over CZK 180 billion (ca. EUR 7.5 billion) in 2023 ([48]). The national policy-driven VAT exemption gap ([49]) was estimated at around CZK 100 billion (ca. EUR 4 billion) in 2023, or 9% of the notional ideal revenue ([50]), while the EU average was 11%. The VAT rate gap ([51]) was estimated at around CZK 80 billion (ca. EUR 3 billion) in 2023, or 7% of the notional ideal revenue, lower than the EU average of 12%.

**Tax simulations for 2025 indicate that Czechia's reduced VAT rates were concentrated in a small number of consumption categories, led by 'food and beverages' ([52]).** 'Food and beverages' accounts for the largest share of forgone revenues at 47.1%, above the EU mean share of 39.8%. 'Restaurants and accommodation' come second at 22.4%, above the EU mean share of 20.4%. 'Recreation, sport and culture' ranks third at 11.5%, below the EU mean share of 13.3%. These three categories account for 81.0% of Czechia's total forgone revenue.

**Czechia's reduced VAT rates lower inequality as measured by the Gini coefficient by 0.25 pps, below the EU average reduction of 0.50 pps.** 'Food and beverages' contribute 0.17 pps (69.6% of the total), below the EU mean contribution of 0.32 pps.

### 3.3 Policy tax gaps in corporate income tax

**For 2023, Czechia reported tax exemptions narrowing the tax base accounting for 40% and reduced tax rates for 33% of total CIT expenditures** (CZK 13 and 11 billion, ca. EUR 542 million and EUR 458 million) ([53])**.** Within these categories, three measures represent more than half of the total costs (CZK 17.3 billion, ca. EUR 721 million) ([54]). Simultaneously, measures directly reducing the final tax liability, such as tax deductions and tax credits, play a smaller role in the current CIT expenditures framework, representing respectively 15% and 12% of total reported costs.

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[48] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.

[49] The national policy-driven VAT exemption gap represents the part of the VAT policy gap that can in principle be influenced by national policies on VAT exemptions. In practice, it consists of revenue forgone from services falling under Article 137 (such as real estate and certain financial services), from the SME scheme, and from national exemptions applied under standstill clauses or derogations. The VAT policy gap refers to the revenue lost due to the application of VAT exemptions and reduced, super-reduced, and zero VAT rates on selected products.

[50] The notional ideal revenue is the benchmark VAT revenue that assumes perfect taxpayer compliance in a situation where the current standard VAT rate is applied to all final consumption and household, government, and NPISH investment.

[51] The VAT rate gap refers to the portion of the VAT policy gap resulting from revenues lost due to the application of reduced, super-reduced, and zero VAT rates on selected products.

[52] The VAT rate gap in this subsection is analysed using EUROMOD's household consumption tool. No behavioural adaptation is considered. Note that VAT rates are mostly not an efficient tool for redistributive policies, in part due to incomplete pass-through to consumer prices, in part due to limited targeting of reduced rates. For more details on assessing the impacts of reduced VAT rates with EUROMOD, see Turrini et al. (2024), Tax Expenditures in the EU: Recent Trends and New Policy Challenges, European Commission, European Economy Discussion Paper 212; Ricci et al. (2026), Fiscal Costs and Redistributive Effects of Reduced VAT Rates in the EU, European Commission, European Economy Discussion Paper 244; Trzcinski and Amores (2026), The VAT Policy Gap and Redistribution in the European Union 2025, European Commission, Seville, JRC14876; and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

[53] Tax expenditures estimation in the Czech Republic for 2023, Annex No.3 of the Report on the Draft Law on the State Budget of the Czech Republic, 14 November 2025.

[54] Tax exemptions on interest from bonds issued after 2021 by the government (CZK 7,9 billion, ca. EUR 329 million), reduced tax rates on pension funds (CZK 4.9 billion, ca. EUR 204 million) and tax exemptions on revenues from financial market operations with state treasury (CZK 4.5 billion, ca. EUR 187 million).

**Czechia has strengthened its public support to companies' innovation and competitiveness through CIT related tax expenditures.** Since January 2026, Czechia has reinforced incentives for corporate R&D by increasing the tax deduction applicable to qualified expenses up to CZK 50 million (ca. EUR 2.05 million) from 100% to 150%, while expenses above that threshold remain subject to a 100% deduction. Additionally, the period for carrying forward the unused tax deduction has been extended from 3 to 5 years ([55]). This reform is intended to improve tax-based innovation support for smaller companies and start-ups, which have traditionally benefited less from public support to private innovation than medium and large companies. In the same vein, a reform of the employee stock option regime ([56]) entered into force on 1 January 2026 and aligns taxation with the actual realisation of gains by shifting it either at the moment of the sale of qualified shares or options, or 15 years after their acquisition. In addition, qualified incomes are exempted from social security and health insurance contributions. In parallel, Czechia continues to support the green transition of businesses through an accelerated depreciation regime over two years, applying to the purchase of company fleets' emission-free vehicles acquired and put in use between 1 January 2024 and 31 December 2028 ([57]).

### 3.4 Policy tax gaps in personal income tax

**PIT related tax expenditures constitute by far the largest component of overall tax expenditures in Czechia.** In 2023, PIT expenditures were estimated to cause a revenue shortfall of CZK 560 billion (ca. EUR 23.3 billion). These measures are mainly designed to support policy objectives by narrowing the tax base through targeted exemptions and lowering the final tax liability through tax credits.

**Public support though tax expenditures is highly concentrated with five measures representing 88% of the total costs in 2023.** The main drivers are the basic tax credit ([58]), accounting for 28% of the total costs (CZK 158 billion, ca. EUR 6.6 billion), tax exemptions on pension insurance benefits and services (CZK 102.8 billion, ca. EUR 4.3 billion) and benefits from public health insurance (CZK 68.5 billion, ca. EUR 2.9 billion), as well as the child tax credit (CZK 43.5 billion, ca. EUR 1.8 billion). Apart from these family and social policy related expenditures, there is an exemption on winnings from lotteries and raffles, which alone accounted for about CZK 121.9 billion (ca. EUR 5 billion) of forgone revenue in 2023. However, the introduction of a CZK 50 000 (ca. EUR 2 050) ([59]) annual limit above which incomes become taxable ([60]) is likely to limit its budgetary impact from 2024 onwards. Exemptions benefitting to self-employed individuals, who may deduct up to 80% of their gross annual income as business expenses are not classified by the Czech authorities as tax expenditures and, consequently, are not reflected in the annual report ([61]).

**At the same time, new favourable tax treatment of individual investments in securities is likely to increase forgone revenues resulting from tax exemptions on capital gains.** As of 1 January 2026, the annual monetary cap (set at CZK 40 million, ca. EUR 1.64 million) for

[55] Act No. 360/2025 Coll.
[56] Laws No. 84/2025 and 360/2025 amending Sections 6a and 7b of the Income tax Act No.586/1992 Sb.
[57] Section 30a of the Income Tax Act Act No. 586/1992 Coll.
[58] Pursuant to Section 35 ba of the Income Tax Act No. 586/1992, every taxpayer liable to PIT in Czechia is entitled to claim a basic tax credit of CZK 30 840 (c.a. EUR 1 264), deducted from the calculated tax.
[59] As of the exchange rate applied on 22 June 2026.
[60] Press release 7.4.2025, Website from the Financial Administration of the Czech Republic.
[61] 2026 Country Report – Czechia, Commission staff working document accompanying the document Recommendation for a Council recommendation on the economic, social, employment, structural and budgetary policies of Czechia.

exempting individual incomes from the sale of securities and shares in corporations is abolished, provided that securities are held for at least 3 years and shares for at least 5 years. However, this measure does not apply to incomes in cryptocurrencies ([62]).

**Tax simulations for 2025 suggest that PIT-related tax expenditures in Czechia have a progressive effect ([63]).** PIT-related tax expenditures imply revenue forgone equivalent to 20.0% of actual PIT revenues, slightly above the EU average of 19.1% ([64]). The largest share of revenue forgone arises from family-related TEs (17.7% of PIT revenue). PIT-related tax expenditures reduce the Gini coefficient by 0.41 pps, marginally less than the EU average reduction of 0.46 pps. The relatively high revenue forgone is associated with only a modest reduction in income inequality.

## 4. Effectiveness of tax administration

### 4.1 Registration/identification of taxpayers

**Czechia operates a partially unified identification model, combining general personal and business identifiers with tax-specific use across the main tax types.** For PIT, individuals are generally identified by their birth number (*Rodné číslo*), which also underpins their tax identification. For CIT, companies are identified by their IČO company identification number), while the corresponding tax identifier (DIČ) is normally derived from the IČO. For VAT, registered taxpayers use a CZ-prefixed DIČ/VAT ID, typically based on the *Rodné číslo* for individuals and on the IČO for legal entities ([65]).

**The registration framework is highly digitalised and integrated, with strong use of automated checks and online taxpayer services.** The MOJE daně, a single digital tax portal ([66]) is centralising key tax services, including mandatory electronic VAT registration and the online updating of taxpayer data. The Automated Tax Information System (ADIS) system supports registration integrity by automatically cross-checking taxpayer information against official registers and flagging discrepancies for further review. Integrated with other tax administration subsystems, it helps maintain accurate and up-to-date records through systematic data updates. Additional digital tools, including electronic signatures, online payments and personal tax boxes, further streamline compliance and facilitate taxpayer interaction with the administration ([67]).

**Czechia is taking an increasingly integrated approach to e-commerce oversight.** E-commerce taxpayers have been monitored within the general framework via ADIS and other Financial Administration data sources. A dedicated e-commerce control unit is being prepared for analysis and risk assessment, while current audit activity already covers parts of the digital

[62] Paragraph 4 of Section 3 of the Income Tax Act Act No. 586/1992 Coll. as amended by Act No. 360/2025 Coll- 2026 Country Report – Czechia, European Semester 2026 Spring Package.
[63] Simulations are based on EUROMOD and do not account for behavioural changes. For more details on assessing the impacts of tax expenditures in the PIT with EUROMOD, see Turrini et al. (2024), Tax Expenditures in the EU: Recent Trends and New Policy Challenges, European Commission, European Economy Discussion Paper 212; Leventi et al. (2026), Personal Income Tax Expenditures in the EU, European Commission, Seville, 2026, JRC148748; and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).
[64] According to the European Commission's taxation trends data, PIT revenues in Czechia amounted to approximately EUR 12.4 billion in 2024. This would imply revenue forgone of approximately EUR 2.5 billion due to PIT tax expenditures according to the microsimulation (20.0% of EUR 12.4 billion).
[65] Dokumentace - Portál MOJE daně.
[66] Hlavní stránka - Portál MOJE daně.
[67] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection.

economy, including the sharing economy and electronic platforms. For One Stop Shop (OSS) oversight, pilot nationwide audits of OSS-registered entities are in preparation, and ADIS includes a specific VAT risk combination to flag taxpayers reporting high OSS-relevant supplies without being registered for the one-stop shop in Czechia. The framework thus combines mainstream monitoring with emerging dedicated tools, although Central Electronic System of Payment Information (CESOP) data ([68]) remain operationally difficult to use ([69]).

**Czechia's VAT registration controls combine automated verification with risk-based follow-up.** Through ADIS, legal and identity data are routinely cross-checked against basic registers when a taxpayer is entered into the system, and any discrepancies with the registration application are further verified. In parallel, unregistered traders are identified on an ongoing basis through risk analyses of specific sectors, using public sources, Financial Administration data and third-party information ([70]).

**In the Czech Republic, VAT identification numbers flagged through Eurofisc MTIC alerts are subject to a multi-stage verification process, but qualification for monitoring remains particularly slow.** Although the subsequent invalidation of VAT numbers linked to high-risk or missing traders has become faster, procedural complexity overall still limits the speed and effectiveness of the Czech response to VAT fraud.

### 4.2 Tax filing and assessment

**The Czech tax system is highly digitalised for filing, although pre-filling remains limited to basic taxpayer information.** Electronic filing is standard, primarily through the Financial Administration's MOJE daně portal and data box infrastructure, which support online filing, communication with tax authorities, and access to taxpayer information. For PIT and CIT, the portal supports pre-filling of basic taxpayer or payer information, but not tax amounts, with more advanced automatic pre-filling planned for future years. VAT digitalisation also includes structured reporting requirements like the VAT Control Statement (Kontrolní hlášení), which requires transaction-level data in a prescribed format.

**E-filing rates show near-universal compliance for VAT and CIT but lag for PIT.** The Czech Republic achieves 100.0% e-filing for VAT (slightly above the EU average), but PIT trails at 67.8% (below the EU average of 88.4%), while CIT stands at 99.8% (above the EU average). This reflects strong digital adoption for business taxes but indicates room for improvement in individual taxpayer compliance ([71]).

**Czechia offers basic digital tax services for taxpayers.** The MOJE daně and Portál občana portals allow online filing and record access. In the future, AI is expected to help by automatically filling tax returns from uploaded documents and processing receipts. Future plans include pre-filled

[68] The Central Electronic System of Payment Information (CESOP) is an EU-wide system established under Directive (EU) 2020/284 to support the fight against VAT fraud in e-commerce. It requires payment service providers to report cross-border payment data on a quarterly basis to national tax authorities, which then transmit the information to CESOP. The system centralises and analyses this data, enabling Member States to detect undeclared online sales, identify fraudulent traders, and enhance administrative cooperation in combating cross-border VAT fraud.
[69] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection.
[70] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[71] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.

tax returns and a tax information chatbot. All AI tools operate under strict data protection rules with human oversight to ensure accuracy and security ([72]). Ongoing digital government initiatives under the Digital Czechia strategy are expected to further enhance digital public services ([73]).

**Czechia makes a thorough use of data obtained through the automatic exchange of information (AEOI)**, **under the Directive on administrative cooperation in the field of taxation (DAC) ([74]).** Namely DAC1 ([75]), DAC2 ([76]), and DAC7 ([77]) for the purposes of PIT and CIT. The identification of taxpayers concerned in Czechia has room for improvement: in 2025, the matching rate measuring success in identifying registered taxpayers with DAC data ([78]) is 74% for the main categories of DAC1 ([79]), 75% for DAC2 and 67% for DAC7, below the EU-average, which is 84%, 92% and 86%, respectively. In this respect, the TIN validation tool envisaged in the DAC recast proposal will support the Czech tax authorities to improve the process to identify taxpayers and approach a 100% automatic matching rate.

**Once the taxpayers have been identified, the Czech tax authorities use the available data for a large range of activities**: awareness raising campaigns, tax risk assessment to detect possible undeclared income, notification to generate disclosure and, if relevant, tax assessments or general audits. In Czechia, this use is not only relevant for PIT, but also for assessing corporate taxation and VAT and to detect undeclared professional activities, as tax authorities use the most recent exchange of information on income from digital platforms (DAC7). The information concerning properties is also provided to the municipalities administering the city taxes, which is considered as best practice. However, Czechia does not report the additional revenue stemmingfrom the use of DAC data[80], which means there is room for improvement in the existing monitoring system.

**Czechia has been relatively active in VAT administrative cooperation ([81]).** In 2024, Czechia sent 1 650 requests for information and received 1 219 requests ([82]). Based on a standardised

[72] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[73] https://digitalnicesko.gov.cz/.
[74] Source: Yearly Assessment 2026.
[75] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC: automatic exchange of information on income from employment, pensions, director's fees, immovable properties, life insurance products, royalties.
[76] Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on financial accounts.
[77] Council Directive (EU) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation: automatic exchange of information on income from digital platforms.
[78] The matching rate indicates to what extent a Member State has been able to identify their taxpayers in their national tax databases with information received from other Member States under the DAC. Such matching is necessary to ensure that the data can be used for tax compliance purposes. The matching rates mentioned in this report are based on the metrics approved by the tax authorities in the TADEUS meeting of December 2024.
[79] Income from employment, pensions, director's fees, immovable properties.
[80] Source: Yearly Assessment 2026.
[81] Based on Council Regulation (EU) No 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of value added tax (VAT), as subsequently amended, the EU and Member States' national tax authorities cooperate to help ensure the correct application of VAT rules on cross-border transactions.
[82] The data is assessed based on the annual statistics, provided pursuant to Commission Implementing Regulation 79/2012 (Annex IV) and presented to the Standing Committee on Administrative Cooperation (SCAC).

measure, taking into account the relative size of the Czech economy, Czechia is above the EU weighted average on both the number of requests sent and on the number of requests received ([83]).

**Czechia records high results in automatic exchange of VAT information.** In 2024, Czechia reported 7 488 VAT identification numbers allocated to taxable persons not established in the Member State. For information on new means of transport, it forwarded 459 cases. Based on a standardised measure, taking into account the relative size of the Czech economy, Czechia is above the EU weighted average on both VAT identification numbers allocated to taxable persons not established in the Member State and the volume of information on new means of transport ([84]).

### 4.3 Compliance risk management

**Czechia's compliance risk management system appears to be evolving toward more structured risk-based approaches.** While no formal tax compliance plan existed in 2025, a tax risk management system directive is expected in 2026 to enable more systematic risk identification. The Financial Administration traditionally relies on annual audit plans based on risk monitoring, supplemented by ad-hoc actions to address emerging threats ([85]).

**Czechia's compliance risk management begins exploring AI.** While the tax administration uses data analytics and risk-based audits as its core CRM approach, early AI projects in tax assistance and receipt digitisation demonstrate potential for efficiency gains. Planned expansions into transactional fraud analysis and risk monitoring under the *Digital Tax Cobra* initiative may eventually enhance risk detection, but currently, AI serves as a supplementary tool rather than a systemic component of the CRM framework ([86]).

**Czechia incorporates behavioural insights and early interventions into its compliance strategy.** The tax administration uses proactive measures such as informal outreach to resolve issues before they escalate to full audits. Since 2025, "nudge letters" have been deployed to encourage timely compliance, reflecting a shift toward behaviourally informed tools ([87]).

**Czechia's use of Central Electronic System of Payment (CESOP) data remains limited to case-by-case checks and supplementary audits.** The data is not systematically integrated but used for individual searches, DAC7-related audits, and OSS scheme verifications. Pilot projects explore cross-analytics with DAC7 and OSS/IOSS data, while entities with suspicious transaction

[83] The standardised measure normalises the number of requests per EUR 1 billion of GDP, allowing for comparison relative to the size of the economy. In 2024, Czechia sent 5.14 requests per EUR 1 billion of GDP compared to an EU weighted average of 1.60 requests sent per EUR 1 billion of GDP; and received 3.79 requests per EUR 1 billion of GDP compared to an EU weighted average of 1.59 requests received per EUR 1 billion of GDP.

[84] The standardised measure normalises the number of requests per EUR 1 billion of GDP, allowing for comparison relative to the size of the economy. In 2024, Czechia reported 23.31 VAT identification numbers allocated to taxable persons not established in the Member State per EUR 1 billion of GDP compared to an EU weighted average of 7.77 VAT identification numbers per EUR 1 billion of GDP; and new means of transport 1.43 requests per EUR 1 billion of GDP compared to an EU weighted average of 0.95 new means of transport per 1 EUR billion of GDP.

[85] European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Czechia, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/3486033.

[86] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).

[87] European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Czechia, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/3486033.

volumes have been flagged for further review. Future interconnection with VIES is under consideration, though data quality improvements are needed ([88]).

**Czechia also uses reports exchanged automatically under the DAC, i.e. DAC3 ([89]), DAC4 ([90]) and DAC6 ([91]) for risk-analysis purposes in the field of corporate income taxation.** The Czech tax authorities identified successfully 100% of the taxpayers concerned by DAC3, and 71% of the taxpayers concerned by DAC4 (the EU average being 98% and 94% respectively). However, Czechia was not able to provide the percentage of taxpayers reported under DAC6 which were successfully identified for 2025. As the administration has set up a system for processing DAC6 data exclusively by manual means, it should be able to provide the DAC6 matching rate. As regards the use of data, , DAC3, DAC4 and DAC6 reports are used for identifying tax risks (e.g. risks related to transfer pricing, base erosion and profit shifting, harmful tax practices), followed up by tax audits, where relevant. More specifically on DAC6, each report is individually reviewed by the Transfer Pricing Unit and/or International Taxation Unit to detect any useful information and programming further administrative actions, if relevant. This approach could be completed by identifying potential legal loopholes, if any.

**Czechia monitors its VAT gap as a compliance indicator but lacks detailed insights for targeted enforcement.** The VAT gap has shown a steady decline in recent years, calculated using a top-down methodology based on GDP adjustments. While Czechia tracks this trend to assess overall tax compliance, the approach does not provide sector-specific or behavioural data to inform targeted compliance strategies ([92]).

### 4.4 Audits

**Czechia's audit system combines early interventions with escalating enforcement.** The approach spans preventive measures, such as the so-called "removing doubts" procedures, to full audits, including desk reviews, limited-scope checks, comprehensive on-site examinations, and targeted investigations for high-risk cases ([93]).

**Czechia's audit processes rely on automation but have not yet integrated AI-driven solutions.** The Automated Tax Information System supports audit management, tax verification, and revenue forecasting through a single integrated infrastructure. While robotic process automation, data analytics, and network analysis are used, these remain rule-based tools without

[88] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[89] Council Directive (EU) 2015/2376 of 8 December 2015 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on rulings and advanced pricing arrangements.
[90] Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on country-by-country reports of multinational entities.
[91] Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements: automatic exchange of information on potentially tax-harmful cross-border arrangements.
[92] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[93] European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Czechia, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/3486033.

machine learning or predictive capabilities. AI assistants for auditors and document chatbots are in development but not yet deployed ([94]).

**Czechia's audit segmentation targets high-value taxpayers and emerging risks in digital commerce.** The Large Taxpayer Office (LTO), with just 2.5% of total staff, generates 46.1% of total revenue, demonstrating focused efficiency ([95]). For e-commerce and sharing economy platforms, oversight is integrated into general monitoring via the ADIS system whereby a specialised e-commerce unit was established on 1 July 2026 to enhance risk analysis. OSS coordinators manage cross-border cases, while automated VAT return credibility checks flag potential non-compliance in digital transactions. However, CESOP data limitations (e.g. lack of business-to-business (B2B)/business-to-consumer (B2C) distinction) pose challenges for targeted enforcement ([96]).

**Czechia is a prominent user of advanced instruments of cooperation provided for in Directive on administrative cooperation in the field of taxation and Regulation 904/2010 to facilitate cooperation on specific cross-border VAT issues.** Such instruments entail multilateral controls (MLCs) such as simultaneous controls, joint audits and presence in administrative offices and administrative enquiries (PAOEs). The synergies between participating Member States derived from these coordinated activities usually lead to an increase in the tax assessed and, therefore, contribute to reduce the tax gap. Between 2023 and 2025 Czechia has initiated 6 MLC and 14 PAOE, and has participated in 9 MLC and 16 PAOE, representing respectively 5.6%, 21.5%, 3.1% and 12.4% of the total of these operations ([97]).

### 4.5 Payment and collection

**Czechia shows a strong overall level of digital tax compliance, although the picture is incomplete ([98]).** In 2024, 96.8% of tax payments were made electronically, and this is also a marked improvement from 87.1% in 2018. For on-time payments, 2024 data are available as follows: 91.4% of VAT, 76.60% of CIT, and 92.07% of PIT (on employment income) were paid on time ([99]). Paying taxes in cash is generally allowed up to CZK 270 000 (ca. EUR 11 250) per payment per day.

**Czechia links the VAT refund process to the registration stage ([100]), checking taxpayers' identities to prevent fictitious traders from entering the VAT system.** The refund process is integrated with the compliance risk management system. In addition, since 2019, the Czech system has included penalties for failure to submit VAT returns and for late payment.

[94] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[95] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.
[96] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[97] EU AIAC Statistics -2023-2025.
[98] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.
[99] CIT and PIT on-time payment figures are reported directly by Czechia to the European Commission and are not sourced from ISORA.
[100] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).

### 4.6 Tax debt recovery

**Further use of dedicated digital tools may improve early detection of non-compliance and tax recovery performance.** The tax administration currently relies on basic digital tools for tax recovery, with limited integration and analytical capabilities. To improve the detection of non-compliance and recovery performance, a new system is being implemented that will centralise data from multiple sources and enhance analytics, enabling a more targeted and data-driven enforcement approach. The system uses filters to simplify and accelerate tax collection.

**Tax arrears in Czechia have been below the EU average in recent years.** The outstanding tax arrears at year end, as percentage of the total revenue collected, have decreased to 15.9% in 2023 compared to the previous year (20.4%). The closing stock of collectible tax arrears, as a percentage of the closing stock of arrears, has slightly increased from 19.7% in 2022 to 21.9% in 2023, although it remains below the EU average of 30.7%. Czechia does not have specific legislation that allows tax (recovery) authorities to exchange information with the administrator of the insolvency proceedings concerning assets that could be used for the recovery of the unpaid claims in insolvency proceedings. As regards the write-off of tax debts, Czechia applies strict rules ensuring that debts are only written off when recovery is no longer possible. Czech authorities do not monitor the time needed to solve tax disputes, and it does not collect taxes while a tax dispute is pending under administrative or judicial review.

**Regarding cross-border recovery assistance within the EU, Czechia submits compliant requests to other Member States.** Czechia's recovery requests to other Member States generally comply with requirements, focusing on well-established claims. Only 3 recovery requests were suspended because of contestation of the claim in 2025, while Czechia sent 1 007 requests for recovery to other Member States in the same year.

**Czechia has integrated AEOI data in its recovery strategy.** Indeed, Czechia uses information from DAC1, DAC2 and DAC7 for tax recovery purposes, which is considered as best practice.