

# THE OECD TAX-BENEFIT MODEL FOR CZECH REPUBLIC

Description of policy rules for 2018



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## *Preface*

The [OECD Tax-Benefit model \(TaxBEN\)](#) incorporates detailed policy rules for tax liabilities and benefit entitlements as they apply to individual families across OECD member countries. Its main use is to calculate the amount of taxes that people are liable to pay, and the government transfers they are likely to receive, in different family and labour-market situations. The model includes legal policy rules that are relevant for people of **working age** (from 18 years old until the statutory retirement age) and their dependent children. Income tax liabilities and benefit entitlements are calculated 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 respectively). Model users are free to change many of these characteristics, including the age and number of children, activity status of adult members, hours of work, current and past earnings levels, unemployment duration, social contribution records, and housing-related costs. The model has been updated annually since the early 2000s for most OECD 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 and support for non-parental childcare 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 taxes and benefits that are included in the model and focuses on the rules that are relevant for family, individual and labour-market circumstances that are within its scope. 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 which are not included in the TaxBEN 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, 2018**.
- **Guidelines for completing and updating this report** are provided [here](#).
- Further information on the model, model results, and references to reports and analytical uses 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.

## The OECD tax-benefit model for Czech Republic: Policy rules in 2018

### 1. Reference wages

The 2018 average wage [**AW**] is CZK 375 464 (Secretariat Estimate).<sup>1</sup>

The minimum wage [**MIN**] in 2018 is CZK 12 200 per month. The annual minimum wage is computed by multiplying the minimum monthly wage (as of January 1, 2018) by 12, i.e. EUR 12 200 \* 12 = EUR 146 400.

### 2. Unemployment benefits

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

Code in the OECD tax-benefit model:<sup>2</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>3</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>4</sup>  To be eligible for unemployment benefits the claimant has to meet a series of behavioural requirements. Among the others, the claimant:

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

<sup>2</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>3</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>4</sup> Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see Immervoll and Knotz (2018, forthcoming), [Langenbucher \(2015\)](#) and [Venn \(2011\)](#).

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 2017 this capped amount was  $0.58 * CZK 28\,761 = CZK 16\,682$ .

### *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>5</sup>

### *2.1.4. Tax treatment*

The benefit is not taxable.

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<sup>5</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

### 2.1.5. 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.

### 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 and earns less than half of the minimum wage per month then the benefit is not revoked but only suspended during this period.

## 3. Social assistance and housing benefits

### 3.1. Assistance in material need (*pomoc v hmotné nouzi*)

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 by using own means, in particular by gainful activities or through the application of entitlements and claims, or through the sale 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>6</sup> Work-availability or job-search requirements must be met by all members of the household as relevant.

TaxBEN assumes that the eligibility requirements above are satisfied for all household members.

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<sup>6</sup> Effort to obtain income through working is not required from old-age and disability pensioners, persons over 68, care-dependent persons in disability grade II, III, IV, dependent children, parents caring for children, careers of care-dependent person, and persons who are temporary sick, meeting other prescribed conditions. In case of family with children, proper compulsory school attendance of children is required.

### 3.1.2. Benefit amount

The benefit amount of **allowance for living** (*příspěvek na živobytí*) is equal to the difference between the amount of living (basically living minimum) (see below) and the relevant household income minus the housing costs. Housing costs include the rent (up to the local normal/common amount or the limit stipulated by law), services related to housing and energy costs. The relevant household income is the sum of earnings from employment and/or self-employment, plus any other incomes specified by the tax legislation (e.g. alimony/maintenance payments from the absent parent), after the deduction of contributions to health and social insurance and income tax, pensions, sickness and unemployment benefits.

#### **Living minima – monthly amounts:**

First person in household (or single-person households): CZK 3 140

Second and other persons who are not a dependant 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

#### **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>7</sup>

**Housing supplement** (*doplatek na bydlení*): a precondition to be entitled for the housing supplement is the existence of an entitlement to the housing allowance defined (See Section 3.2). The housing supplement is calculated so as to ensure that the amount of living (basically living minimum) remains after paying the housing costs. In other terms, the housing supplement is calculated so that the amount by which the household income exceeds the amount of living minimum is deducted from the amount of housing costs in a given calendar month reduced by the housing allowance of the previous calendar month.

### 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>7</sup> Similarly, if a family member considered as capable of work does not comply with the prescribed conditions of employment activity she/he is not treated as a person in material need. Hence, when calculating the benefit amount for the entire family, incomes (or possible incomes) of this person are included in the household income but her/his amount of living is not taken into account, resulting in a lower benefit amount at the family level

### 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. Earnings from work activities, sickness and unemployment benefits are partially disregarded when calculating benefit entitlements: 70% in the case of income from employment, 80% in the case of sickness insurance, pensions and unemployment benefits. Recipients who do not collaborate e.g. in job-search receive lower benefits (see section 3.1.2).

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

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

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). 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, plus any other incomes by the tax legislation, after the deduction of contributions to health and social insurance and income tax, pensions, sickness and unemployment benefits. For the purposes of the housing allowance calculation, the relevant household income includes also parental and child allowances.<sup>8</sup> If the relevant household income is lower than the living minimum of the family (see section 3.1), the living minimum of the family shall be used for the calculation. The Table below shows the prescriptive housing costs for rental accommodations.<sup>9</sup>

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

Valid from Jan 1 2018 to Dec 31 2018 (New data for 2018)

| 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                              | 7870                 | 6227                     | 5928                        | 5036                        | 4844                    |
| 2                              | 11186                | 8938                     | 8530                        | 7308                        | 7046                    |

<sup>8</sup> The reference time period for the calculation of the household income as well as the housing cost is previous calendar quarter.

<sup>9</sup> Costs for other types of accommodations, e.g. cooperatives or private accommodations are omitted.

|    |       |       |       |       |       |
|----|-------|-------|-------|-------|-------|
| 3  | 18116 | 12176 | 11642 | 10045 | 9702  |
| 4+ | 18827 | 15282 | 14639 | 12712 | 12299 |

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

### 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.

## 4. Family benefits

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

Code in the OECD tax-benefit model: **[FB]**

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

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

The child allowance is provided at three levels depending on child's age and at two levels according to sorts of income. **(New legislation)**

#### Amount of child allowance according to the child's age, CZK per month in 2018

| Age of the Dependent Child | Monthly Amount of Child Allowance Basic Level | Monthly Amount of Child Allowance Increased Level |
|----------------------------|---|---|
| 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 is bound with certain income criteria. Income of the family in the previous calendar year must be under 2.7 family's living minimum (See

section 3). 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 specified by the tax legislation (e.g. alimony/maintenance payments from the absent parent).

Entitlement for the increased amount is determined by having income from employment amounting to at least the individual living minimum level, or from certain social benefits (pensions and sickness benefits, unemployment benefit, care allowance, parental allowance). (New legislation)

#### 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 so 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 has no effect on eligibility.

This benefit can still be claimed if the child attends pre-school. Such attendance is limited however to a maximum of 46 hours per month up to the age of two, while the time that older children spend in a nursery or kindergarten is not relevant for eligibility to the parental allowance.<sup>10</sup> Likewise, a parent has the right to continue working while receiving this benefit without any restrictions on earnings as long as the child is in the care of another adult.

#### 4.2.2. Benefit amount

A parent is entitled to claim a maximum benefit of CZK 220,000 until the child reaches the age of four. In the case of twins or more children born at the same time the total amount of benefit extends to CZK 330,000. (New legislation) If at least one parent has a sickness insurance policy, parents may select the amount of monthly parental allowance and also the time period of its distribution. For instance, a parent can claim this benefit for 7 months and receive CZK 31 000 per month, or claim the benefit for 19 months and receive CZK 11 500 per month, or claim the benefit for 43 months and receive CZK 5

<sup>10</sup> There are certain exceptions concerning disabled children or disabled parents related to the child attendance in child care facilities. While receiving parental allowance it is possible to place the child under two years of age into a pre-school care facility for 4 hours, and in some special cases for 6 hours a day.

116 per month. The beneficiary of parental benefit can alter the amount once every three months.

The maximum monthly amount of parental allowance depends on the Daily Assessment Base (DAB) used for calculating the maternity benefits. The daily assessment base is calculated as the average daily earnings over the past 12 months. The maximum monthly amount of parental allowance can get to 70% of 30 times the daily assessment base (CZK 36,750 in 2018). (New legislation)

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 elect the monthly amount of their parental allowance up to CZK 7 600. In the case of twins or more children born at the same time the monthly amounts are adjusted relevantly. (New legislation)

The mother and father can alternate between receiving the parental allowance. Only one of them is entitled to the benefit at any time.

#### 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 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 also section 4.2.1)

## 5. Childcare for pre-school children

The **reference date** for the policy rules described in this section is **January 1, 2018**.

According to the current legislation, the public childcare service in Czech Republic can be provided within the framework of: *i*) Kindergartens (regulated by the Education Act); *ii*) Children's group (under the Children's group Act); *iii*) Private childcare facilities (under the Trade Licensing Act), and micro-nurseries (a pilot EU co-funded programme).<sup>11</sup>

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<sup>11</sup> Kindergartens provide childcare typically for children of 3 to 6 years of age. An amendment to the Education Act was approved in 2016. Since September 2017 there were guaranteed places for all children older than four years. From 2018 there are guaranteed places for all children older than three years and from 2020 for all children older than two years. Children's groups are services provided on a non-commercial basis by, e.g. private companies, public institutions and NGOs. Children's groups provide care for children from 1 to the age of compulsory school attendance. Private childcare facilities provide childcare for children up to three years of age *on a day or weekly basis*. The service can be provided at the child's home or at the provider's premises. 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

### 5.1. *Gross childcare fees*

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

**Kindergartens:** The basic childcare fee for kindergartens is set in such a way as not to exceed 50% of the real average non-investment costs per child per month in the past calendar year. The basic fee shall be set for the period from 1 September to 31 August of the following school year at the same amount for all children in the relevant kindergarten. The last year of kindergartens is provided free of charge.

Children who receive social assistance benefits are exempted from the fee.

**Children's group:** The fee for the children's group is established by contract and is at maximum of the amount of formation and operating costs of providing the service. The costs per 1 child per month are between 7-9 thousand CZK (staff costs are 80-90% of the total cost). The cost for parents is approx.. 2-5 thousand CZK per month.

**Private childcare facilities:** The charge for the service is determined by the provider on a commercial basis. Private agencies providing childcare are usually used by a high income and career-oriented families. Such kind of childcare costs CZK 70 – 150 per hour and CZK 130 – 150 per hour in Prague

#### 5.1.1. *Discounts for part-time usage (not modelled)*

None

### 5.2. *Fee discounts and free provision*

None

### 5.3. *Child-care benefits for formal centre-based care*

There are no special childcare benefits to parents of children in public kindergartens.

### 5.4. *Child care allowance for children not using child care centres*

The same eligibility conditions, benefit amounts and treatment apply to the parental allowance related to children not using child care centres.

### 5.5. *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 minimum wage, currently 12 200 CZK. 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.

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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.

## 6. In-work benefits

None.

## 7. Social security contributions and payroll taxes

**7.1. Social security contributions** (*Pojistné na sociální zabezpečení a příspěvek na státní politiku zaměstnanosti*)

Variable names: [SOCSEC\_p; SOCSEC\_s; SSCR\_p; SSCR\_s]

Compulsory contributions of 11.0 per cent of gross earnings are paid by all employees. The total is made up as follows (in %):

| 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                         | 2.30         | 2.30         |
| Pension                 | 6.50                         | 21.50        | 28.00        |
| State employment policy | 0.00                         | 1.20         | 1.20         |
| <b>Total</b>            | <b>11.00</b>                 | <b>34.00</b> | <b>45.00</b> |

The total contribution for employers is 34 per cent of gross earnings. The contribution consists of the health insurance contribution (9 per cent of gross wages and salaries) and social insurance (25 per cent).

The maximum annual earnings used to calculate social security contributions and contributions to the state employment policy are 48 times the national average monthly wage (CZK 1,438,992). There is no ceiling for health insurance contributions.

## 8. Taxes

### 8.1. Personal income tax

Code in the OECD tax-benefit model: [IT\_p; IT\_s]

#### 8.1.1. Income tax schedule

Single rate of 15%, levied on gross earnings augmented with employer social security contributions.

#### 8.1.2. Tax credits

- Credit of CZK 24 840 per taxpayer.
- 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.
- Credit for children: Payable tax credit of CZK 15 204 for first child, credit of CZK 19 404 for second child, credit of CZK 24 204 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 in the form of tax reliefs or tax bonuses or their combination. If the child is severely disabled, the tax credit doubles. Should more taxpayers maintain a child in one household, only one of them may apply tax credit in a taxable period or in in the same calendar month of a taxable period. The maximum amount of tax credits which the taxpayer may claim as tax relief is given by his/her tax liability. Tax bonus represents the balance between tax credit and tax relief. The taxpayer can apply a tax bonus up to a maximum of CZK 60300 per annum in 2013.

- *Credit for child care costs:* Since January 1<sup>st</sup>, 2015 a new income tax credit (non-refundable) is introduced for parents-employees. Tax credit in the form of tax relief equals to the amount of annual costs paid by taxpayer to the early childcare facility up to the amount not exceeding to the monthly minimum wage (CZK 12200 in 2018) for each maintained child.

The tax deductible costs of employer (since January 1<sup>st</sup>, 2015) include operating costs of own early childcare facility or contributions to outsourced childcare facility used by employees' children.

## 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.

### *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. During the period of retraining, the jobseeker 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  $r$  in which the jobseeker enrolled for retraining (in 2018 CZK18 695). 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.

### *Extraordinary immediate assistance (mimořádná okamžitá pomoc)*

Extraordinary immediate assistance is 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.

### *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 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, in the case of grade III (heavy dependence),
- d) CZK 13200, 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, in the case of grade III (heavy dependence),
- d) CZK 13 200, in the case of grade IV (total dependence).

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. The allowance is also increased by CZK 2 000 for recipients who are children from 4 to 7 years of age in grade III or IV.

### *Mobility allowance and special aid grant (příspěvek na mobilitu and příspěvek na zvláštní pomůcku)*

There are two a 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 (New legislation) 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.