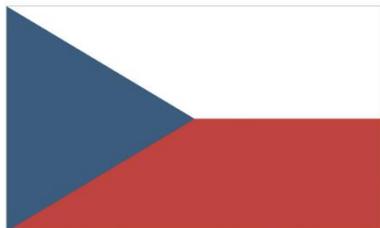


# THE OECD TAX-BENEFIT MODEL FOR CZECH REPUBLIC

Description of policy rules for 2020



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## Description of policy rules for 2020

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## Preface

This report provides a detailed description of the tax and benefit rules in the Czech Republic as they apply to individuals of working age and their dependent children. It also includes outputs from the [OECD Tax-Benefit model \(TaxBEN\)](#), which puts all these complex rules into a unified methodological framework that enables international comparisons of how tax liabilities and benefit entitlements affect the disposable income of families in different labour-market circumstances.

TaxBEN calculates tax liabilities and benefit entitlements for a broad set of *stylised* families (“vignettes”), e.g. a married couple of 40 years old adults with two children aged 4 and 6. Users can access the model through a user-friendly [web interface](#) that allows changing many of these family and individual characteristics. Available options include the age and number of children, the economic activity of adult members, working hours, wage rates, unemployment durations, and years of social security contributions. The OECD has updated the model annually since 2001 for most OECD and EU countries.

TaxBEN’s policy scope includes the main taxes on employment income (earnings), social contributions paid by individuals and by employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits as well as maternity and parental leaves benefits are included for a sub-set of countries and years. The most important policy areas that are outside the scope of the model include taxes on wealth (e.g. taxes on immovable and unmovable properties, including local taxes), indirect taxes (e.g. VAT), early-retirement benefits, sickness benefits and in-kind transfers (e.g. free school meals, subsidised transport and free health care).

This report describes the policy rules that are relevant for family, individual and labour market circumstances that are within the scope of the TaxBEN model. The **Annex** provides information on other cash benefits and taxes on employment incomes that can be relevant for some members of the working-age population but are not included in the model.

### Reading notes and further details on the scope and content of this report

- The **reference date** for policy rules described in this report is **January 1, 2020**.
- **Guidelines for completing and updating this report** are provided [here](#).
- Further information on the model, model results, and related analytical reports is available on the [project website](#). A [methodology](#) document provides a full description of the assumptions underlying the model as well as the model choices that users can make. The symbol  in the text provides a link to a glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- In order to facilitate transparency between the policy descriptions and the associated code in the model, the variable names are indicated in the text in square brackets using the following format: **[variable name]**, for instance: **[AW]** for the average wage.
- Text coloured in blue describes COVID-19 related measures that the Czech Republic implemented after the reference policy date (1<sup>st</sup> of January 2020). These policies are *not* implemented in the TaxBEN model for 2020.

## The OECD tax-benefit model for Czech Republic: Policy rules in 2020

### 1. Reference wages

Average wage [**AW**]: The OECD tax-benefit model uses Secretariat estimates of the average full-time wage (available [here](#))<sup>1</sup>. If Secretariat estimates are not available yet, the model uses wage projections obtained by applying forecasted wage growth<sup>2</sup> to the latest available wage estimate.

Statutory minimum wage [**MIN**]: CZK 14 600 per month. The annual minimum wage is computed by multiplying the monthly minimum wage (as of January 1, 2020) by 12, i.e. CZK 14 600 \* 12 = CZK 175 200.

Reference average wage set out under the Act regulating the social security insurance premiums: CZK 1 672 080 in 2020.

### 2. Unemployment benefits

#### 2.1. Means tested unemployment benefit (*Podpora v nezaměstnanosti*)

Code in the OECD tax-benefit model:<sup>3</sup> [**UI\_p**; **UI\_s**]

This is an unemployment insurance benefit. It is contributory, not means-tested and not taxable. 

##### 2.1.1. Eligibility conditions

Jobseekers are entitled to unemployment benefit if they: a) have gained 12 months of insurance within the pension scheme on the basis of their employment or self-employment in the last 2 years preceding the registration;<sup>4</sup> b) have applied for the unemployment benefit at the Labour Office (*Úřad práce*) while being registered as a jobseeker; c) are not recipients of a retirement pension.

**Behavioural requirements:**<sup>5</sup>  To be eligible for unemployment benefits the claimant has to meet a series of behavioural requirements. Among the others, the claimant:

<sup>1</sup> Average Wages are estimated by the [Centre for Tax Policy and Administration](#) at the OECD. For more information on methodology see the latest [Taxing Wages publication](#).

<sup>2</sup> Wage growth projections are based on [OECD Economic Outlook](#) and [EU economic forecasts](#) (for non-OECD countries).

<sup>3</sup> The variable names ending with “\_p” refer to the first adult (so-called “principal” adult) whereas those ending with “\_s” are related to the spouse.

<sup>4</sup> There are activities considered by law as a substitute period of employment while assessing the entitlement to unemployment benefit. Examples include: care responsibilities for dependent children under the age of 4 (or under the age of 10 in certain cases); care responsibilities for incapacitated family members who reside with the jobseeker; long-term civil service; temporary unfitness to work as a result of work injuries; work rehabilitation.

<sup>5</sup> Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion OECD reports.

1. Has to be registered with the Labour Office and actively seeking employment;
2. Has to be ready to enter into employment relationships (they cannot refuse to take up a suitable employment or refuses to commence an agreed retraining programme);
3. Has to cooperate with the Labour Office when seeking work, e.g. they must attend meetings with the case worker and keep them updated;
4. Cannot work or be enrolled in full-time education.

Jobseekers who voluntarily quit their previous employment are still entitled to unemployment benefits but at a lower rate (see section 2.1.2). Unemployment benefits are not paid as long as the jobseeker is entitled to the severance pay higher than the unemployment benefit.. Jobseekers who are eligible for unemployment benefit are also entitled to participate in retraining courses and to receive a retraining allowance (see Annex).

TaxBEN assumes “involuntary” job loss and that all the behavioural requirements above are satisfied.

### 2.1.2. *Benefit amount*

The amount of unemployment benefit is a percentage of the last earned income net of tax and social security contributions. In the case of self-employment the amount will depend on the last assessment base). The amount decreases gradually: 65% in the first 2 months; 50% in the next 2 months; 45% in the remaining months.

The benefit amount is set at 45% of the previous average earnings for the entire period if a person voluntarily leaves their previous employment without “serious justifications” or upon agreement with the employer (i.e. they were not made redundant).

Unemployment benefit provided to jobseekers is capped at 0.58% of the national average wage calculated during the first three quarters of the calendar year preceding the year in which the application for unemployment benefits was submitted. This capped amount is received by those whose percentage calculation from previous earnings is higher than the set limit. In 2020 the capped monthly amount is CZK 19 389 (i.e. 0.58 \* CZK 33 429).

### 2.1.3. *Benefit duration*

The support period is: 5 months for job seekers under 50 years; 8 months for job seekers between 50 – 55 years; 11 months for job seekers over 55 years.<sup>6</sup>

### 2.1.4. *Tax treatment*

The benefit is not taxable.

### 2.1.5. *Interactions with other components of the tax-benefit system*

Unemployment benefit can be combined with family allowances, benefits in material need (*Dávky pomoci v hmotné nouzi*) and social assistance benefits for the disabled.

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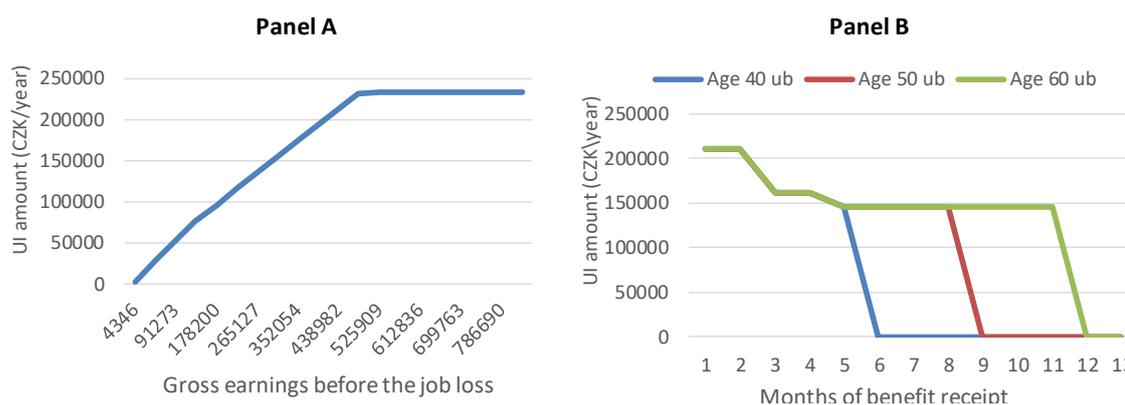
<sup>6</sup> A job seeker who has exhausted the entire period of support in the past 2 years before being included in the register of jobseekers, has the right to receive unemployment benefit for the new whole support period if they, after exhausting this period, have started to work (or entered into gainful activities involving the obligation to pay premiums for pension insurance) for a period of at least 6 months. In certain circumstances the 6-month contribution period is not required, e.g. in cases when the job seeker terminated the employment for health reasons

### 2.1.6. Combining benefit receipt and employment/starting a new job

Unemployment benefit cannot be combined with earnings from work. However, if the benefit recipient is involved in retraining programmes or carries out a gainful employment on the basis of an employment agreement and earns less than half of the minimum wage per month, then the benefit is not revoked but only suspended during this period.

**Figure 1. Unemployment insurance amounts**

By previous earnings, age and duration of benefit receipt



Note: Amounts are “annualized”, i.e. they are monthly values multiplied by 12. Panel A shows amounts calculated during the second month of benefit receipt. Panel B shows amounts calculated for a jobseeker with previous gross earnings equal to the average wage in 2020 (available [here](#)).

Source: [OECD tax-benefit model, 2020](#).

## 3. Social assistance and housing benefits

### 3.1. Allowance for living (*Příspěvek na živobytí*)

Code in the OECD tax-benefit model: [\[SA\]](#)

This is a non-contributory benefit, means-tested and not taxable.

This benefit is for households with insufficient income who are unable to improve their situation through their own efforts. This programme helps applicants cover the costs of living (*příspěvek na živobytí*, see below), i.e. food, clothing and other basic needs, as well as basic housing costs (*doplatek na bydlení*, see below). A one-off lump-sum payment of other costs can be requested in exceptional cases.

Low-income households who are not necessarily in material need but lack of funds to pay for some extraordinary and immediate expenses can apply for the so called extraordinary immediate assistance payment (*mimořádná okamžitá pomoc*).

A care allowance as well as, in certain circumstances, a mobility allowance and a one-off grant for special aid, are provided to persons with reduced abilities. As these benefits are beyond the scope of the OECD tax-benefit model they are described in the annex.

#### 3.1.1. Eligibility conditions

To become eligible for the Assistance in material need benefit one has to reside in the country and proves the impossibility to increase his/her own income above the living minima by using their own means, in particular by gainful activities or through the application of entitlements and claims, or through the sale or rent of the persons' property.

In case of unemployment, the unemployed person has to be registered as a jobseeker, be active in job search and accept an offered job or participation in an active employment policy programmes (unless having a serious reason to refuse it) and, upon request, take up short-term employment or participate in public works or public works programmes.<sup>7</sup> Work-availability or job-search requirements must be met by all members of the household as relevant.

TaxBEN assumes that the work-availability and job-search requirements are satisfied for all household members.

### 3.1.2. Benefit amount

The benefit amount of allowance for living (*příspěvek na živobytí*) is equal to the difference between living minimum (i.e. the minimum living amount, see below) and the relevant household income minus the housing costs. In practice:

Social Assistance = minimum living amount – (relevant household income – reasonable housing costs).

‘Reasonable’ housing costs include the rent, up to specific limits stipulated by law, as well as services related to housing and energy costs. Housing costs are the same as those that enter the calculation of the housing allowance (Section 3.2).

TaxBEN note: For the purpose of the OECD tax-benefit model, the upper limits of the reasonable housing costs are those listed in Section 3.2.2.

The relevant household income is the sum of net earnings from employment and/or self-employment (i.e. after the deduction of contributions to health and social insurance and income tax), plus any other incomes specified by the tax legislation (e.g. alimony/maintenance payments from the absent parent), pensions, sickness and unemployment benefits, and family benefits (child and parental allowances). Note: disability benefits as well as the housing allowance (Section 3.2) are not included in the relevant household income.

Net earnings from work activities, sickness and unemployment benefits are partially disregarded when calculating benefit entitlements. The relevant amounts are 70% in case of net earnings from employment, 80% in the case of sickness insurance, pensions and unemployment benefits, 100% in the case of other incomes including parental and child allowances. Recipients who do not collaborate e.g. in job-search receive lower benefits (the calculation base is ‘subsistence minimum’ – see below).

#### **Living minima (monthly amounts):**

Single person living alone: CZK 3 410

First person of a household with at least 2 persons: CZK 3 140

Second and other persons who are not a dependent child: CZK 2 830

Dependent child: under 6 years: CZK 1 740; between 6 and 15 years: CZK 2 140; between 15 - 26 years: CZK 2 450

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<sup>7</sup> Effort to obtain income through working is not required from old-age and disability pensioners; persons over 68; care-dependent persons in dependency of grade II, III, IV; dependent children; parents caring for children; careers of care-dependent person, and persons who are temporary sick. In case of family with children, proper compulsory school attendance of children is required.

For instance, the monthly amount for a family with two adults without dependent children is CZK 3140+2830. The maximum monthly amount for a family with one adult and a dependent child under 6 years of age is CZK 3140+1740.

**Subsistence minimum (monthly amount): CZK 2 200**

The subsistence minimum, instead of the living minimum, is used for the calculation of the allowance for living adult person as a “sanction” for not meeting certain conditions prescribed by the law.<sup>8</sup> Similarly, after six months receiving the allowance for living, the claimant starts receiving the subsistence minimum unless one of the following conditions apply:

- The person is not obliged to increase income via work activities (see Footnote 7);
- The person eligible for unemployment benefit;
- The person is participating in PES projects;
- The person is employed or working in public service for at least 20 hours a month;
- The person has a second grade of disability.

For families with two adults, the penalization applies also to both adults unless at least one of the conditions above applies to each of them.

TaxBEN note: the penalization above applies to adults who receive the allowance for living for more than six months if they are i) without employment, ii) without children, iii) not entitled to unemployment benefit.

**Housing supplement (*Doplatek na bydlení*)**

Code in the OECD tax-benefit model: **[HBS]**. This benefit is classified in the macro category of housing benefits **[HB]**.

A precondition to be entitled for the housing supplement is the existence of an entitlement to the housing allowance (Section 3.2) and the allowance for living. The housing supplement is calculated so as to ensure that a family receiving social assistance and housing allowance still receives the minimum living amount (as defined above) after paying the housing costs. More precisely, the housing supplement is the amount that remains after subtracting from the living minimum amount the relevant net household income (as defined above for the calculation of the allowance for living) minus the reasonable housing costs (as defined above) plus the housing allowance (Section 3.2) and the allowance for living (as defined above): In practice:

Housing supplement = (reasonable housing costs – Housing Allowance) – (relevant household income + allowance for living – Living Minimum).

**3.1.3. Benefit duration**

Benefits of assistance in material need are provided as long as the given conditions are fulfilled. Persons can apply or re-apply for benefits always when they have not sufficient resources for living and the office has to accept and to judge their application.

**3.1.4. Tax treatment**

The benefit is not taxable.

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<sup>8</sup> For instance, if a family member does not comply with the prescribed conditions of employment activity s/he is not considered as a person in material need.

### 3.1.5. Interaction with other components of the tax-benefit system

This benefit can be received at the same time as other benefit, including unemployment benefits, family benefits, and benefits for people with disabilities.

### 3.1.6. Combining benefit receipt and employment/starting a new job

The benefit is compatible with earnings as well as the receipt of other benefits.

## 3.2. Housing allowance (*Příspěvek na bydlení*)

Code in the OECD tax-benefit model: [\[HA\]](#)

The housing allowance is designed to assist low-income households to cover expenditure connected with housing. It is a non-contributory benefit, income-tested and not taxable.

### 3.2.1. Eligibility conditions

Housing benefits are granted irrespective of the type of housing.

### 3.2.2. Benefit amount

The benefit amount is calculated as the difference between the “prescriptive housing costs” (see table below) and the relevant household income multiplied by a coefficient of 0.30 (0.35 in Prague – the TaxBEN model applies a coefficient of 0.30). If the relevant household income is lower than the living minimum of the family (Section 3.1), the living minimum of the family shall be used for the calculation. Actual housing costs shall be used for the calculation of housing benefits if they are lower than the prescriptive costs.

The relevant household income is the sum of earnings from employment and/or self-employment, after the deduction of contributions to health and social insurance and income tax, pensions, sickness and unemployment benefits, plus any other incomes by the tax legislation (e.g. income from rent or alimony/maintenance payments from the absent parent). The relevant household income includes also the child allowance (Section 4.1) and the parental allowance (Section 4.2).<sup>9</sup> Social assistance (Section 3.1) as well as disability benefits are not part of the relevant household income.

The Table below shows the prescriptive housing costs for rental accommodations.<sup>10</sup>

#### Prescriptive housing costs for rental accommodations in CZK per month

Valid from Jan 1 2020 to Dec 31 2020

Number of persons in household	Size of municipality				
	Prague	over 100 000 inhabitants	50 000 - 99 999 inhabitants	10 000 - 49 999 inhabitants	under 9 999 inhabitants
1	8577	6821	6502	5548	5374
2	11929	9525	9089	7783	7545
3	15953	12810	12239	10531	10220
4+	19617	15827	15138	13079	12703

The OECD tax-benefit model assumes that the accommodation is located in a municipality of 50 000 - 99 999 inhabitants.

<sup>9</sup> The reference time period for the calculation of the household income as well as the housing cost is previous calendar quarter.

<sup>10</sup> Costs for other types of accommodations, e.g. cooperatives or private accommodations are omitted.

### 3.2.3. Benefit duration

Benefit is provided as long as the given conditions are fulfilled. Persons can apply or re-apply for benefits always when they have not sufficient resources to cover housing costs and the office has to accept and to judge their application.

### 3.2.4. Tax treatment

This benefit is not taxable

### 3.2.5. Interaction with other components of the tax-benefit system

This benefit can be received at the same time as other benefit.

### 3.2.6. Combining benefit receipt and employment/starting a new job

The benefit is compatible with earnings.

#### Box 1. Example of calculation of housing and social assistance benefits

Let us consider a single person without children with annual gross earnings of CZK 24240 and annual housing costs of CZK 21732.

This person pays CZK 2677 per year of employee social security contributions (SSCs), which means that the reference income (RY) for the calculation of the housing allowance (HA – see Section 3.2) is CZK 21662:

$$\begin{aligned} \text{HA} &= \text{housing costs} - \max(\text{Living Minimum}, \text{RY}) * 0.30 \\ &= 21732 - \max(40920, 21662) * 0.30 = \text{CZK } 9456. \end{aligned}$$

Social assistance entitlements are calculated as follows (Section 3.1):

$$\begin{aligned} \text{SA} &= \text{Living Minimum} - 0.7 * \text{RY} - \text{housing costs} \\ &= 40920 - 0.7 * 21662 - 21732 = \text{CZK } 4025 \end{aligned}$$

Finally, the housing supplement is equal to

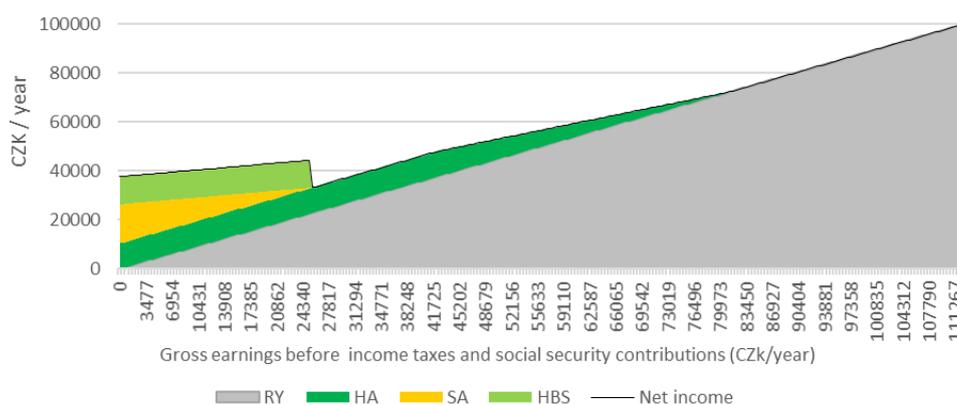
$$\begin{aligned} \text{HBS} &= (\text{housing costs} - \text{HA}) - (0.7 * \text{RY} + \text{SA} - \text{Living Minimum}) \\ &= (21732 - 9456) - \max(0, (0.7 * 21662 + 4025 - 40920)) = \text{CZK } 12276 \end{aligned}$$

The final net income is equal to:

$$\text{NET} = \text{RY} + \text{SA} + \text{HA} + \text{HBS} = \text{CZK } 47419.$$

The application of these rules at different earnings levels produces the results shown in Figure B1.

Figure B1. Net household income at selected earnings levels



Note: results for a single person without children. Housing costs are fixed at CZK 21732. RY=Gross earnings minus employee social security contributions; HA= housing allowance (Section 3.2), SA = Social Assistance, HBS = housing benefit supplement (Section 3.1).

Source: [OECD tax-benefit model, 2020](#)

## 4. Family benefits

Code in the OECD tax-benefit model: [\[FB\]](#)

### 4.1. Child allowance (*Přídavek na dítě*)

Code in the OECD tax-benefit model: [\[ch\\_allow\]](#)

The child allowance is an income-tested benefit provided to a dependent child with the objective to contribute to the coverage of costs incurred in his upbringing and sustenance. It is a non-contributory benefit and not taxable.

#### 4.1.1. Eligibility conditions

Eligibility depends on the household income (See Section 4.1.3) and the presence of dependent children in the household. A dependent child is a child up to the age of compulsory school attendance (under 15 years) and further if the child systematically prepares for future occupation (in full-time education at secondary school and university), or is not able to prepare for future occupation due to health reasons or is not able to work due to disability, but maximum up to the age of 26 years.

#### 4.1.2. Benefit amount

For those families with incomes below the eligibility threshold (Section 4.1.3), the amount of the child allowance depends on the age of children (table below). As of January 2018, there is also an ‘increased amount’ (see table below) that is associated with a certain type of earnings (Section 4.1.3).

**Monthly amount of the child allowance, CZK per month in 2020**

Age of the Dependent Child	Basic amount	Increased amount
under 6 years	500	800
6-15 years	610	910
15-26 years	700	1 000

#### 4.1.3. Means test

Entitlement to the child allowance depends on certain income criteria. Income of the family in the previous calendar quarter (effective since October 2017) must be under 2.7 family’s living minimum (see section 3.1). The relevant household income is the sum of earnings from employment and self-employment (after any deductions of contributions to health and social insurance as well as income taxes), pensions, sickness and unemployment benefits and parental allowance. The means test includes also other income components specified by the tax legislation which, however, are not included in the TaxBEN model (e.g. income from rent or alimony/maintenance payments from the absent parent).

Note: social assistance, disability and the housing allowance do not qualify as incomes for the entitlement to the child allowance (State social support act No. 117/1995 Coll.).

The increased amount of child allowance applies from the 1<sup>st</sup> of January 2018. To qualify for the increased amounts there must be at least one person in the household with an income from employment that is higher than the living minimum for a single person living alone (Section 3.1). The relevant income from employment for the means test is the income from work after any deductions of contributions to health and social insurance as well as income taxes. Another option to qualify for the increased amounts is to have an income from self-employment or to receive certain social benefits (without any income threshold). The relevant social benefits for the eligibility to the increased amounts are old age pensions, sickness and

unemployment benefits (Section 2), parental allowance (Section 4.2), care allowance (Annex A.3).

#### 4.1.4. Tax treatment

The benefit is not taxable.

#### 4.1.5. Interaction with other components of the tax-benefit system

The allowance can be received at the same time as any other benefit or earned income.

## 4.2. Parental allowance (*Rodičovský příspěvek*)

Code in the OECD tax-benefit model: [\[pa\\_allow\]](#)

This is the primary form of support for families with small children. It is for parents caring for the youngest child (up to the age of four) in the family.

### 4.2.1. Eligibility

A biological or foster parent with residence or employment in the Czech Republic is eligible for parental allowance as long as they personally provide full-time regular care for a child up to the age of four. This benefit can only be received for the youngest child in the family. Parental income and working activity has no effect on eligibility.

Under certain conditions, this benefit can be claimed if the child attends pre-school. In 2020, such attendance is limited to a maximum of 92 hours per month for children up to the age of two, whereas the time that a child older than two years spends in a nursery or kindergarten is not relevant for eligibility to the parental allowance.<sup>11</sup> Note: parents have the right to receive this benefit even if they work full time as long as they can assure that the child is in the care of another adult.

*TaxBEN note:* The OECD tax-benefit model assumes that, when a lone parent works and use centre-based childcare, the number of hours worked is equal to the number of hours of centre-based childcare. For two-earner couples, TaxBEN assumes that the hours of childcare are equal to the minimum number of working hours between the two parents. Hence, according to the eligibility rules described above, if both parents work, say, 25 hours per month, and they use childcare for their 2-years-old child, they are still eligible for the parental allowance as long as they meet all the other requirements. Similarly, if one partner works 25 hours per month and the other works 100 hours per month, the family is still eligible for the parental allowance. However, if both parents work more than 92 hours per month, they lose eligibility for the parental allowance.

### 4.2.2. Benefit amount

As of January 2020, parent is entitled to claim a maximum benefit of CZK 300 000 until the child is 48 months old (included). In case of multiple simultaneous childbirths the total amount of benefit extends to CZK 450 000. If at least one parent has a sickness insurance policy,<sup>12</sup> parents may select the amount of monthly parental allowance and thus the period of

<sup>11</sup> There are some exceptions concerning disabled children or disabled parents related to the child attendance in childcare centres. While receiving parental allowance, it is possible to place the child under 2 years of age into a childcare centre for 4 hours, and in some special cases for 6 hours / day.

<sup>12</sup> The sickness insurance policy refers to the sickness insurance system and is not related to the social security contribution for sickness insurance described in Section 7.

its distribution. For instance, if the parents of one child distribute the benefit over 36 months, the monthly rate will be CZK 300 000 divided by 36. The beneficiary of parental benefit can alter the distribution of the parental allowance over time every three months. The longest option is until the child is 48 months old and the shortest option is individual according to Daily Assessment Base (see below).

In case of shorter options, the maximum monthly amount of parental allowance cannot be higher than 70% of the Daily Assessment Base (DAB) multiplied by 30, in 2020 with a monthly ceiling of CZK 42720. The DAB is used for calculating the maternity benefit allowance and is derived from the average daily earnings over the past 12 months.

When both parents have a sickness insurance policy, the higher assessment base is used for the calculation. Parents may apply to change the amount of the allowance once every three months. If none of the parents have a sickness insurance policy (e.g. because they are students, unemployed or self-employed who have not paid voluntary sickness insurance contributions), they may select the monthly amount up to CZK 10 000. In the case of multiple childbirths, the monthly amounts are adjusted appropriately. While parents can alternate the reception of the parental allowance, only one of them is entitled to the benefit at each time.

*TaxBEN note:* the model assumes that the family claims the benefit for 36 months when the child is between 12 and 48 months old, and independently of the economic activity status of the parents. This is equal to CZK 8 333 per month.

#### 4.2.3. Tax treatment

Not taxable.

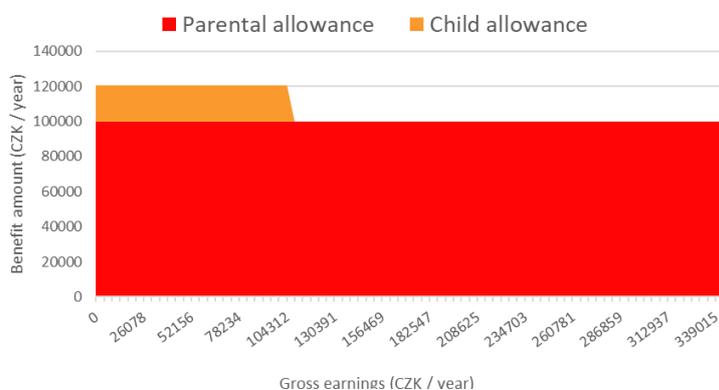
#### 4.2.4. Interaction with other components of the tax-benefit system

Parental allowance can be received at the same time as child allowance, unemployment benefits, benefits of assistance in material need or benefits for disabled.

#### 4.2.5. Combining benefit receipt and employment/starting a new job

Parental allowance can be received at the same time as earning as long as the child is in the care of another adult (see Section 4.2.1 for details). If the child is 2 years old or younger and the family use centre based childcare for more than 92 hours per month, the family loses eligibility for this benefit.

**Figure 2. Amount of family benefits, by type, family composition, and earnings levels.**



Note: results for a lone parent with two children aged 4 and 6. Calculations assume that 1) the parent works full time 2) s/he does not use formal centre 3) s/he is able to prove that the child is in the care of another adult, 4) the parent claims the parental allowance for 36 months, i.e. when the child is

between 12 and 48 months. This is equal to CZK 8 333/month (CZK 99 996/year). The child allowance is equal to the ‘increased’ amount, i.e. CZK 800+910 = 1710 \* 12 = 20520.

Source: [OECD tax-benefit model, 2020](#).

## 5. Net costs of Early Childhood Education and Care

Childhood Education and Care is compulsory for children only for the last year before the compulsory school attendance (from the age of 5 to 6 years). According to the current legislation, the following facilities can provide childcare services:

- Kindergartens (regulated by the Education Act and under the responsibility of the Ministry of Education, Youth and Sports);
- Children’s Groups (regulated by the Children’s Group Act and under the responsibility of the Ministry of Labour and Social Affairs);
- Private childcare facilities (under the Trade Licensing Act);
- Micro-nurseries (a pilot EU co-funded programme);
- Compulsory pre-school education can be also completed by attending the preparatory class of a primary school or by attending the preparatory class of a special primary school

Kindergartens cover the majority of pre-school children between 3 and 6 years old. Children who do not reach 2 years of age by 31<sup>st</sup> of August cannot be admitted to a kindergarten on the 1<sup>st</sup> of September (i.e. at the beginning of the school year). In the school year 2019/2020, 37.32% of children under the age of three attended kindergartens whereas 82.83% of three-year-olds attended kindergartens. Overall, 59.97% of the population aged two and three years attended kindergartens.<sup>13</sup>

Children’s Groups (CGs) are services provided on a non-commercial basis by, e.g. private companies for their employees, public institutions, and NGOs. CGs can provide care for children starting from the age of 1 and until the start of compulsory primary school education (the age of 6 on average). They were created in 2014 because of the insufficient capacity of kindergartens and the related large number of rejected applications for admission of two- and three-year-olds. The basic difference between kindergartens and CGs is the type of service as well as the age structure of children attending these facilities. While kindergartens are part of the educational system, Children's Groups focus more on meeting the care needs of the child, developing their abilities, and teaching cultural and hygienic habits.

Accurate statistics are not available as Children's Groups are flexible services and the age composition of children may change during the year. Regarding the age composition of children entering the Children's Group, about 75% of them are under 3 years of age. After reaching the age of 4, children most often go to kindergarten. Current capacities of children's groups cover approximately 6% of the population of children under 3 years of age and 1% of children over 3 years of age.

Private childcare facilities provide childcare for children up to three years of age on a daily or weekly basis. The service can be provided at the child’s home or at the provider’s premises. However, there are very few of these facilities in the Czech Republic, according to the

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<sup>13</sup> Since September 2017, the Education Act guarantees places for all children older than 4 years. From 2018, an amendment to the Education Act guarantees places for all children older than 3 years. The same amendment aimed at guaranteeing places for all children older than 2 years starting from 2020. However, the government cancelled this provision in June 2018 due to the inappropriateness of kindergartens for such young children and because of the massive burden on municipalities

currently performed analysis, it can be a maximum of 4,600 places. Micro-nurseries are part of a project launched in January 2016. They are designed for children from six months of age to four years and ensure individual childcare to small group of children (maximum four). The qualification requirements for care-takers are the same as for Children's group. Providers are primarily municipalities or NGOs in cooperation with the municipality. The advantage of micro-nurseries is also a fact that it can be founded e.g. by mothers on parental leave themselves.

### 5.1. Gross childcare fees

Code in the OECD tax-benefit model: [\[CZcc\\_cost\]](#)

**Kindergartens (*mateřská škola*):** In 2020, the monthly fee for the care service (excluding meals) in public kindergartens ranged between 1 and 1000 CZK, excluding meals costs.<sup>14</sup> This variability stems from the fact that the individual providers have discretion in setting the kindergarten fee, with the sole constraint that the final monthly amount paid by the parents cannot exceed 50% of the average non-investment costs per child per month in the past calendar year. In addition, if the municipality provides a kindergarten with sufficient funds to cover non-investment costs, the kindergarten's manager may also provide the care service free of charge. Finally, education in public kindergartens is provided free of charge for all children of 5 years of age until they start the primary school.

Parental fees pays the service for the period between September 1 and August 31. The fee is the same for all children of a selected kindergarten, independently of their socio-economic background. However, according to the decree 14/2005 on pre-school education, families who receive a recurrent benefit in material need (Section 3.1), families entitled to the increased care allowance (Annex), and families who receive foster care benefits for the purpose childcare, do not pay childcare fees.

The amount of meal costs in public kindergartens for children up until 6 years of age is determined by the regulation No. 107/2005 Coll. as follows: half day attendance 23-39 CZK/day; full day attendance 29-48 CZK/day, full day and night attendance: 48-80 CZK/day.

**Children's group:** Each CG set the fees based on their costs. Currently, there is no maximum limit for the fees set in CGs, however, these should not exceed the real costs of the service provided, because of the non-profit basis. Fees are the same for all children enrolled in the same facility independently of the socio-economic background of the family. In 2020, the fee (without meals) ranged from CZK 0 to 16 000, the average was CZK 3 260 per month. Meals cost ranged from CZK 0 to 121, the average was CZK 54 per day.

Accurate statistics on the coverage of children's group are not available as children's Groups are flexible services and the age composition of children may change during the year. There are currently 1,064 children's groups registered, with 14,040 places for children. However, the number of children attending children's groups is approximately 30% higher (more than 18,000 children), because one place can be shared by two or more children. Regarding the age composition of children entering the children's group, 75% of them are under 3 years of age. After reaching the age of 4, children most go to kindergarten. Current capacities of children's groups will thus cover approximately 6% of the population of children under 3 years of age and 1% of children over 3 years of age.

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<sup>14</sup> The average cost is 400 CZK (Ministry of Education, Youth and Sports). This amount considers the fees of all public kindergartens, including those where the service is provided free of charge.

Monthly fees of Children's Groups in 2020, for selected regions of Czech Republic

	Range of fees per month (in CZK)			Price of meals per day (in CZK)		
	Lowest	Highest	Average	Lowest	Highest	Average
České Budějovice	800	6700	2883	15	90	49
Karlovy Vary	900	3000	2380	40	60	40
Praha	600	16000	5981	30	121	72
Average in CZ	0	16000	3260	0	121	54

Note: the averages shown in the table consider the fees of all CGs, including those where the fee is zero.

*TaxBEN note:* For the purpose of the OECD tax-benefit model, the gross childcare fee in 2020 for children between two and three years old (included) is the average monthly fee calculated in selected public kindergartens of the city of Prague.<sup>15</sup> This is equal to 700 CZK per month for the care service, plus 1052 CZK per month for the meals (i.e. the maximum daily cost established by the regulation No. 107/2005 Coll., multiplied by 22 days of attendance). For children older than three years of age, the TaxBEN model assumes that the child attend a public kindergarten where the service is provided free of charge.

### 5.1.1. Discounts for part-time usage

The cost of meals for half-day attendance is between 23-39 CZK/day in kindergartens (regulation No. 107/2005 Coll.).

## 5.2. Childcare benefits

Variable name: `[cc_benefit]`

### 5.2.1. Fee discounts and free provision

Recipients of Social Assistance (Section 3.1) do not pay childcare fees.

### 5.2.2. Child-care allowances for children using centre-based care

There are no national benefits whose eligibility depends on the use of childcare services (including public kindergartens and Children's groups). Local governments can provide this type of benefits. The reference local government for the OECD tax-benefit model (Praha) does not provide this type of benefits.

### 5.2.3. Child care allowance for children not using child care centres

There are no national benefits whose eligibility depends on NOT using of childcare services (e.g. "home-care" and "child-rising" allowances). Local governments can provide this type of benefits. The reference local government for the OECD tax-benefit model (Praha) does not provide this type of benefits.

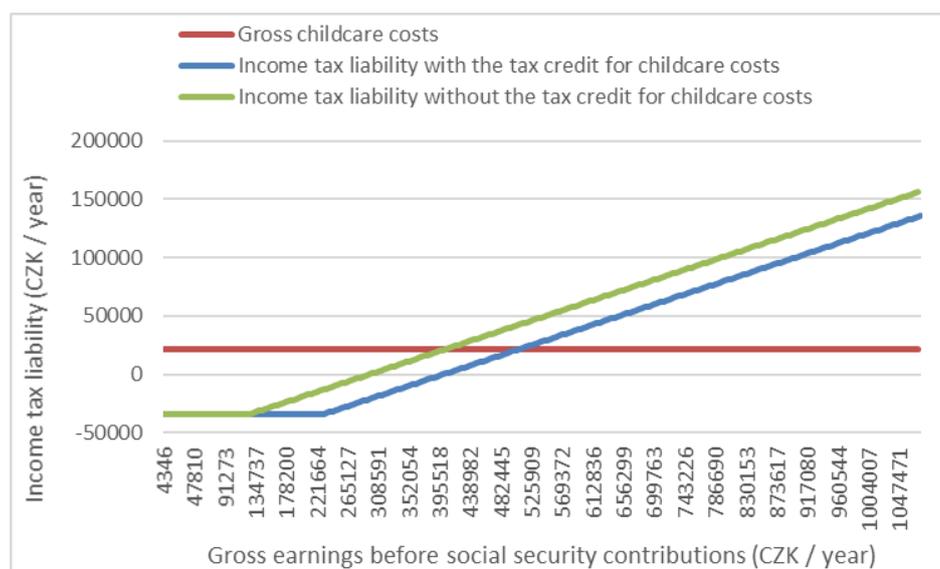
### 5.2.4. Tax concessions for childcare expenditures

Since 2015, there is an income tax credit (non-refundable) for parents-employees. The tax relief is designed as a tax relief in the amount of costs paid by taxpayer to the early childcare facility up to the amount corresponding to the monthly minimum wage, i.e. CZK 14600 in 2020. In the context of other tax allowances, especially the tax advantage for children living in a household with taxpayer, which might be partially or in the whole amount paid back to the taxpayer depending on their total amount of the income tax, this instrument can be used by low-income families as well.

<sup>15</sup> Public kindergartens in Prague provide the amount of parental fee in their websites. Examples include the following providers of Prague – District 1: [provider 1](#), [provider 2](#), and [provider 3](#). The full list of public kindergartens in Prague-District 1 is [here](#).

TaxBEN note: TaxBEN computes the income tax credit related to childcare expenditures during the calculation of the personal income tax. Figure 3 shows the amount of income tax liabilities at selected earnings levels, with and without accounting for childcare costs.

**Figure 3. Childcare costs and overall income tax liabilities with and without accounting for childcare costs.**



Note: results for a single person with two children aged 3 and 6, respectively. See Section 8 for the calculations of the income tax.

Source: [OECD tax-benefit model, 2020](#).

## 6. In-work benefits

None.

## 7. Social security contributions and payroll taxes

### 7.1. Social security contributions (*Příspěvky na sociální zabezpečení*)

Variable names: [[SOCSEC\\_p](#); [SOCSEC\\_s](#); [SSCR\\_p](#); [SSCR\\_s](#)]

*Employee compulsory contributions*: 11.0% of gross earnings. The total contribution consists of health insurance contributions (4.5% of gross wages) and social insurance (6.5% of gross wages).

*Employer compulsory contributions*: 33.80% of gross earnings. The total contribution consists of health insurance contributions (9% of gross wages) and social insurance (24.8% of gross wages).

The maximum annual earnings amount used to calculate social security contributions and contributions to the state employment policy is 48 times the national average monthly wage (CZK 1 672 080 in 2020). There is no ceiling for health insurance contributions.

**Table 1. Social security contribution rates as of January 1 2020**

Contributions	Percentage of gross earnings		
	Employees	Employers	Total
<b>Health insurance</b>	<b>4.50</b>	<b>9.00</b>	<b>13.50</b>
<b>Social insurance</b>			
Sickness	0.00	2.10	2.10
Pension	6.50	21.50	28.00
State employment policy	0.00	1.20	1.20
<b>Total</b>	<b>11.00</b>	<b>33.80</b>	<b>44.80</b>

## 8. Taxes

### 8.1. Personal income tax

Code in the OECD tax-benefit model: `[IT_p; IT_s]`

#### 8.1.1. Tax unit

The tax unit is the individual.

#### 8.1.2. Taxable income

The taxable income in the Czech Republic is calculated as follows:

Gross wage earnings (Section 1) + Employer's social security contributions (Section 7.1) – Tax allowances (Section 8.1.3).

#### 8.1.3. Tax allowances

There are a number of tax allowances that reduce the taxable income. Examples include charitable donations, interest payments, supplementary pension scheme contributions and private life insurance premiums.

TaxBEN note: The tax allowances available in the Czech Republic are all classified as 'non-standard' tax reliefs, which are outside the scope of the OECD tax-benefit model.

#### 8.1.4. Tax schedule

Single tax rate of 15%.

As of the 1<sup>st</sup> of January 2013, there is a 'solidarity surtax' of 7 ppts on the positive difference between the following values (A and B):

A) the sum of the incomes included in the partial tax base from dependent activity and the incomes included in the partial tax base from independent activity in the relevant period of taxation;

B) 48 times the average wage set out under the Act regulating social security insurance premium: CZK 1 672 080 in 2020.

In the case of an income from dependent activity, the partial tax base is the income from a dependent activity increased by the employer's social security contributions. The 7 ppts surtax applies only to the fraction of annual income above CZK 1 672 080. In the case of employees, the solidarity tax increase is applied monthly on the income exceeding 1/12 of the above annual threshold as an advance payment.

### 8.1.5. Tax credits

In 2020, there were the following tax credits:

- Tax credit of CZK 24 840 per taxpayer.
- Tax credit of CZK 24 840 per spouse (husband, wife or registered partner) living with a taxpayer in one household provided that the spouse's own income does not exceed CZK 68 000 in the taxable period.
- Tax credit for children: Payable tax credit of CZK 15204 for first child, credit of CZK 19404 for second child, credit of CZK 24204 for third and each additional child (irrespective of the child's own income) if the child satisfies one or more of the following criteria:
  - age below 18
  - age below 26 and receiving full-time education
  - age below 26 and cannot receive full-time education due to disease or injury, or due to long-term adverse health status

The taxpayer can claim the tax credit for children in the form of tax reliefs or tax bonuses. If the income tax liability is lower than the tax credit for children, the difference is paid as a tax bonus through the tax administrator or tax remitter. By contrast, the tax credit of CZK 24 840 per taxpayer as well as the tax credit of CZK 24 840 per spouse both operate in the tax system as traditional tax reliefs reducing the taxpayer's tax liability, which are applicable only up to the amount of the taxpayer's tax liability.

- Tax credits for family members with disability (not modelled in TaxBEN):
  - The tax credit for children doubles if there is a child in the household with special types of disabilities (so-called "ZTP-P" cardholders). If the tax liability is too low for receiving the full children tax credit, the taxpayer can apply for a 'tax bonus' up to a maximum of CZK 60 300 per year.
  - Tax credit of CZK 2 520 if the taxpayer is in receipt of a partial disability pension.
  - Tax credit of CZK 5 040 if the taxpayer is in receipt of a full disability pension.
  - Tax credit of CZK 16 140 if the taxpayer is a "ZTP-P" cardholder.
- Tax credit for educational or training programmes (not modelled in TaxBEN): tax credit of CZK 4 020 if the taxpayer takes part in a systematic educational or training programme under statutory provisions in order to prepare for his future vocation (profession) by means of such studies or prescribed training until completion of his/her 26 or 28 years (Ph.D. programme).
- Tax credit for childcare costs: Since January 1<sup>st</sup> 2015, there is a non-refundable tax credit for employed parents. The tax credit amount is equal to the annual costs paid by the taxpayer to the childcare facility up to the amount of the monthly minimum wage (CZK 14600 in 2020) for each maintained child. TaxBEN note: the parent with the highest taxable income applies for this credit.

## 8.2. Regional and local income tax

There are no regional or local income taxes.

## 9. Selected output from the OECD tax-benefit model (TaxBEN)

This section shows selected output of the TaxBEN model for the Czech Republic in 2020 (Figures 4). The main output of the TaxBEN model is the net household income (**black line**) as well as the related income components (**coloured stacked areas**) for selected family and individual circumstances (“vignettes”, e.g. a lone parent with two children working at different earnings levels – users are free to select many family and individual characteristics using the [online web interface](#)). Figures 4 and 5 show output for four scenarios:

- By percentage of the national full-time average wage (**Panel A**);
- By unemployment duration (in months) for a jobseeker claiming unemployment benefits (**Panel B**);
- By previous gross earnings levels for a jobseeker claiming unemployment benefits (**Panel C**);
- By previous employment record, for a jobseeker claiming unemployment benefits (**Panel D**).

The stacked areas shows the household income components. Note that each component can contain more than one benefit. The table of content of this report describes the benefits included in each category.

Results in Figure 4 – Panel A refer to a couple with two children. Adults are both 40 years old whereas children are 4 and 6 years old respectively. Social assistance and housing benefits are assumed to be available in all the four scenarios, provided that the necessary income and eligibility requirements are met. Where receipt of social assistance or other benefits is subject to activity tests (such as active job-search or being available for work), these requirements are assumed to be met. Figure 4 – Panel B refers to a couple without children and without entitlements to housing benefits.

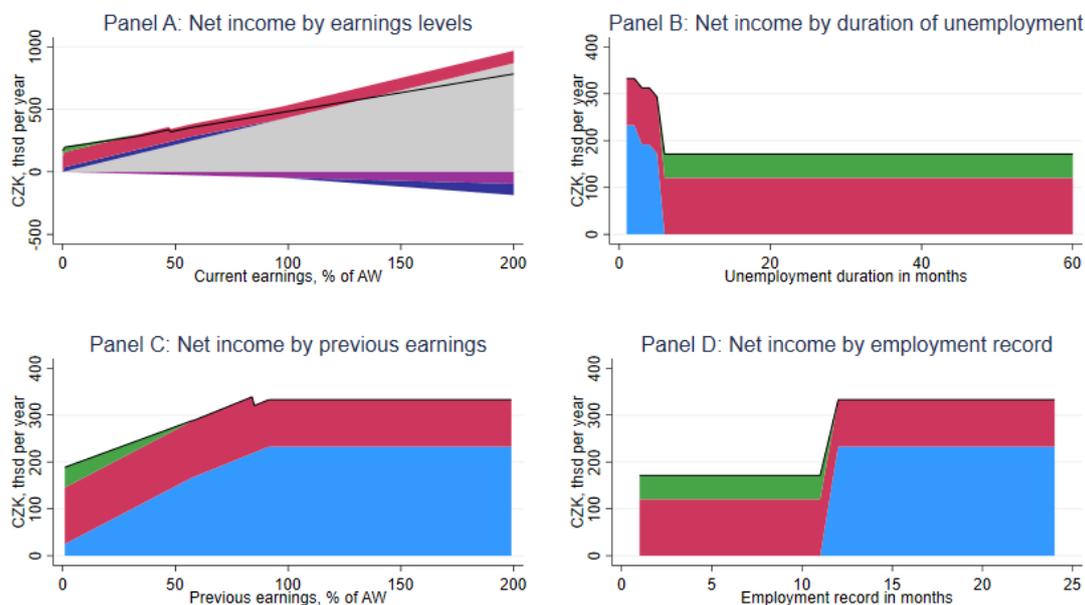
Panel A assumes that one of the partners (precisely the ‘second adult’ member, using the TaxBEN terminology) is out of work and not eligible for unemployment benefits (e.g. because they have expired). The other partner (so-called ‘first adult’) is employed full-time / full-year at earnings levels ranging between 0 and 200% of the Average Wage (AW). When earnings of the first adult are precisely 0% of the AW this person is assumed to be out of work without receiving unemployment benefits but claiming social assistance, as applicable.

Panels B to D assume that the second adult is out of work and not eligible to unemployment benefits whereas the first adult is also out of work and claiming unemployment benefits. In Panel B and C the first adult has a ‘long’ employment record of 264 consecutive months before the job loss. The x axis in Panel B measures the time of benefit receipt, starting from the first month. The x axis in Panel C shows the amount of previous gross earnings (before social contribution payments). Results in Panels C and D refer to the 2<sup>nd</sup> month of unemployment benefit receipt whereas Panel D consider the case of previous earnings equal to the average Wage. Previous earnings in Panel B are also equal to the average wage.

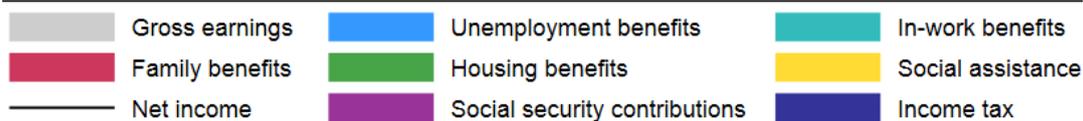
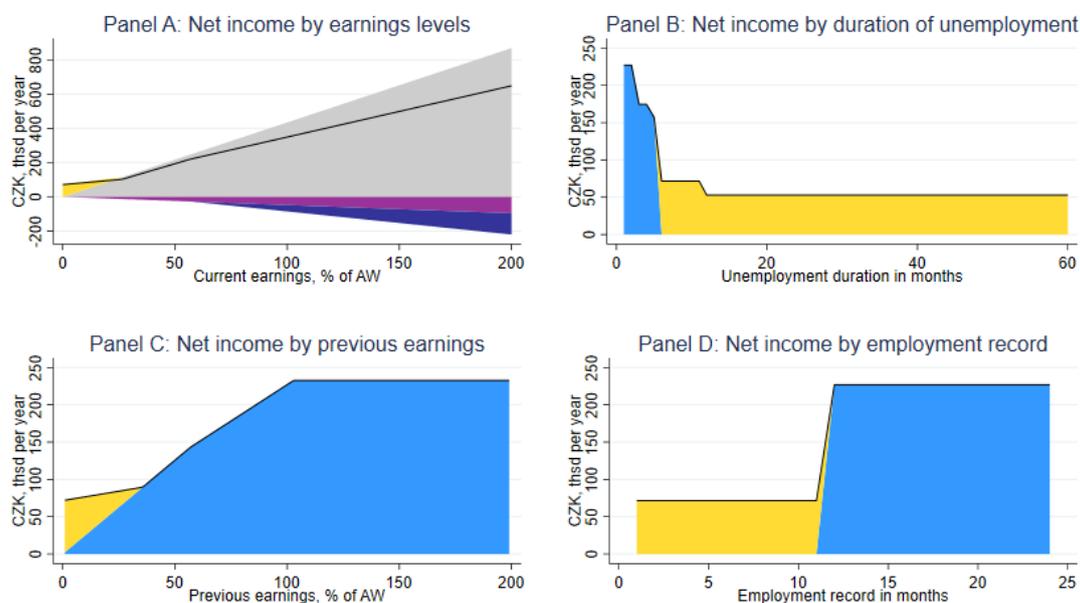
All results assume a private market rent plus other relevant charges amounting to 20% of the full-time average wage in all the four scenarios.

**Figure 4. Selected output from the OECD tax-benefit model**

**Chart A: Couple with two children**



**Chart B: Couple without children and without housing allowance entitlements**



*Note:* Section 9 provides more information on the simulation settings that apply to the four panels. Amounts are “annualized”, i.e. they are monthly values multiplied by 12. The average 2020 full-time average wage used to produce the charts above is CZK 434635. In Chart A - Panel C, the drop of the net household income between 70 and 80 % of the Average Wage is due to the full withdrawal of the child allowance (Section 4).

*Source:* [OECD tax-benefit model, 2020](#).

## Annex: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in Czech Republic that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

### A.1. *Retraining allowance (Podpora při rekvalifikaci)*

Jobseekers who meet the eligibility conditions for receiving unemployment benefits are also entitled to a retraining allowance if they participate in a retraining course provided by the regional branch of Labour Office. The retraining allowance shall not be paid during the provision of old-age pensions or sickness benefits. A disabled person who does not receive sick payments, old age benefits or earnings from work can be entitled to the retraining allowance on the basis of the decision of the Labour Office even if they are not registered as jobseekers in case they participate in vocational rehabilitation. During the period of retraining, the jobseeker who engaged in retraining activities receives 60% of last earned income net of tax and social security contributions. The maximum amount of retraining allowance is set at 0.65 times the average national wage for the first to third quarter of the calendar year in which the jobseeker enrolled for retraining (in 2020 CZK 21 729). If the jobseeker is not entitled to regular retraining allowance the allowance shall be set at 0.14 times the average national wage for the first to third quarters of the calendar year preceding the year in which the jobseeker enrolled for retraining. During the retraining programme, the jobseeker is not entitled to unemployment benefits.

### A.2. *Extraordinary immediate assistance (Mimořádná okamžitá pomoc)*

Extraordinary immediate assistance is part of the Assistance in material need. Benefits are provided to persons who find themselves in situations that have to be resolved immediately. The law provides for six situations that justify these additional benefits:

- When persons, due to a lack of funds, face a serious threat to their health. The benefit tops up a person's income so that it is in line with the subsistence minimum.
- When persons face extraordinary event such as a natural disaster, storms, fire, etc. The maximum amount is CZK 51 150.
- When persons do not have sufficient funds to pay one-off expenditure connected, e.g. with the payment of administrative fees. The maximum amount is the amount of the one-off expenditure.
- Where persons do not have sufficient resources to buy or repair basic furniture. The maximum amount cannot exceed CZK 34 100.
- Where persons do not have sufficient resources to cover justified costs relating to the education or special interests of dependent children, or ensuring necessary activities of social and legal protection of children. The maximum amount must not exceed CZK 34 100.
- Where persons are at risk of social exclusion, e.g. if they have been released from custody or prison, have left an orphanage, foster care on reaching adulthood, or have completed treatment for an addiction. A benefit up to CZK 1 000 may be granted. The benefit may be awarded repeatedly, but the sum cannot exceed CZK 13,640.

### A.3. *Care allowance (Příspěvek na péči)*

This allowance is provided to persons who are dependent on another person's assistance due to their long term unfavourable health conditions. There are 4 levels of dependence: Grade I (slight dependence); Grade II (medium-heavy dependence); Grade III (heavy dependence), and Grade IV (total dependence). The grade is assessed by analysing the ability to manage a series of the following basic needs: mobility, orientation, communication, self-feeding, putting on clothes and footwear, washing oneself, toileting, looking after one's health, personal activities, household tasks. The allowance provided to persons below 18 years of age in a calendar month in 2020 is:

- a) CZK 3 300, in the case of grade I (slight dependence),
- b) CZK 6 600, in the case of grade II (medium-heavy dependence),
- c) CZK 9 900 or CZK 13 900\*, in the case of grade III (heavy dependence),
- d) CZK 13 200 or CZK 19 200\*, in the case of grade IV (total dependence).

Children under one year of age are not entitled to the allowance. The allowance provided to persons over 18 years of age in a calendar month is:

- a) CZK 880, in the case of grade I (slight dependence),
- b) CZK 4 400, in the case of grade II (medium-heavy dependence),
- c) CZK 8 800 or CZK 12 800\*, in the case of grade III (heavy dependence),
- d) CZK 13 200 or CZK 19 200\*, in the case of grade IV (total dependence).

\*The increase refers only to recipients not using residential social services.

The allowance is increased by CZK 2 000 for recipients who are dependent children below 18 years of age and parent of dependent children below 18 years of age if the income of the family is under 2.0 family's living minimum.

### A.4. *Mobility allowance and special aid grant (Příspěvek na mobilitu and Příspěvek na zvláštní pomůcku)*

There are two non-contributory benefits for people with disabilities that aim at reducing the social consequences of disability and supporting of social inclusion: 1) a recurrent mobility allowance of CZK 550 per month (since January 2018) for people who are holders of Certificate of person with disability at the level labelled by a sign ZTP or ZTP/P (i.e. their abilities in mobility or orientation are worse due to long-term unfavourable health status); 2) a one-off grant for people with severe disabilities of support and motion apparatus, blind and deaf enabling. This grant seeks to support self-reliance, working activities, education, social contacts, buying or modification of a motor vehicle, adjustment of a flat.

### A.5. *Sickness Benefit (Nemocenská)*

#### *Entitlement and eligibility conditions*

Sickness benefits in the Czech Republic take the form of a compulsory contribution-based social insurance scheme, with mandatory continued payments by employers. All employees earning more than CZK 3,000 per month are insured under this program. The self-employed can participate on a voluntary basis.

To be eligible for Sickness benefits, workers must obtain a certificate of incapacity from a medical doctor.

### *Benefit amounts*

After a 14-day period of continued payment by the employer (see A.6 Mandatory employer sick pay), ill workers receive 60% of the Daily Assessment Base (Denní vyměřovací základ) from the 15th to the 30th calendar day of incapacity. From the 31st to the 60th calendar day: 66% of the Daily Assessment Base. From the 61st calendar day onwards: 72% of the Daily Assessment Base. The benefit is paid monthly and there are not additional amounts for dependents.

The Daily Assessment Base: calculated as a percentage of gross earnings according to the following rate:

- up to CZK 1,090 (€43) per day: 90%
- CZK 1,090 (€43) to CZK 1,635 (€64) per day: 60%
- CZK 1,635 (€64) to CZK 3,270 (€129) per day: 30%
- Earnings over CZK 3,270 (€129) per day are not taken into account.

There is no minimum benefit, though there is a de facto minimum level, as employees earning less than CZK 3,000 (€118) a month cannot be insured for sickness benefits.

The maximum daily benefit is as follows:

- From the 15th to the 30th calendar day: CZK 1,080 per day.
- From the 31st to the 60th calendar day: CZK 1,188 per day.
- From the 61st calendar day onwards: CZK 1,296 per day.

### *Benefit duration*

380 days from the first day of temporary incapacity to work. It can be extended with an additional 350 days if the recipient applies for it and the Czech Social Security Administration decides (based on the medical records) that full recovery and regain of ability to work is likely.

### *Means test*

Benefits are not means tested.

### *Tax treatment*

The sickness benefit is not subject to taxation.

### *Interactions with other components of the tax-benefit system*

Sickness benefits cannot be combined with other sickness insurance benefits. They may possibly be combined with some other benefits, mainly:

- Old-age pension, to a limited extent (max 70 days per year)
- Survivors' pension
- Invalidity pension if the invalidity occurred outside the period of sickness benefit receipt, in case of III. degree disability to a limited extent only (max 70 days per year)

- Guaranteed minimum support benefits provided under the System of Assistance in Material Need (SAMN) if the means-test is passed.
- Child allowance, housing allowance, parental allowance, care allowance, mobility allowance, special aid grant. Note: Combination of parental allowance with two sickness insurance benefits – maternity benefit and sickness benefit provided in connection with childbirth - is possible, but parental allowance is due only if it is higher than the benefit, in the amount of the difference.

### *Means test*

Sickness benefits enter the income test for child allowance, housing allowance, benefits of SAMN.

### *Combining benefit receipt and employment/starting a new job*

Combining work and benefit receipt is possible: while benefit entitlement are linked to specific types of work activity, other activities may not be influenced by the sickness and can be carried on while receiving the benefit. Only those employments to which the certificate of incapacity is issued have to be suspended. For instance, a person who does part-time gardening and part-time accounting, may be temporarily incapacitated to continue one job, but the other may not be influenced and can be carried on.

If the recipient continues working in the job where the work incapacity occurred, the payments is terminated.

Any employee who is insured, i.e. earning more than CZK 3000 (see eligibility conditions above), can claim the benefit independently of the hours/days worked or receipt of short-time work compensations.

## **A.6. Mandatory employer sick pay (*Náhrada mzdy*)**

### *Entitlement and eligibility conditions*

See A.5

### *Benefit amounts*

Sick pay recipients receive 60% of the Hourly Average Earning (průměrný hodinový výdělek). Wage compensation is paid according to working hours. Hourly Average Earning is calculated using gross hourly earnings of the preceding calendar quarter. They are taken into account as follows:

- up to CZK 190.75 : 90%
- CZK 190.75 to CZK 286.13 : 60%
- CZK 286.13 to CZK 572.25 : 30%
- earnings over CZK 572.25 are not taken into account

Wage compensation is paid monthly. Since wage compensation is regulated under labour law, employers pay on their own account.

[For quarantined workers during the Covid-19 pandemic: A specific government programme covers a contribution to the reimbursement of eligible costs incurred by employers after 1 March 2020, with financial support from the public funds. In case there is an obstacle to work](#)

on the employee's side (e.g. quarantine was imposed on an employee), the employer will receive a state contribution equal to 80% of the reimbursement of the super-gross wages paid (i.e. the amount paid by the employer, including social and health insurance contributions) capped at CZK 39 000 per employee, see below

#### *Benefit duration*

The first 14 calendar days of a temporary incapacity for work.

#### *Means test*

The benefit is not means tested.

#### *Tax treatment*

The benefit is not subject to taxation.

#### *Interactions with other components of the tax-benefit system*

Entitlement to this benefit (as well as the sickness benefit provided in connection with childbirth to recipients of maternity benefits) affects entitlement to parental allowance adversely: parental allowance can be paid only if it is higher than the above-mentioned sickness benefits.

The income from the sickness benefits enters the income test for child allowance, housing allowance, living allowance, housing supplement.

Receipt of sickness benefits does not automatically give entitlements to any other non-contributory family and social assistance benefits described in this report.

#### *Combining benefit receipt and employment/starting a new job*

The same conditions that apply to the sickness benefit described in section A.5 apply also to the A.6. Mandatory employer sick pay.

### **A.7. Employment Support Program “Antivirus” (*Cílený program podpory zaměstnanosti “Antivirus”*)**

Before the COVID crises, Czech Republic did not have a regular short-time work compensation scheme in place to support the maintenance of employment among employers affected by external events, e.g. industrial crises or heart quakes.<sup>16</sup> During the COVID-19

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<sup>16</sup> In 2015, the following amendment to the Employment Act (§ 115 - contribution during partial unemployment) was added in response to the need to have a solution for employers in the event of a recession:

“The Labour Office may provide a contribution during partial unemployment to an employer who is a private company on the basis of an agreement concluded with them and the prior consent of the government due to:

- Interruption of work caused by a natural event
- An obstacle to work on the part of an employer when the employer cannot assign work to an employee within weekly working hours due to temporary restrictions on sales of his products or restrictions on demand for services (partial unemployment).”

However, the amendment above has never been activated by a government decree.

pandemic, the Government came with a new measure called “Antivirus” and is currently making a proposal for a systematic STW programme similar to the Austrian ‘*kurzarbeit*’.

### *Entitlement and eligibility conditions*

On 1 April 2020, the Government of the Czech Republic approved by Resolution No. 353 in accordance with Section 120 of Act No. 435/2004 Coll., On Employment, as amended, the Targeted Employment Support Program “Antivirus”.

The aim of the program is to support the maintenance of employment among employers affected by the spread of COVID-19 and related protective measures. As a result of these measures, they were forced to interrupt or significantly reduce their operations and therefore their employees are not working fully. The Antivirus program therefore corresponds to short-time working programs.

Employers are provided with an allowance to cover the wage costs (compensation of wages and related insurance) incurred by the employer during periods when employees are not working. According to the Czech Labor Code, these are so-called obstacles to work, where the employer is obliged to pay wage compensation to the employee even though the employee is not working.

The allowance is provided if the employee has been ordered to quarantine, or in cases where the employer had to close the operation from the decision of the state administration, or where the employer closes or restricts the operation due to a reduction in sales of products or services, due to restrictions on inputs (raw materials, products) or absence of a significant proportion of employees. The link to COVID-19 is not proven and is automatically assumed due to the severity of the situation and the magnitude of the impacts.

The program is intended for all employers with the exception of employers referred to in Section 109 (3) of Act No. 262/2006 Coll., The Labor Code. These are: state, territorial self-governing unit, state fund, a contributory organization whose costs for salaries and remuneration for working readiness are fully secured from the operating allowance<sup>15</sup>) provided from the founder's budget or from payments under special legal regulations, school legal entity established by the Ministry of Education, Youth and Sports, region, municipality or voluntary union of municipalities pursuant to the Education Act<sup>41</sup>), or regional council of the cohesion region. These employers are excluded from the support as their labor costs are covered by public resources (budgets).

The allowance is intended only for employees in employment and at the same time a concurrence with the financing of these expenditures from other public sources (subsidies, contributions, etc.) is excluded.

Other characteristics, such as the economic sector, the size of the employer or the region of application, are not decisive for the granting of the support. The allowance is provided on the basis of an agreement between the Labor Office of the Czech Republic and the employer, the agreement is concluded with each employer (subject to the fulfillment of the above-mentioned basic conditions) if the application is submitted.

### *Benefit amounts*

The allowance is provided for partial reimbursement of labor costs. This is the paid wage compensation (provided for the period when the employee is not working) and the insurance paid. According to the Czech Labor Code, the employer is obliged to pay this compensation to the employee. Amount of allowance:

- In mode A it is 80% of paid wage costs, maximum CZK 39,000/month

Mode A applies to cases where an employee is ordered to quarantine. In such a case, the employer is obliged to pay the employee wage compensation for the first 14 days. Also, mode A applies to cases where closure of operations was directly ordered by the government (e.g. restaurants).

- In mode B it is 60% of paid labor costs, maximum CZK 29,000/month

Mode B concerns cases where the employer has restricted or closed down operations mainly because of reduction of sales, lack of input supplies or due to the absence of a significant proportion of employees due to childcare (schools closed in the Czech Republic) or quarantine orders.

### *Benefit duration*

Eligibility of expenditures is from 12 March 2020, when the state of emergency was declared in the Czech Republic. The end of the period is set for 31 August 2020.

### *Means test*

No means test.

### *Tax treatment*

Normal tax treatment.

### *Interactions with other components of the tax-benefit system*

Wage compensation to employees in STW program enters the income test of other income-tested benefits in the same way as income from employment or self-employment. Wage compensation to employees in STW program has the same status in interactions and relations to non-contributory family and social benefits as normal earnings.

### *Combining benefit receipt and employment/starting a new job*

Benefit recipients can work but the monthly earnings cannot exceed half the minimum wage. Benefit payments are suspended from the beginning of any legal working relationship providing monthly earnings that do not exceed half the minimum wage. A jobseeker does not receive unemployment benefit for the duration of this relationship and it does not matter if he/she receives wages or not.

There are no financial work incentives for benefit recipients who take up regular employment, e.g. earnings disregards in the income tests and/or tax concessions. However, the Labour Office, based on an agreement, may provide a bridging contribution to a self-employed person who has ceased to be a jobseeker and who has received the contribution for a job created by him in agreement with the Labour Office for the purpose of self-employment. The bridging contribution is provided to pay the operational costs of incurred and paid in the period for which the bridging contribution is provided.

The commuting allowance is intended for a person who is / was kept in the register of the Labor Office of requests the support of a commuting allowance at the time of being registered at the Labor Office or no later than 30 calendar days from the date of employment;

STW benefit recipients can take up employment with another employer while the STW benefit as long as the total income from both employment and STW do not exceed half the minimum month wage.