FROM THE IUSTORIA BLOG

Wages Against a Debt: What the Supreme Court's Grand Chamber Said About Set-Off and Gross Wages

> *An employee owes the company money, the company owes them wages. In May 2026 the Supreme Court's Grand Chamber said when even an email cancels a wage claim and why a court may award only part of it.*

IUSTORIA TEAM

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An employment relationship ends on bad terms. The employer claims the employee caused it damage and holds back the final pay, saying it will "set it off". Or the other way round: the employee owes the company money and writes in an email that they have deducted their wages and sent the rest. We see disputes like these regularly at the firm, and almost always they turn on the same question: who was entitled to set off what, and did a set-off actually happen?

The Grand Chamber of the Supreme Court answered that question on 13 May 2026 in its judgment file no. 31 Cdo 213/2026. The decision matters for three reasons. It confirms that even an ordinary email can amount to a set-off, if the circumstances show that this is what the writer meant. It abandons the previous rule under which a set-off was disregarded if the person making it did not say which of several debts owed to the other party was extinguished. And for the first time it addresses when a court will award an employee only part of the gross wage.

What the dispute was about

A finance director resigned, and his employment ended on 31 December 2020. Before that, he had signed an acknowledgment of debt in which he admitted having intentionally caused the company damage of EUR 715,000. The company did not pay his December wages, which fell due on 15 January 2021. At the end of February 2021 he sent an email to the company's representative: he had calculated his net December wages, "added" to them a payment he had sent the company that same day so that together they came to CZK 400,000, and announced further payments. He later sued for the wages.

The Municipal Court in Brno and the Regional Court in Brno both found in his favour. In their view, the email contained no set-off. The Regional Court added that even if it had, the set-off would have been indefinite, because the company had two claims for damages against the employee and the email did not show which of them the wages were being set off against. The Supreme Court panel that was to decide the case wanted to change that second conclusion, and because this meant departing from earlier decisions, it referred the case to the Grand Chamber (paragraph 12). That is what the law requires when a panel of the Supreme Court reaches a different view on a question of substantive law from the one the Supreme Court has expressed before (Section 20(1) of Act No. 6/2002 Coll., on Courts and Judges).

The Grand Chamber set aside the Regional Court's judgment in the part concerning the December wages and sent the case back to it (paragraph 51). It therefore did not rule finally on the wages themselves; that is a task for the Regional Court, which is bound by the Grand Chamber's legal opinion (paragraph 53). Panels of the Supreme Court can depart from that opinion only by referring the matter to the Grand Chamber again.

An email can be a set-off

The Grand Chamber began by recalling the general rules. A debt of an employee or of an employer can be extinguished by set-off, and the law requires no special form for it; it can be made in writing, orally or in any other way, as long as it leaves no doubt about what the person acting wanted to express (paragraph 21; Sections 1982 and 546 of the Czech Civil Code).

What counts is the actual intention of the person who acted, if the other party knew or must have known it (Section 556(1) of the Civil Code). The court must take into account both what preceded the statement and how the parties behaved afterwards (Section 556(2)). The mere fact that an email does not contain the words "I hereby set off" is therefore not decisive. According to the Grand Chamber, the Regional Court wrongly put the emphasis on the wording and did not establish what the employee actually wanted (paragraph 31).

The Grand Chamber listed what the court should have taken into account: the acknowledgment of debt, the email correspondence about the damage, the agreement by which the employee gave up an additional severance payment in exchange for a reduction of his debt, the payment sent on the day of the email, and even how long he went without asking for his wages (paragraph 32). It makes no difference that each party reads the email differently in the proceedings. The court must establish the content of the statement all the same, because "the interests and positions of the parties in the course of court proceedings may no longer correspond to their original intention" (paragraph 25). A statement is interpreted as things stood at the time it was made.

Didn't say which debt is to be extinguished? It doesn't matter

This is the main shift. Until now the Supreme Court insisted that anyone setting off one claim against several claims of the other party had to specify which of those claims were extinguished and in what amount. Otherwise the set-off was indefinite and therefore a merely apparent legal act (*zdánlivé právní jednání*), treated as if it had never been made, and it was disregarded (paragraphs 37 and 38; Sections 553 and 554 of the Civil Code). The court took this approach under the old Civil Code and continued to do so after 2014.

The Grand Chamber has now abandoned that view. The Civil Code in force since 2014 expressly provides that where the claims do not fully overlap, the claim is set off in the same way as a payment (Section 1982(2)). This refers to the rules on which debt a payment is credited to when the debtor does not specify (paragraph 39). Under Section 1933(1), a payment is credited first to the debt for which the creditor sent the debtor a payment reminder, otherwise to the least secured debt and, where the security is equal, to the debt that fell due first. Within a single debt, the wages are then credited first to the specified costs, then to default interest, then to interest, and only last to the principal (Section 1932(1); paragraph 40).

The Grand Chamber therefore concluded that a unilateral set-off is not indefinite merely because the person declaring it does not specify which of several claims of the other party are extinguished and in what amount, if their total exceeds the single claim being set off (paragraph 46). In doing so, it followed the Constitutional Court's judgment (*nález*) of 12 February 2026, file no. III. ÚS 78/25, which quashed a Supreme Court decision based on the previous approach because it had not considered applying Section 1933 at all (paragraphs 15, 55 and 64 of the Constitutional Court judgment).

Mind the scope, though. The Grand Chamber decided the situation in which one claim stands against several claims of the other party (paragraph 40). Given the limits of the appeal on a point of law (*dovolání*), it did not consider the opposite situation, in which the person declaring the set-off is setting off several claims. Yet that is precisely what the Constitutional Court judgment was about (paragraph 62 of that judgment). The Constitutional Court noted that, in the view of most commentators, Section 1933 applies here too (paragraph

54 of the Constitutional Court judgment), but the Supreme Court has not yet changed its existing case law on indefiniteness for this situation. Anyone setting off several claims of their own at once should therefore identify them, together with the amounts.

The case dates from 2021, but Sections 1982, 1933 and 556 of the Civil Code read the same today. The conclusions therefore also apply to a set-off made now.

Gross or net wages?

A court awards unpaid wages to an employee in the gross amount. The employer deducts the income tax advance and the social and health insurance contributions only when it pays the wages out, and then pays them over to the authorities (paragraph 48). That was already the case before.

What is new is the next step. According to the Grand Chamber, if the employer pays over the deductions from the unpaid wages before the court rules, "the court may award the wage claim only in the amount remaining after the sums paid over have been deducted", because by paying them over, the employee's right to that part was extinguished. What counts is the position at the time the judgment is delivered (paragraph 49; Section 154(1) of the Czech Code of Civil Procedure). The Regional Court did not deal with this, even though the company maintained that it had paid over both the tax and the contributions, and that was another reason why its judgment did not stand (paragraph 50).

For employees, this means that a claim for the full gross wage may partly fail if the employer has paid over the tax and contributions for the disputed month. For employers, conversely, it means they have to prove those payments while the court has not yet ruled; otherwise the court may order them to pay the full gross wage even though part of it has already been paid over. If the employer pays the tax and contributions over only during the proceedings, the employee should withdraw the claim to that extent, or they will lose on that part.

Who may set off what: employee and employer are not on an equal footing

The Grand Chamber also summarised the rules that apply differently in employment law than in ordinary commercial relationships (paragraph 22).

An employee may set off their claim to wages, salary, remuneration under a work agreement or wage compensation against the employer's claim for damages or any other claim of the employer, without restriction. Wages the employee sets off in this way, however, can no longer be sued for.

An employer may unilaterally set off against wages only under the conditions on which wage deductions are made in enforcement proceedings (Section 144a(4) of the Czech Labour Code). The employee must always be left with the amount exempt from attachment (*nezabavitelná částka*; Section 278 of the Code of Civil Procedure), and of the rest of the net wage, only one third may be deducted for ordinary claims (Section 279(1)). How much of the wage remains can be worked out with the wage deduction calculator in our guide for people facing debt collection (in Czech). The employer may not unilaterally set off its claim for damages against wages at

all, not even within these limits. It makes no difference that the employee acknowledged the damage in writing and promised to compensate it. The same applies to severance pay, which the law counts among the income from which deductions are made (Section 145(2)(d) of the Labour Code; Supreme Court judgment of 11 December 2019, file no. 21 Cdo 3557/2019). The law allows deductions from wages to compensate for damage only on the basis of a wage deduction agreement (*dohoda o srážkách ze mzdy*; Section 147(3) of the Labour Code). The Supreme Court had already reached that conclusion in its judgment of 21 May 2019, file no. 21 Cdo 238/2019, and the Grand Chamber expressly referred to it.

An employer that "docks" damage from pay without a wage deduction agreement has not paid the wages. If it does not pay them within 15 days after the end of the period in which they fell due, the employee may terminate the employment immediately (*okamžité zrušení pracovního poměru*) and is entitled to wage compensation equal to average earnings for a period corresponding to the notice period (Section 56(2) of the Labour Code). That is exactly how the dispute decided under file no. 21 Cdo 238/2019 ended: the employee was justified in terminating the employment immediately, because the deduction of damages from wages had no legal basis.
The employee has 2 months to do so from the day they learned of the reason, and at most 1 year from when it arose (Section 59 of the Labour Code). If the employer really did suffer damage, it has to reach an agreement with the employee or sue. For damage caused by negligence, compensation is capped at four and a half times the employee's average monthly earnings. The cap does not apply where the employee was drunk or misused addictive substances (Section 257(2) of the Labour Code), nor to shortfalls in entrusted assets or the loss of entrusted items, for which the employee pays compensation in full (Section 259). How to draft and serve an immediate termination, and what the employer owes afterwards, is explained in our article "They Haven't Paid Me, So I'm Not Going In." What to Actually Do When Your Employer Doesn't Pay Your Wages.

What to do differently

Do you owe your employer money while it owes you wages? Before you write to it that you are "deducting" something, think about whether you really want to use your wages to pay off the debt. The court will read the email in context, not word by word, and whatever you set off can no longer be sued for.
Before you sue for unpaid wages, ask for the payslip for the disputed month. The employer must issue it and, on request, also provide the documents behind the calculation (Section 142(6) of the Labour Code). Do not sue for tax and contributions that have already been paid over. If the employer pays them over only during the proceedings, withdraw the claim to that extent; the employer then bears the costs because of its conduct (Section 146(2) of the Code of Civil Procedure).
As an employer, do not deduct damage from wages without a wage deduction agreement. Prove the payments made from the disputed wages to the court before it delivers its judgment, and keep the emails in which the employee talks about the debt and the wages.
If an employee is signing an acknowledgment of debt, it is worth knowing what this changes for limitation and for evidence; our guide on acknowledging a debt explains it (in Czech). How wages, wage supplements and average earnings are calculated is covered in our guide on wages and supplements (in Czech).

At a glance

Question	Answer	Provision
Can an employee set off their wages against a debt owed to the employer?	Yes, without restriction and without any special form	Section 1982 of the Civil Code; 31 Cdo 213/2026, paragraphs 21 and 22
Can an employer set off its claim against wages?	Only within the limits of wage deductions in enforcement proceedings	Section 144a(4) of the Labour Code; Sections 278 and 279 of the Code of Civil Procedure
Can an employer deduct damages from wages?	Only on the basis of a wage deduction agreement	Section 147(3) of the Labour Code; 21 Cdo 238/2019
Is a set-off of a single claim indefinite if it does not say which of several debts owed to the other party is extinguished?	No, the law determines the order	Section 1982(2), Section 1932(1) and Section 1933(1) of the Civil Code; 31 Cdo 213/2026, paragraphs 40 and 46
How does the court interpret an email or other statement?	By the actual intention at the time it was made, and by the circumstances	Section 556 of the Civil Code; 31 Cdo 213/2026, paragraphs 25 and 32
Will the court award unpaid wages in the gross amount?	Yes, but without the tax and contributions the employer paid over before the judgment was delivered	Section 154(1) of the Code of Civil Procedure; 31 Cdo 213/2026, paragraph 49
May an employer deduct damage that the employee acknowledged in writing?	No, neither from wages nor from severance pay, without a wage deduction agreement	Sections 145(2) and 147(3) of the Labour Code; 21 Cdo 3557/2019

Has your employer held back your wages over alleged damage, or are you working out how to recover money from a departing employee? We will go through the correspondence, the acknowledgment of debt and the payslips and tell you what has already been extinguished by set-off, what can be sued for and how much. We handle employment disputes as part of our employment law practice. Get in touch.

Conclusion

The Grand Chamber's judgment moves set-off from form to substance: what matters is what a party actually wanted, not whether they wrote “I hereby set off”. When a single claim is set off, there is not even any need to specify which of several debts owed to the other party is extinguished. An employee who owes the employer money and is waiting for their pay should therefore choose their words carefully. An employer cannot simply take damages out of wages, and must prove the payments made from disputed wages to the court in good time.

Sources

- Act No. 262/2006 Coll., the Labour Code, Sections 56, 59, 142, 144a, 145, 147, 257 and 259 (as in force from 1 November 2026).
- Act No. 89/2012 Coll., the Civil Code, Sections 546, 553, 554, 556, 1932, 1933 and 1982 (as in force from 1 January 2026).
- Act No. 99/1963 Coll., the Code of Civil Procedure, Sections 146, 154, 278 and 279 (as in force from 1 November 2026).
- Act No. 6/2002 Coll., on Courts and Judges, Section 20.
- Judgment of the Grand Chamber of the Supreme Court of 13 May 2026, file no. 31 Cdo 213/2026.
- Constitutional Court judgment of 12 February 2026, file no. III. ÚS 78/25.
- Supreme Court judgment of 21 May 2019, file no. 21 Cdo 238/2019.
- Supreme Court judgment of 11 December 2019, file no. 21 Cdo 3557/2019.

This article is for information only and does not constitute legal advice. It reflects the law as at the date of publication; whether a set-off took place in a wage dispute, and how much of the wages can be sued for, depends on the parties' correspondence and on what the employer has paid over from the wages.

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https://www.iustoria.cz/en/blog/setting-off-wages-against-debts-grand-chamber-ruling/

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