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## CZECH REPUBLIC 2001

### 1. Overview of the system

Unemployed persons can receive unemployment benefits for a maximum period of 6 months. The social assistance system is the last system called upon to solve situations of social distress. Minimum living standard (MLS) exists as a last-resort financial assistance. 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). Family benefits are both universal and family income related. Housing contribution exists in a form of contribution towards household costs which constitutes a part of minimum living standard (MLS) and in a form of a housing benefit which is one of the income related family benefits. The tax unit is the individual, partners are taxed separately. In 2001, the average worker earned CZK 174096.

### 2. Unemployment insurance

#### 2.1 *Conditions for receipt*

##### 2.1.1 *Employment conditions*

12 months of work in the last 3 years.

##### 2.1.2 *Contribution conditions*

6 months of contribution in the last 3 years.

#### 2.2 *Calculation of benefit amount*

##### 2.2.1 *Calculation of gross benefit*

It is 50 per cent in the first three months and 40 per cent in the following three months, of last earned income net of tax and social security contributions. The maximum benefits are 2.5 times the minimum living standard (see 4.2.1).

##### 2.2.2 *Income and earnings disregards*

Any income from work cancels all unemployment benefit entitlements.

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**2.3 Tax treatment of benefit**

Not taxable

**2.4 Benefit duration**

It is paid after a 7-day waiting period, once a month (for 6 months).

**2.5 Treatment of particular groups**

**2.5.1 Young persons**

Young people who meet eligibility requirements (see point 2.1.1 – as the time of working is also considered the time of studying) are entitled to unemployment benefits. The amount of benefit is related with the minimum living standard (see below).

**2.5.2 Older workers**

Benefit is paid until the worker rises the retirement age and after that the worker may start to receive an old age pension.

**3. Unemployment assistance**

*Acquiring new qualifications (retraining)*

Retraining with the purpose to equip job seekers with new qualifications and thus improve their chances of finding new employment may have the form of short-term courses or of relatively long-term schemes where an essential change of qualification is required. Unemployment assistance exists in the form of retraining subsidies. These subsidies are paid directly to education facilities that administer training classes aimed at retraining the unemployed person to quickly return to the workforce. During retraining the amount of unemployment benefit is 60 per cent of previous earnings.

*Assistance to disabled persons*

Employers with 20 or more employees have the legal duty to employ an obligatory share of people with disabilities. A Czech Governmental Decree defines this obligatory proportion as 5 per cent of the total number of employees in the case of persons with reduced ability to work. Employers who employ people with disabilities are entitled to income tax relief amounting to 18 thousand CZK per year in the case of a person with a reduced ability to work and 60 thousand CZK per year in the case of person with a reduce ability to work with severe health affliction, respectively. Labour Offices grant a one-off contribution to employers who create jobs reserved for persons with disabilities in sheltered workshops or other sheltered workplaces. This contribution is available in maximum amount of 100 thousand CZK per year per job, plus contribution on operational costs in amount of 40 thousand CZK per year per job as a maximum.

*Supporting the creation of new jobs*

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Labour Offices use a range of incentives to encourage employers to create socially purposeful jobs and public utility work. In the case of socially purposeful jobs the contribution is granted on the basis of a written agreement, stipulating that for a minimum of the next two years, the new job shall be filled with a job seeker from the Labour Office register. It can be provided in the form of a repayable interest-free loan, bank credit interest subsidy, single-purpose grant to be used for purchasing machines and equipment and for the defrayal of other costs incurred in creation such job. It can also be used as a wage subsidy. The maximum amount granted per job is 80 thousand CZK. Similar conditions apply for grants available to registered job seekers who decide to create new job opportunities by starting their own business. The jobs created through public utility work typically include maintenance of municipal parks and open public spaces, cleaning, construction of municipal infrastructure, or jobs in the area of social care. On the basis of written agreement with municipalities and other employers, Labour Offices may fully subsidise the wages actually paid to the participants, including social and health insurance.

*Supporting the employment of school leavers and young people*

Financial support granted by Labour Offices to employers makes it easier for the young job seekers to find their first employment and acquire practical skills. Labour Offices conclude written agreement with employers in which the latter pledge to employ school leavers and provide them with work experience, while the Labour Office pledges to contribute towards the costs involved therein. In the case of young people who completed compulsory school attendance at a lower than the final grade, and failed to complete secondary school or vocational training, Labour Offices arrange their induction training to equip them with basic skills needed to execute of specific simpler jobs. For this purpose, too, Labour Offices conclude written agreement with employers. In the case of school leavers and young people under 18 years it is possible to provide the work experience either by retraining or by creating socially purposeful jobs (see above).

#### **4. Social assistance**

The social assistance's objective is to prevent social exclusion and deprivation due to poverty. 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 main criterion on which social assistance benefits and allowances are based is the existence of social need.

Distinction can be made between lump sum and regularly provided benefits. Lump sum benefits are designed to cover the citizen's needs in emergency and similar situations. Recurrent payments are provided to supplement an insufficient income or to cover increased living costs caused by disabilities or illness and, by their nature, are not time limited and are provided as long as the contingency and the need to supplement income exists.

##### **4.1 Conditions for receipt**

The grants and allowances 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 additional

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 income through working is not required from old age and invalidity pensioners, persons over 65, parents caring for children meeting other prescribed conditions, and in similar cases.

## **4.2 Calculation of benefit amount**

### **4.2.1 Calculation of gross benefit**

It is necessary to distinguish between the benefits to supplement income to reach the minimum living standard (MLS) and benefits designed to remedy individual problems and impact of various health handicaps. The minimum living standard (MLS) can be exceeded in specific circumstances where the need of increased expenditure can be clearly demonstrated, for example special diet, housing costs of severely disabled persons, etc. When awarding special benefits for people with disabilities (for example subsidy for purchase of a car) the means test is done and the person's property is assessed.

Minimum living standard (MLS) since the 1<sup>st</sup> October 2001 is calculated as follows:

Amounts needed to insure sustenance and other basic personal needs		Amounts needed to assure household:	
	CZK		CZK
for dependent children:			
to the age 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 individual amount is tallied per individual; the household's amount is increased on a sliding scale (see above).

### **4.2.2 Income and earnings disregards**

See above-mentioned conditions for receipt

## **4.3 Tax treatment of benefit**

Not taxable

## **4.4 Benefit duration**

As long as the conditions are fulfilled

## **4.5 Treatment of particular groups**

Those who cannot qualify for work due to old age, illness, parenting responsibilities, school enrolment, maternity; unemployed; to families with children, lone mothers, old and disabled persons, unprivileged and socially excluded persons, persons endangered with social pathology, persons caring for

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 family members who need permanent personal care, and persons who find themselves in serious difficulties due to emergency events, etc.

## 5. Housing benefits

Housing contribution towards household costs constitutes a part of minimum living standard (MLS).

### *Housing benefit*

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. Irrelevant is also actual cost of housing.

The amount of housing benefit for a calendar month is computed as the difference between the family's household amount (see 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 4.2.1.) multiplied by a coefficient of 1,60.

family's household amount x relevant family income

Housing benefit = family's household amount –  $\frac{\text{family's household amount} \times \text{relevant family income}}{\text{minimum living standard of the family} \times 1,60}$

The 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

### 5.1 Tax treatment of benefit

## 6. Family benefits

Family benefits consist of:

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- (i) The benefits related to family income (child allowance, social allowance, housing benefit, transportation benefit), and
- (ii) The benefits provided irrespective of income (parental allowance, maintenance benefit, foster care allowances, birth grant, funeral grant).

#### *Child allowance*

### **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 (for MLS amounts see tables in the social assistance chapter).

### **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.

#### **6.2.2** *Income and earnings disregards*

See above

### **6.3** *Tax treatment of benefit*

Not taxable

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**6.4**      *Treatment of particular groups*

None

**7.**        **Child-care benefits**

*Parental allowance*

The benefit is designed to assist parents who personally provide full-time regular care for a small child, have no gainful income of their own, or their capacity to earn such income is greatly reduced.

**7.1**      *Conditions for receipt*

A parent is entitled to parental allowance when personally provides 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 a case of child suffering from a long-term incapacity or severe long-term incapacity.

Parental allowance is also provided to parent who has a low income from gainful activity. The limit placed on such income is that the parent's net income from gainful activity does not exceed 1,5 multiple of the MLS amount for personal needs of the parent concerned. Also other conditions have to be met (a child can be placed in the kindergarten but only for certain number of days in a month, etc.).

**7.2**      *Calculation of benefit amount*

**7.2.1**    *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 1,10.

**7.2.2**    *Income and earnings disregards*

See above

**7.3**      *Tax treatment of benefit*

Not taxable

**7.4**      *Treatment of particular groups*

None

**8.**        **Employment-conditional benefits**

None

## 9. Lone-parent benefits

### *Social allowance*

The benefit 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 a 1,60 multiple of 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.

As regards single parents a supplement is provided by increasing MLS amount for the child, which is 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 (1,40 – a single parent has a severe long-term incapacity, 1,05 – the claimant is a single parent).

### 9.1 Tax treatment of benefit

Not taxable.

## 10. Tax system

### 10.1 Income tax rate schedule

#### 10.1.1 Tax allowances and credits

<b>Tax allowances</b>	<b>Amounts (in CZK per year)</b>
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	23 520 per child under 18 (or under 26 if in full-time education or disabled)
Social security contributions	All

#### 10.1.2 The definition of taxable income

It is the gross earnings minus the above tax allowances.

#### 10.1.3 The tax schedule

<b>Taxable income (CZK)</b>	<b>Marginal tax rate (%)</b>	<b>Tax on lower limit (CZK)</b>
0 – 109 200	15	0
109 201 – 218 400	20	16 380

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218 401 – 331 200	25	38 220
331 201 +	32	66 420

**10.2 Treatment of family income**

The tax unit is the individual.

**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

**11. Part-time work**

**11.1 Special benefit rules for part-time work**

None

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

None

**12. Policy developments**

**12.1 Policy changes introduced in the last year**

None

**12.2 Policy changes announced**

None