

In this next issue of our HR Newsletter we update you on legislation changes; further we focus on EU forms, the implications of the employment in low income range and also cover some of your most common questions.

Andrea Slabochová
Senior HR Consultant

News

Tax payer declaration

The Ministry of Finance published for the year 2010 an updated form, No. 20, of the Declaration of the tax payer of the income tax by individuals from dependent activity and from function benefits. An employee, who signed for the taxable period any of the previous forms No. 16 – 19, does not need to sign the new form No. 20. The new form only reflects changes related to new disability classification (for further details please see our January HR Newsletter).

Rate of unemployment

Unemployment reached as of 31 December 2009 a rate of 9.2%, in the year it increased by 3.2 percentage points. In absolute terms, this number is 539,136 people without work, in the year 186,886 people became unemployed.

Handbook for the unemployed

"Handbook for the unemployed in 2010", is a publication issued by the Ministry of Labour and Social Affairs as historically the first publication of this kind. It contains information on what to do in the case of loss of employment, who to turn to, to which benefits from the state an unemployed is entitled or how to find a new job and what it takes. The handbook is available in printed form at all Labour Offices and offices of the Social Security Administration, and also in electronic form on (in Czech language only):

http://www.mpsv.cz/files/clanky/8029/priirucka_n_ezamestnaneho_def.pdf

From legislation

Court order deductions

Government Decree No. 461/2009 Coll. increases from 1 January 2010 the amount of normative costs for individuals living in apartments used based on a lease and given for the municipality which has 50,000 to 99,999 inhabitants, the amount now is CZK 4,597. This amount in total with the amount of the subsistence of the individual, which is determined by Act No. 110/2006 Coll., on life and existence minimum (CZK 3,126), determine the minimum post deduction amount, that has to be paid out to debtor when calculating mandatory deductions from his salary, as follows Government Decree No 595/2006 Coll.. The minimum post deduction amount is set as 2/3 of this sum per person of debtor i.e. CZK 5,148.67, and 1/4 of those 2/3, i.e. CZK 1,287.17 for each dependent person.

News from Parliament

- The Chamber of Deputies is currently dealing with:
- ❖ proposal to amend the Employment Act in the field of providing a contribution to support the employment of people with disabilities, where it says that the contribution should not be provided for that part of the wage which has been granted in kind
 - ❖ and continues dealing with proposals for the Labour Code amendment regarding cancellation of the guard (unpaid) period in case of sickness or quarantine; proposal for maximum social and health security base cancellation; proposals for cancellation of the reduction of the maternity allowances; and proposal for cancellation of the reduction of the nursing allowance

This newsletter is intended to keep clients and friends of Contract Administration generally informed of current employment related issues in Czech Republic. It is not intended to give advice. Readers are recommended to take formal advice before contemplating any decision or action related to any item of information appearing in this newsletter.

From legislation

EU forms (1.)

Today, there perhaps no longer exists an employer who hasn't heard of the EU form; on the contrary in practice we increasingly encounter employers forced to address issues and other obligations associated with the work in another EU / EEA country or Switzerland.

The purpose of the forms is to ensure mutual communication between institutions of the individual countries. But, the forms are not issued automatically. Either worker or the competent institution has to apply for the form issuance. This depends on the specific purpose, type of the form and the country affected.

European forms share a common format and are available in all official EU languages. The language is thus not an obstacle.

European forms are divided into different ranks according to what area they relate.

Currently, you can meet:

- ❖ Forms of the type E100 – applicability of legislation and health insurance
- ❖ Forms of the type E200 – social and pension insurance
- ❖ Forms of the type E300 – employment and unemployment policy
- ❖ Forms of the type E400 – family benefits

Your inquiries...

“Is it possible that an employee – a man – takes a parental leave?”

Yes, but it is necessary to distinguish between the parental leave granted in relation to the provisions of the Labour Code and the "maternity leave" as a piece of financial support for maternity under the Sickness Insurance Act.

Under the Labour Code, the employer must provide employee – a father at his request with paternity leave (maternity leave can be provided only to woman) for the period from child's birth to

3 years of age. Both parents may take maternity/paternity leave simultaneously.

Entitlement to maternity allowance (financial allowance of social security) arises to the employee - a man, when he meets the general conditions, i.e. period of insurance at least in the range of 270 calendar days in the two years before the "maternity" leave starts; plus: he has taken over the care of a child to substitute care of parents; mother of a child died; or mother cannot care for the child due to illness; he entered into an agreement with the child's mother in accordance with the law, that he will take over the care of a child (such agreement is possible with the effect from the beginning of the seventh week after the birth of a child earliest).

“My question is, whether a foreign employee may apply for the annual tax settlement.”

Whether the employee is a citizen of another nationality is not decisive in terms of taxation. It is important whether the employee is a Czech tax resident or non-resident and whether he had other income than income from employment, in what amount and what tax reliefs he enforces.

Tax non-resident is a person who does not reside in the CR, nor is in the CR usually present (i.e. in a calendar year he has been staying less than 183 days) and at the same time he had income from sources in the CR. In the case of non-resident, both conditions must be met simultaneously.

Foreigner, Czech resident, is seen as a "regular" employee (i.e., general conditions of entitlement to the annual tax settlement are tested).

To a Czech non-resident foreigner, the annual tax settlement can be performed, where only income received in the CR is subject to settlement. But, some of the existing tax reliefs cannot be applied, especially relief for dependent children, for a spouse, for disability, interest on loans or gifts provided abroad (under certain conditions, these can be applied in the personal tax return).

Issues affecting you ...?

Small-scale employment and payment of insurance from "low" income

It is not easy to determine what employment is small-scale employment. Therefore, we have prepared a general overview of the problem:

Health and social insurance point of view:

Social insurance („SI“)

- ❖ The term “small-scale employment” (“SSE”) is governed by the Act on Sickness Insurance
- ❖ It is an employment that meets general conditions for participation in the insurance, the contracted monthly income does not however achieve CZK 2,000 or the income was not contracted

Health insurance („HI“)

- ❖ Since 2009 SSE is not legally covered
- ❖ Generally, insurance is deducted also from income lower than CZK 2,000
- ❖ Special rules apply on DPC (“Working activity agreement”) with an income lower than CZK 2,000; where participation in insurance does not arise

Contracted income

Income is considered contracted, if it is possible to calculate the amount of remuneration payable in advance.

If not, **income is not considered to have been contracted** (typically DPC with contracted hourly rate and scope of work less than half of the weekly working time).

Effect of form of employment and level of contracted income on participation in insurance

1. Employment based on employment contract; contracted income is CZK 2,000 at least

- ❖ SI: no SSE; participation in insurance arises when the work starts; insurance is deducted regardless income paid out in the given month
- ❖ HI: participation in insurance arises when the work starts; insurance is deducted regardless income paid out in the given

2. Employment based on employment contract; contracted income is less than CZK 2,000 or income is not contracted

- ❖ SI: SSE; participation in insurance arises only in a month where income paid is at least CZK 2,000; only in such a month insurance will be deducted (employee is to be registered retrospectively from the real date of the beginning of his/her work)
- ❖ HI: participation in insurance arises when the work starts; insurance is deducted regardless income paid out in the given

3. DPC; contracted income is CZK 2,000 at least

- ❖ SI: no SSE; participation in insurance arises when the work starts; insurance is deducted regardless income paid out in the given month
- ❖ HI: participation in insurance arises only in a month where income paid is at least CZK 2,000; only in such a month insurance will be deducted (employee is to be registered from the date of work beginning in this month)

4. DPC; is less than CZK 2,000 or income is not contracted

- ❖ SI: SSE; participation in insurance arises only in a month where income paid is at least CZK 2,000; only in such a month insurance will be deducted (employee is to be registered retrospectively from the real date of the beginning of his/her work)
- ❖ HI: participation in insurance arises only in a month where income paid is at least CZK 2,000; only in such a month insurance will be deducted (employee is to be registered from the date of work beginning in this month)

Note

When deducting HI, it is always necessary to take into account, whether an employee has obligation to pay the insurance at least from the legal minimum assessment base.

If you would have some questions to the payroll or HR agenda please ask! We will be pleased to contact you.

The most burning questions and answers will be published in the next HR Newsletters.

Please contact us on aslabochova@ca-staff.eu.

This newsletter is intended to keep clients and friends of Contract Administration generally informed of current employment related issues in Czech Republic. It is not intended to give advice. Readers are recommended to take formal advice before contemplating any decision or action related to any item of information appearing in this newsletter.