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## CZECH REPUBLIC 2004

### 1. Overview of the tax-benefit system

Czech citizens are secured (protected) by three social security systems, i.e. by the social insurance, state social support and social assistance.

The social insurance system addresses such social circumstances as one may get prepared for in advance by depositing certain funds that will serve to solve future social situations. The system includes the unemployment insurance, sickness insurance and pension insurance. Social insurance is funded through contributions made by the employees and employers and by contributions from the state. The system is further complemented with the health insurance and accident insurance.

The state, through the state social support, contributes mainly to the families with dependent children who have encountered a recognised social situation, which the family is unable to manage using its own efforts and means. The system applies the solidarity principle between the high-income families and low-income families, as well as between the childless families and those with children. The state social support benefit concept has been based on the minimum subsistence level category, stipulated by special legislation and representing a cornerstone in determining the benefit and its amount. At assessing claims for the benefits, the family property is not tested, while the income is reviewed in case of certain benefits. The income is currently subject to examination for the purpose of claims for the child allowance, social allowance, housing allowance and transport allowance. The income is not examined for the purposes of the parental benefit, maintenance allowance, foster care benefits, birth grant and funeral grant.

The state, through the social assistance, provides assistance to the citizens whose subsistence needs are not sufficiently covered with the income from a gainful occupation, pension or sickness insurance benefits, or, with other income, as well as to the citizens who need such assistance due to the condition of their health or their age, or who are unable to overcome a difficult life situation or adverse circumstances without help by the state.

Unemployed persons can receive unemployment benefits for a maximum period of 6 months. Minimum subsistence level/Minimum living standard (MLS) exists as a criterion for social benefits. The amount is determined as a sum of an amount designed to meet household needs (differentiated according to the number of persons) and amounts for personal needs (according to composition of the family). The tax unit is the individual, partners are taxed separately, deductible items for dependent child and spouse under given income are administered.

#### *1.1. Average worker wage (AW)*

In 2004, the average worker earned CZK 209 489.

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**2. Unemployment insurance**

**2.1 Conditions for receipt**

**2.1.1 Employment conditions**

Until 1. 10. 2004: 12 months of job in the last 3 years

From 1.10. 2004 (the new Employment Act came into force): the entitlement to unemployment benefits is based on a period of contributions.

**2.1.2 Contribution conditions**

Until 1.10. 2004: 6 months of contribution in the last 3 years.

From 1.10. 2004: 12 months of job in the last 3 years – but it is taken into account only the job (or independent gainful activity) on the basis of which the job seeker paid pension insurance contribution and state employment policy contribution.

**2.2 Calculation of benefit amount**

**2.2.1 Calculation of gross benefit**

Until 1.10. 2004: 50 % in the first three months and 40 % in the following three months, of last earned income net of tax and social security contributions; however, the maximum of the benefits can be up to an amount equals to 2.5 times the minimum living standard (see section 4.2.1.).

From 1.10.2004: 50 % in the first three months and 45 % in the following three months, of last earned income net of tax and social security contributions; however, the maximum of the benefits can be up to an amount equals to 2.5 times the minimum living standard (see section 4.2.1.).

**2.2.2 Income and earnings disregards**

Until 1.10.2004: Any income from work cancels entitlement to unemployment benefits.

From 1.10.2004: The job seeker is allowed to earn half of the minimum wage in a month without losing the entitlement to unemployment benefits.

**2.3 Tax treatment of benefit and interaction with other benefits**

Not taxable.

**2.4 Benefit duration**

Until 1.10.2004:

6 months for all job seekers (paid once a month)

The unemployment benefit is not provided to the job seeker who repeatedly terminated his/her employment without serious reason in the preceding six months.

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The unemployment benefit is not provided if the job seeker refuses without serious personal or family reasons to take up a suitable job or start retraining.

From 1.10. 2004: The support period is:

- a) 6 months for job seekers under 50 years
- b) 9 months for job seekers between 50 – 55 years, but on condition that the job seeker has paid pension insurance contributions for a period of 25 years at least
- c) 12 months for job seekers over 55 years, but on condition that the job seeker has paid pension insurance contributions for a period of 30 years at least; provided that this job seeker has paid pension insurance contributions for a period of 25 years at least but less than 30 years, the support period is 9 months

Providing of unemployment benefits does not depend on whether the loss of employment was voluntary or not.

The unemployment benefit is not provided if the job seeker refuses without serious personal or family reasons to take up a suitable job or start agreed retraining

## **2.5 Treatment of particular groups**

### **2.5.1 Young persons**

Until 1.10.2004: The period of studies was treated as the period of employment – the amount of unemployment benefits was calculated on the basis of minimum living standard.

From 1.10.2004: The period of studies is not treated any more as the period of employment.

### **2.5.2 Older workers**

See section 2.4.

### **2.5.3 Others if applicable**

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**3. Unemployment assistance**

**3.1 Conditions for receipt**

**3.1.1 Employment conditions**

None.

**3.1.2 Contribution conditions**

None.

**3.2 Calculation of benefit amount**

**3.2.1 Calculation of gross benefit**

During the period of retraining the job seeker engaged in retraining receives 60 % of last earned income net of tax and social security contributions; however, the maximum of the benefits can be up to an amount equals to 2.8 times the minimum living standard (see section 4.2.1.).

**3.2.2 Income and earnings disregards**

Until 1.10.2004: Any income from work cancels entitlement to benefits during retraining.

From 1.10.2004: The job seeker is allowed to earn half of the minimum wage in a month without losing the entitlement to the benefit during retraining ("retraining benefit").

**3.3 Tax treatment of benefit and interaction with other benefits**

Not taxable.

**3.4 Benefit duration**

The benefit during retraining is provided for the whole period of retraining.

**3.5 Treatment of particular groups**

**3.5.1 Young persons**

No special treatment.

**3.5.2 Older workers**

No special treatment.

**3.5.3 Others if applicable**

From 1.10.2004: The disabled person is entitled to the retraining benefit during the period of his/her vocational training, even if he/she is not registered as a job seeker.

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**4. Social assistance**

The social assistance's objective is to prevent social exclusion and deprivation due to poverty and other problems. Citizens, whose needs are not adequately met by income from gainful activity and from benefits provided by the pension and sickness insurance systems, and possibly by other income (state social support allowances and benefits, support provided by persons who are required to provide livelihood or pay alimony, etc.), are secured by social assistance.

The notion of social assistance benefits is understood to include the social assistance benefits provided due to a low income, as stipulated by the Social Neediness Act<sup>1</sup>, that are known to the public under the popular, yet misleading, label of “minimum subsistence level benefits”; closely related or other person care allowance; and a whole series of social assistance benefits provided to the senior (elderly) or severely handicapped citizens. Further included are the benefits designated for citizens who have temporarily encountered extremely difficult circumstances or who live under such circumstances; and social assistance benefits responding to certain special needs of families with dependent children. Social assistance benefits may be analysed according to numerous aspects: by relevant legal regulation stipulating their provision; by differentiating whether they represent obligatory or facultative performance; by target group (families with children, senior citizens; severely handicapped etc.); or by type of need to which the benefits respond (need of individual transport, special aids etc.).

**4.1 Conditions for receipt**

The social assistance benefits in case of neediness are means-tested.

To become eligible to social assistance benefits the conditions are: permanent residence, impossibility to obtain an increased income by using own efforts, in particular by gainful activities and impossibility to use the persons' property to remedy his or her present situation. In case of unemployment, the unemployed has to be registered with the public employment service. Effort to obtain income through working is not required from old age and invalidity pensioners, persons over 65, parents caring for children meeting other prescribed conditions, and so on. In 2004, two additional important conditions were adopted: proper school attendance of children (since January 1<sup>st</sup>) and the obligation for unemployed people to participate in public works organized by municipalities (since October 1<sup>st</sup>).

**4.2 Calculation of benefit amount**

**4.2.1 Calculation of gross benefit**

Calculation of benefit depends on income, minimum living standard (MLS) and expenditures (connected e.g. with housing). People with necessity of a special diet or with special privileges due to their handicap have higher MLS.

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<sup>1</sup> Act no. 482/1991 Coll., On Social Neediness, as amended.

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**Minimum living standard (MLS)**

Since 1<sup>st</sup> October 2001 (in CZK)

Amounts needed to insure sustenance and other basic personal needs		Amounts needed to assure household	
For dependent children			
To the age of 6 years	1 690	Individuals	1 780
From 6 to 10 years	1 890	2 members	2 320
From 10 to 15 years	2 230	3 or 4 members	2 880
From 15 to 26 years	2 450	5 and more	3 230
For other persons	2 320		

The MLS of the family is a sum of amounts needed to insure sustenance and other basic personal needs of each family member plus amount needed to assure household according to number of members.

**4.2.2** *Income and earnings disregards*

See above-mentioned conditions for receipt.

**4.3** *Tax treatment of benefit and interaction with other benefits*

Not taxable. Social assistance benefits can be received at the same time as in-work earnings and any other benefit.

**4.4** *Benefit duration*

As long as the conditions are fulfilled.

**4.5** *Treatment of particular group*

Social assistance benefits in case of neediness have no special treatment of particular groups. But within social assistance benefit system, there are about 30 benefits for children, disabled and elderly people. See above-mentioned description of social assistance benefit system.

**4.5.1** *Young persons*

**4.5.2** *Older workers*

**4.5.3** *Others if applicable*

## 5. Housing benefits

### 5.1 Conditions for receipt

The benefit is designed to assist low-income families and individuals in covering expenditure connected with housing. The benefit is differentiated in accordance with the income situation of the family and the number of persons in the household. Entitlement to housing benefits belongs to the owner or tenant of a flat, who is registered as a permanent resident, if the family income does not exceed the amount of the family minimum living standard multiplied by a coefficient of 1.60. Housing benefits are provided irrespective of the type of housing, *i.e.* whether it is a community or co-operative flat, privately owned flat or privately owned house. Also irrelevant is the actual cost of housing.

### 5.2 Calculation of benefit amount

#### 5.2.1 Calculation of gross benefit

The amount of housing benefit for a calendar month is computed as the difference between the family's household amount (see section 4.2.1) and a quotient, in which the numerator is the family's household amount multiplied by the family's relevant income, and the denominator is the amount of the family's MLS (see section 4.2.1) multiplied by a coefficient of 1.60.

$$\text{Housing benefit} = \text{Family's household amount} - \frac{\text{Family's household amount} \times \text{relevant family income}}{\text{Minimum living standard of the family} \times 1.60}$$

#### Amount of housing benefits according to family income

In multiples of the minimum living standard of the family and numbers of jointly considered persons (in CZK)

Number of jointly considered persons	Amount of benefits/ family income in previous quarter		
	1.0 MLS	1.1 MLS	1.2 MLS
1	668	556	445
2	870	725	580
3 or 4	1 080	900	720
5 and more	1 212	1 009	808

#### 5.2.2 Income and earnings disregards

### 5.3 Tax treatment of benefit and interaction with other benefits

Not taxable. Housing allowance can be received at the same time as in-work earnings and any other benefit.

### 5.4 Treatment of particular groups

#### 5.4.1 Young persons

None.

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5.4.2 *Older workers*

None.

5.4.3 *Others if applicable*

None.

## 6. Family benefits

Family benefits (State social support system) consist of:

1. The benefits related to family income<sup>2</sup> (child allowance (in section 6a), social allowance (in section 9), housing benefit (in section 5), transportation benefit<sup>3</sup>).
2. The benefits provided irrespective of income (parental allowance (in section 7.2), maintenance benefit, foster care allowances, birth grant, funeral grant).

### 6.1 Conditions for receipt

Each child under 15 years old (until the end of compulsory education), or under 26 years old (if in full-time education, vocational training or disabled) is entitled to the *child allowance*. The family has to meet certain income criteria. Income of the family must be under 3.0 MLS. (for MLS amounts see tables in the social assistance section).

### 6.2 Calculation of benefit amount

#### 6.2.1 Calculation of gross benefit

Child allowance is the basic long-term allowance provided to a dependent child (15/26 years old – see above) with the objective to contribute to the coverage of costs incurred in his upbringing and sustenance. Child allowance is provided at three levels depending on last year's family income.

A dependent child is entitled to child allowance:

- At the increased rate, *i.e.* the child personal needs amount multiplied by a coefficient of 0.32, if the decisive family income does not exceed the family minimum living standard multiplied by a coefficient of 1.10.
- At the basic rate, *i.e.* the child personal needs amount multiplied by a coefficient of 0.28, if the decisive family income exceeds the family minimum living standard multiplied by a coefficient of 1.10 but does not exceed the family minimum living standard multiplied by a coefficient of 1.80.
- At the reduced rate, *i.e.* the child personal needs amount multiplied by a coefficient of 0.14, if the decisive family income exceeds the family minimum living standard multiplied by a coefficient of 1.80 but does not exceed the family minimum living standard multiplied by a coefficient of 3.00.

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<sup>2</sup> Income which is taken into account for decisions on entitlement to State social support allowances includes income from dependent activity (employment), income from business activity and other independent gainful activity (self-employment), income derived from property, etc., and also sickness and unemployment benefits and pensions, including similar income from abroad. The bulk of the income, which is taken into account for the purpose of these allowances, is defined by the income text legislation. Taken into account is net income after deduction of expenses incurred in generating and maintaining that income, and after deduction of income tax, social insurance contributions, contributions towards the State employment policy and towards health insurance.

<sup>3</sup> Transportation benefit was cancelled by June 30, 2004.

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**Amount of child allowance according to family income and age (in CZK per month)**

Dependent child	Increased rate	Basic rate	Reduced rate
under 6 years	541	474	237
6-10 years	605	530	265
10-15 years	714	625	313
15-26 years	784	686	343

**6.2.2** *Income and earnings disregards*

See above.

**6.3** *Tax treatment of benefit and interaction with other benefits*

Not taxable. Child allowance can be received at the same time as any other benefit or in-work income.

**6.4** *Treatment of particular groups*

**6.4.1** *Young persons*

None.

**6.4.2** *Older workers*

None.

**6.4.3** *Others if applicable*

None.

## 7. Childcare for pre-school children

Pre-school care facilities are divided into public and private. Among public facilities there are crèches for children up to 3 years of age and kindergartens for children from 3 to 6 years of age. There are special kindergartens for physically and mentally handicapped children.. Founders of public pre-school care facilities are mostly municipalities (95%) and churches. Components of private facilities are running business “securing childcare for children up to 3 years of age” and “parent centers” (citizen associations or public benefit associations) that are attended by small children with their parents. The highest percentage of children is in the last year of kindergarten which is, in fact, preparation for basic school.

### Participation rate in pre-primary education

	2000/2001	2001/2002	2002/2003	2003/2004
Age group	%	%	%	%
3-5	85.8	85.6	87.5	88.7
under 3 years of age	20.8	22.4	24.5	*26.0
6 years old	23.0	22.3	22.5	24.0

Source: Institute for Information on Education

„Category under 3 years of age“ – Out of 26% of children who attend daily care facilities for children under 3 years of age 1% of these children attend special care facilities for children under 3 years of age, 25% of children between 2 – 3 years of age attend daily care facilities for children over 3 years which are not specialized in such small children. In the 90s there was in the Czech Republic a wholesale close down of care facilities for children under 3 years of age: from 1.043 of such facilities in 1990 to 60 facilities in 2003. Those facilities were closed down without an adequate compensation. This measure was accompanied by support of domestic care for small children by their parent. The reason was interest in child health protection. The capacity of childcare facilities for small children is insufficient in the Czech Republic at the present time.

According to the Education Act No. 561/2004 Coll. §36 compulsory school attendance shall start at the beginning of the school year following the date when a child reaches six (6) years of age, unless he/she is permitted postponement. A child who reaches six years of age at the period between the beginning of a relevant school year and the end of the calendar year may be admitted to compulsory school attendance in the school year concerned if such a child is physically as well as mentally adequately mature and if his/her statutory representative so requests. The statutory representative of a child shall be obliged to register the child for compulsory school attendance from 15<sup>th</sup> January until 15<sup>th</sup> February of the calendar year during which the child should begin compulsory school attendance.

### 7.1 Out-of-pocket childcare fees paid by parents

The founder (town, municipality) sets and covers from its budget the amount of non-investment costs associated with child’s stay in a crèche according to the Act No. 48/1997 Coll. about public health insurance. The amounts depend on decisions of the founders. The founder has also the right to decide on reducing monthly payments for specific groups of parents – like unemployed, students and lone parents.

The cost of daily care for children with permanent stay in the given district is about 1500 Czech crowns per month, for children who do not live in the given district it is about 5000 Czech crowns per month.

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In case of private crèche the fee depends on the period that a child spends there daily and weekly. The amount is about 50 – 60 Czech crowns per hour or 250 Czech crowns per whole day.

A fee for partial settlement of non-investment costs in state kindergartens (facilities for children from 3 to 6 years of age) according to the Act No. 564/1990 Coll. (there have been some changes since 1<sup>st</sup> January 2005) was paid to the municipality that was founder of the kindergarten. However, the municipality could but did not have to collect this fee according to its economic power. The fee could not exceed, according to a generally compulsory municipality regulation, 30% of non-investment costs per one child. The fee was not paid if after its payment the sum of incomes of all household members, where the child lived, declined under 1,25 multiple of amount needed for food provision and other basic personal needs and essential household costs. Generally the fee for full time care was 100 – 300 Czech crowns per month. Except for the stated exception of low income families the fee did not depend neither on the number of hours that the child spent in the facility nor on the parents' income.

Services of maternity (parental) centers is provided either free of charge (if it is provided on volunteer basis by particular mothers) or for a symbolic fee (about 25 Czech crowns for one morning). About 20% of these centers work on commercial basis.

Private agencies providing childcare are usually used by high income and career-oriented families. Such kind of child care costs 70 – 150 Czech crowns per hour according to the total care time, selection of agency, place where the childcare takes place and the number of children.

Childcare fees are not tax deductible and their amount is not taken into regard in the social assistance system.

## **7.2 Child-care benefits**

### *7.2.1 Conditions for receipt*

The *parental allowance* is designed to assist parents who personally provide full-time regular care for a small child. A parent is entitled to parental allowance when they personally provide full-time and regular care for at least one child up to the age of 4 years, or up to the age of 7 years in the case of child suffering from a long-term incapacity or severe long-term incapacity.

While receiving parental allowance it is possible to place the child into a pre-school care facility for maximally 5 calendar days per month (every commenced day is counted even though that were only 1 or 2 hours). From 1<sup>st</sup> January 2006 there will be a change in this condition – from 5 calendar days per months to 4 hours per day.

Parental allowance is also provided to parent who has income from gainful activity. But other conditions have to be met (except certain situations concerning disabled children, a child must not be placed in a crèche or the kindergarten for more than 5 days in a month, etc.).

### *7.2.2 Calculation of benefit amount*

#### *7.2.2.1 Calculation of gross benefit*

The amount of parental allowance for a calendar month is determined as the entitled parent personal needs' amount of MLS multiplied by a coefficient 1.54.

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The minimum living standard in 2004 was 2 320 Czech crowns per month for people over 26 years of age. The parental allowance in 2004 was 2.320 Czech crowns x 1,54, i. e. 3 573 Czech crowns. In comparison to the minimum wage which in 2004 was 6 700 Czech crowns it is just a half.

#### 7.2.2.2 Income and earnings disregards

The parental allowance is not means tested.

#### 7.2.3 *Tax treatment of benefit and interaction with other benefits*

Not taxable. Parental allowance can be received at the same time as in-work earnings, other “family benefits”, and social assistance benefits.

#### 7.2.4 *Treatment of particular groups*

See 7.2.1: parental care for disabled children and care of disabled parents for healthy children are advantaged – longer period for parental allowance in the first case and the possibility of placing the child to a pre-school care facility for 4 hours a day in both cases.

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**8. Employment-conditional benefits**

None.

**8.1 *Conditions for receipt***

**8.2 *Calculation of benefit amount***

**8.2.1 *Calculation of gross benefit***

**8.3 *Tax treatment of benefit and interaction with other benefits***

**8.4 *Benefit duration***

**8.5 *Treatment of particular group***

**8.5.1 *Young persons***

**8.5.2 *Older workers***

**8.5.3 *Others if applicable***

## 9. Lone-parent benefits

There is no particular lone parent benefit. Within State social support system, benefits for lone parents are reflected in a social allowance.

The amount of social benefit for a calendar month is computed as the difference between the minimum living standard for the child (or the children) and a fraction, in which the numerator is the amount of MLS for child/children multiplied by the family's relevant income (if relevant family income is lower than MLS of the family, MLS of the family is used), and the denominator is the amount of the family's MLS (for MLS see section 4.2.1) multiplied by a coefficient of 1.60.

$$\text{Social benefit} = \text{MLS for child} - \frac{(\text{MLS for child} \times \text{relevant family income})}{(\text{MLS of the family} \times 1.60)}$$

The amount of social allowance for one child, measured by income, in multiples of the minimum subsistence amount in CZK per month

Age of dependent child:	Amount of allowance/family income in previous quarter		
	1,0 MLS	1,2 MLS	1,4 MLS
less than 6 years	634	423	212
6 - 10 years	709	472	237
10 - 15 years	836	557	279
15 - 26 years	919	613	307

As regards disabled children or single parents or disabled parents, a supplement is provided by increasing the MLS amount for the child or for the parent which are used in the calculation of benefit. When determining the amount, the relevant MLS amount for personal needs of the dependent child is multiplied by a certain coefficient (e.g.: 2,7 – child has a long term serious health handicap; 1.40 – a single parent has a severe long-term incapacity, 1.05 – the claimant is a single parent).

### 9.1 Conditions for receipt

The *social allowance* is designed to assist low-income families in covering expenditure needed to meet their children's needs. For entitlement to social allowance two conditions must be met: taking care of at least one dependent child; and family income not exceeding 1.60 times the family minimum living standard amount during the previous calendar quarter. There is a marked differentiation in the amount of social allowance. The allowance is gradually reduced with increasing family income. Specific family situations have a bearing on the amount of social allowance and can, at the same time, extend the numbers of beneficiaries. This applies to care for a disabled child, where parents are disabled or where single parents are concerned.

### 9.2 Calculation of benefit amount

#### 9.2.1 Calculation of gross benefit

The amount of social benefit for a calendar month is computed as the difference between the minimum living standard for the child (or the children) and a fraction, in which the numerator is the amount of MLS for child/children multiplied by the family's relevant income (if relevant family income is lower than MLS of the family, MLS of the family is used), and the denominator is the amount of the family's MLS (for MLS see section 4.2.1) multiplied by a coefficient of 1.60.

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$$\text{Social benefit} = \text{MLS for child} - \frac{(\text{MLS for child} \times \text{relevant family income})}{(\text{MLS of the family} \times 1.60)}$$

The amount of social allowance for one child, measured by income, in multiples of the minimum subsistence amount in CZK per month

Age of dependent child:	Amount of allowance/family income in previous quarter		
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15 - 26 years	919	613	307

As regards disabled children or single parents or disabled parents, a supplement is provided by increasing the MLS amount for the child or for the parent which are used in the calculation of benefit. When determining the amount, the relevant MLS amount for personal needs of the dependent child is multiplied by a certain coefficient (e.g.: 2,7 – child has a long term serious health handicap; 1.40 – a single parent has a severe long-term incapacity, 1.05 – the claimant is a single parent).

#### 9.2.2 *Income and earnings disregards*

See above.

#### 9.3 *Tax treatment of benefit and interaction with other benefits*

Not taxable. Social allowance can be received at the same time as in-work earnings and any other benefit.

#### 9.4 *Benefit duration*

#### 9.5 *Treatment of particular group*

##### 9.5.1 *Young persons*

##### 9.5.2 *Older workers*

##### 9.5.3 *Others if applicable*

## 10. Tax system

### 10.1 Income tax

#### 10.1.1 Tax allowances and credits

##### 10.1.1.1 Standard allowances

Tax allowances	Amounts (in CZK per year)
Basic	38 040
Marital status	21 720 if married or living in a common household with a partner who earns no more than 38 040
Dependent child	25 560 per child under 18 (or under 26 if in full-time education or disabled)
Social security contributions	All
Partial invalidity pension recipient	7 140
Full invalidity pension recipient	14 280
Handicapped people	50 040
Students	11 400 till 26 years of age

##### 10.1.1.2 Standard tax credits

#### 10.1.2 Income tax schedule

Taxable income (CZK)	Marginal tax rate (%)	Tax on lower limit (CZK)
0 – 109 200	15	0
109 201 – 218 400	20	16 380
218 401 – 331 200	25	38 220
331 201 +	32	66 420

#### 10.1.3 State and local income taxes

There are no regional or local income taxes.

### 10.2 Treatment of family income

The tax unit is the individual.

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**10.3 Social security contribution schedule**

Contributions	Percentage of gross earnings
Health insurance	4.50
Social insurance	
Sickness	1.10
Old age pension	6.50
Unemployment	0.40
Total	12.50

**10.4 Treatment of particular group**

10.4.1 *Young persons*

10.4.2 *Older workers*

10.4.3 *Others if applicable*

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**11. Part-time work**

**11.1 *Benefit rules for part-time work***

None.

**11.2 *Special tax and social security contribution rules for part-time work***

None.

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**12. Policy developments**

**12.1 Policy changes introduced during the previous year**

In the year 2003 the final work carried on the measures concerning the structural problems, within the public finance reform several measures were adopted. The age of retirement has been gradually extended and the options for early retirement were limited (Act No. 425/2003 Coll., amending Act No. 155/1965 Coll., on pension insurance, Act No. 589/1992 Coll., on social security and state employment policy premiums, Act No. 582/1991 Coll. on organization and provision of social security). These measures should influence the growth of employment rate of older workers. The same objective has been followed by the measure which enable the working pensioners to add to their pensions on the unrestricted basis either in the employment or in business. Apart from the mentioned positive impact on the employment rate of older workers the income part of pension system will increase, but it is not possible to exclude the definite negative impacts on the growth of unemployment and of social transfers. Date of implementation of these measures is stipulated on 1st January 2004.

To increase the flexibility of labour market the changes were aimed at the legislation field of his functioning. It concerns the Amendment to the Labour Code (with effect from 1st March 2004) and the new Act on Employment (with effect from 1st October 2004). The main changes in particular refer to the creation of conditions for the successful functioning of the private labour agencies established on the profit basis. Such a measure enables to hire the workers. In the Amendment to the Labour Code the option of the repeated fixed-term contracts was reduced with the aim of increasing the protection of workers. The aim of the other measures is especially to tighten the conditions for the providing of unemployment benefits. In these cases the higher cooperation of unemployed persons with the labour offices will be required.

The new Employment Act brings the following changes:

- The period of studies will not be treated any more as the period of employment for the purpose of unemployment benefits,
- Unemployed people being on the dole will be permitted to earn up to fifty per cent of the minimum wage in a month ( CZK 6 700 in 2004);
- For job seekers the conditions are made more stringent for being struck off job centre records;
- Employers will be able (on certain conditions) to draw an allowance for workers' transport and on job training;
- Job centres will be able to order a medical examination of job seekers who refuse a job offer,
- Protection of children is included in conformity with the requirements of Council Directive of 22<sup>nd</sup> June 1994 No 94/33/EC on protection of young people at work;
- Citizens aged 50-55 will be able to receive unemployment benefit for up to 9 months, senior citizens (over 55) for up to 12 months, provided they have paid pension insurance contributions for the required period;
- Until now unemployed people received in the first three months unemployment benefit in the amount of half their salary in their last job and 40% in the next three months.

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Under the new Act unemployment benefit will be increased from the 4<sup>th</sup> month to 45%.

The Act amending Act No. 117/1995 Coll., on state social support with the date of implementation since 1<sup>st</sup> January 2004 was approved. The main changes refer to parental allowance - on 1<sup>st</sup> January 2004 the earnings limit was abolished, allowing an unlimited gainful activity and preserving entitlement to benefit (until 31<sup>st</sup> December 2003 the condition for entitlement to parental allowance was the income from a gainful activity up to 1.5 times the subsistence level for parents' personal necessities, e.g. up to CZK 3,480, or CZK 3,675 if a parent was a person up to the age of 26 without means) and on 1<sup>st</sup> May 2004 the parental allowance went up from CZK 2,552 (1.1 times the subsistence level for personal necessities) to CZK 3,753 (1.54 multiple), this increase was adopted as part of compensations meant to alleviate the impact of the changes made under the Value Added Tax Act. After 1<sup>st</sup> April 2004 labour offices are the competent institutions for the state social support (family benefits) - previously, municipalities had been the competent institutions.

Most of the changes adopted by the Act amending Act No. 482/1991 Coll., on social neediness (with the date of implementation on 1<sup>st</sup> January 2004) were aimed at précising of conditions. The amount regarded as a minimum income of self employed persons was increased. While formerly minimum subsistence level was used as a calculation base, since 2004 this criterion has been replaced by the amount equals to 50% of the average monthly wage in the national economy in previous calendar year (published by Czech Statistical Office). New conditions for social neediness have been introduced: proper compulsory school attendance of a child whose parents asked for social assistance benefit due to property and a strictly defined requirement for unemployed person registered at Labour Office as a job seeker to express his/her effort to secure income by work. Another change in claim conditions has arisen from new Act on Employment - the obligation for unemployed people to participate in public works organized by municipalities (with effect from 1<sup>st</sup> October 2004).

The Government approved Act (reference No. of legislation 421/2003, amending Act No. 54/1956 Coll., on sickness insurance of employees, as amended, Act No. 88/1968 Coll., on prolongation of maternity leave, maternity benefits and child allowances, as amended, Act No. 32/1957 Coll., on sickness care in the armed forces, as amended. Changes adopted (with the date of implementation on 1<sup>st</sup> January 2004):

- The decisive period for calculating the daily assessment base is 12 calendar months before the calendar month in which entitlement arises to sickness benefit. Until now the decisive period was the calendar quarter preceded by the calendar quarter in which benefit entitlement arose.
- For the first 14 calendar days of the sick leave, quarantine or the need to take care of a member of the family, only 90% of the daily assessment base is counted in up to CZK 480 (first reduction limit). The reduction limits of CZK 480 and 690 will not be changed until 31 December 2005.

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- Reduction in sickness benefit for the first 3 calendar days of the sick leave from 50% to 25% and in quarantine from 69% to 25% of the daily assessment base.

The Government further approved the National Action Plan on Employment for the year 2003 (the Resolution of the Government No. 545 on 5th June, 2003) and the Joint Memorandum on Social Inclusion (the Resolution of the Government No. 1241 on 10th December 2003).

In 2004, the Government approved the National Action Plan on Social Inclusion for 2004-2006.

## **12.2        *Policy changes announced***

As the main change announced in the year 2003 is the preparation of the draft of the new Labour Code (with the expected effect at the latest from 30<sup>th</sup> June 2006),

Note: The main policy changes have been announced during the year 2004 and also the important documents were approved by the Government (the National Action Plan on Employment, the National Action Plan on Social Inclusion, both for the years 2004 – 2006).

Draft Act on Material Need, being prepared during 2004, will be submitted to the Government. (The draft act was approved by the Government in February 2005).