

## Annual tax settlement

**The annual tax settlement is the period of tax declaration for the employed. It is a form of settlement of tax paid for the calendar year, which is done for employees by the wages office.**

The annual tax settlement must be **signed at the wages office by the 15th of February** and at the same time one must supply all documents about any possible tax discounts or deductible items. The annual settlement is thus carried out before the date for handing over the tax declaration and immediately at the start of the year the employed have their taxes solved.

During the annual settlement so called **tax overpayments and rights to returned tax or even a tax bonus** can arise. This is a situation where during the year you paid a larger amount of income tax than was calculated during the annual settlement. This is caused by the fact that you did not apply for one of the tax discounts over the entire year, or you are applying for a tax relief which can only be applied for once a year. Tax refunds can also arise in cases where you have a right to an untaxed item. These are applied for only once a year.

In one of the tax reliefs you can also become eligible for a so called tax bonus. This is a situation where **you don't pay any income tax and at the same time you receive money paid out by the state**. The right to a tax bonus only arises when applying for the tax concession for a child.

### Who can request the wages office to do an annual settlement of tax

A taxpayer, who:

1. only works for one employer and only has income from this dependent activity, or who worked for more than one employer during the year, however always one after another and never had two incomes at the same time in one month.
2. **The taxpayer must also have signed a tax declaration** with each employer.
3. And the taxpayer requested an annual settlement in writing from his last employer (usually his current one) at the latest by the 15th of February after the end of the tax period.
4. The taxpayer must also not have or have a duty to submit a tax declaration.

### Discounts which are applied each month

In the case of employees certain discounts appear immediately in every monthly wage payment, these discounts include:

- the basic tax discount for a taxpayer
- the discount for students
- tax concessions for children and any possible tax bonus,

- discount for invalidity
- and the discount for the holders of ZTP/P cards.

Every taxpayer can apply these discounts each month, all you have to do is prove your right to these tax discounts to the wages office.

During the annual settlement thus most of these discounts do not appear and no tax refund arises. A tax refund only arises in cases where the taxpayer did not work all year and did not use some of these tax discounts in some of the months. In such a case this discount is added to the annual settlement and the right to a tax refund arises.

### **Discounts which are applied only during the annual tax settlement**

Apart from tax discounts, which are applied each month, there are also discounts which you can only apply once a year. These include:

- discount for a wife (or husband)
- school discount

These discounts are applied only once a year and it is necessary to prove a right to them during the annual settlement. The right to a discount for a wife (husband) without taxable earnings must be proved with a written honourable declaration. The school discount can then be applied for by one of the parents and it must be proved by a confirmation from a school. If you are going to apply for the school discount, don't forget that this proof must be handed over to the wages office by at the latest the 15th of February. It is also necessary to present the wages office with the honourable declaration relating to wives/husbands by this date.

### **Non-taxable items**

Apart from tax discounts you can also apply for the so called non-taxable part of the tax base as part of the yearly settlement. These non-taxable or also deductible items do not lower the tax responsibility directly, but they lower the tax base from which income tax is paid.

Non-taxable items include:

- gifts and payments in kind
- interest paid on a mortgage, or from a construction savings loan,
- pension insurance and supplementary saving,
- life insurance
- union subscriptions
- and payments for education.

How to deduct your mortgage from taxes

Once again you must prove your right to these non-taxable items to your wages office by the 15th of February. This confirmation should be provided to you by your bank, construction savings bank or the union of which you are a member. Don't forget to actively ask for a confirmation, so that you manage to hand it over to the wages office in time.

### **When will I receive money after the annual tax settlement?**

If during the tax settlement you become eligible for a tax refund, or indeed a tax bonus, then the employer is required to pay out this money at the latest in the March wage. That is paid out on a date chosen by your employer in April.