



Discounts on Social Security Contributions

Effective as of 1 August, 2009 Act No. 589/1992 Coll., on Social Security and State Employment Policy Contributions, has been amended offering the possibility to apply discounts on social security contributions. The first discount may be claimed for August 2009 and the last for December 2010. Employers are also entitled to an extraordinary discount on social security contributions for the period of January 2009-July 2009. Employers may claim the extraordinary discount and the discount for August no later than by 20 September, 2009. Later on the discount may be claimed always before the due date of the social security contribution for the calendar month to which the discount applies, the discount may not be claimed retroactively.

An employer which has entered into liquidation or with an issued final order on bankruptcy declaration shall not be entitled to the discount; the entitlement to receive a discount on social security contributions shall cease to exist on the first day of a calendar month in which the above occurred.

S. 21a sets forth that an employer may claim the discount on social security contributions for each employee who participates in the health insurance scheme and whose assessment basis is lower than the 1.15 multiple of the average wage rounded up to whole hundreds korunas – for 2009 it means an assessment basis lower than CZK 27,100 – and whose employment lasted for the whole calendar month.

In case of multiple employment contracts with one employer which all involve participation in the health insurance scheme the discount may only be applied once, i.e. from the total of assessment bases of all these employments. If the amount for 2009 exceeds CZK 27,100, there is no entitlement to a discount on social security contributions.

The discount on social security contributions for an employee may not be claimed for a calendar month in which a notice of termination of employment or the agreement to perform work was served to the employee or the employer, or in which the employer and the employee concluded an agreement to terminate employment or the agreement to perform work, or in which the employer or the employee was notified about termination of employment during the trial period. The discount on social security contributions may not be claimed for an employee performing small scope work within the meaning of the Act on Health Insurance and for an employee whose employment shall not last for more than three calendar months.

The discount on social security contributions for an employee amounts to 3.3% of the difference between the 1.15 multiple of the average wage rounded up to whole hundreds korunas and the assessment basis of such an employee. The amount of discount on social security contributions per employee shall not exceed 25% of his/her assessment basis. The discount on social security contributions per employee shall be rounded up to whole korunas.



The extraordinary discount for individual months shall be provided for employees whose employment continued on the last day of the calendar month in which the Act came into force, i.e. on 31 August, 2009.

With respect to introduction of S. 21a, Act No. 586/1992 Coll., on Income Tax, was amended and the following sentence was added to S. 6 (13): "When calculating the tax basis pursuant to the first sentence and when determining the amount of obligatory contribution, discounts and/or extraordinary discounts on social security contributions with the employer and other amounts used by the employer to reduce levies of obligatory contributions shall be disregarded." That means that the discounts shall have no impact on the determination of super gross wage as a basis for the income tax.

Entrepreneurs` lump sum expenses

In July 2009 the Parliament of the Czech Republic passed an amendment to Act No. 586/1992 Coll., on income tax (hereinafter "ZDP"), which stipulates lump-sum expenses claimed by entrepreneurs pursuant to s. 7 (7) of ZDP. The proposal on the increase of tax lump-sum expenses is part of the government amendment to the act on the mandatory labelling of spirits. This amendment should be signed by the President of the Czech Republic in the forthcoming days.

If the amendment is signed by the President, entrepreneurs will be able to use the new limits already for the year 2009. The below table shows a comparison of current and proposed lump-sum expenses:

Type of income	Current limits	Proposed limits
Agricultural production	80 %	80 %
Craftsmen activities	60 %	80 %
Other trades	50 %	60 %
Income from trading according to special regulations	40 %	60 %
Rent	30 %	30 %

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