



Social security

A. Changes in health insurance benefits

Health insurance benefits will be (temporarily) adjusted in 2010. Depending on developments in the average salary, the reduction limit for adjustment of the daily basis of assessment used for the calculation of sick benefits will be increased. Simultaneously, the percentage rate for the calculation of sick benefits will be changed. Instead of a graduated sick benefits rate (60%, 66%, and 72%), a lump rate of 60% of the daily basis of assessment will be used. The three-day waiting period has been maintained. These changes will also affect the number of claims arising before January 1, 2010 and lasting after this date.

B. Changes in pension insurance

Since 2010, in relation to starting the first phase of pension reform, significant changes will be introduced to the pension insurance system. The basic conditions of qualification for the benefits have changed.

Generally speaking, the condition for entitlement to retirement pension is reaching the retirement age as well as the minimum pension insurance period. The pension insurance act increased the retirement age for people born after 1968 to 65 years of age, which applies to men and women (who had no children or raised a single child). In the period from 2010 to 2018 the minimum period of insurance will be gradually extended, while the minimum period for people who reach retirement age after 2018 will be 35 years.

In addition the conditions for eligibility for a proportional pension have become stricter if a person has reached retirement age but has not been insured for the required minimum period. The time of study at secondary schools, colleges and universities is no longer considered a substitute insurance period. However, as of January 1, 2010, students have the right to make voluntary pension insurance contributions. In 2010, the minimum voluntary insurance contribution is CZK 1,660 per month. Any study program finished by December 31, 2009 is assessed according to the regulations currently applicable.

As of January 1, 2010, it is no longer relevant whether the receiver of retirement pension has an employment contract for a definite or indefinite period. It is now possible to request an increase in the pension percentage rate if the insured person continues to be in an employment relationship even after being recognized as eligible for pension.

C. A. Self-employed persons and amount of contribution toward pension and health insurance

As of January 1, 2010, the amount of contribution to pension and health insurance for natural persons has changed.



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		2009	2010
Pension insurance	Main operations	CZK 1.720,-	CZK 1.731,-
	Collateral operations	CZK 688,-	CZK 693,-
Health insurance		CZK 1.590,-	CZK 1.601,-

A natural person is required to pay the minimum contributions to health insurance, if s/he started his/her business operations in 2010 or paid lower contributions in 2009 than the amounts specified above. The new minimum contribution to pension insurance is applicable to natural persons as of the moment of submitting a return for 2009.

D. A. Payment of social security contributions in the period from January 1 to June 30, 2007 - basic information

A recent ruling of the Regional Court in Ústí nad Labem offered the opportunity for employers to be refunded the social security contributions made in the first six months of 2007. A claim for a refund of social security contributions must be made within the five-year prescription period. Together with the request for a refund, it is necessary to submit also corrected reviews of social security contributions for each month.

If the employer decides to submit a request for a refund of social security contributions, it is necessary to consider how this will affect other areas. The media discussed the obligation to submit an additional tax return for corporate bodies; however, the social security contribution refund may be considered as income, i.e. the amount of costs for the tax period for which the refund was made should be reduced. In regards to these ambiguities we recommend waiting for the final decision and explanation of the Supreme Administrative Court which is to process a cassation appeal made by the state against the decision above.

And a note to the possible decision and explanation of the Supreme Administrative Court, which will be crucial to further developments: the Court may distinguish the period between January 1, 2007 and February 28, 2007 when no basis of assessment was defined, and the period between March 1, 2007 and June 30, 2007 when a definition was stipulated in the government's decree, and thus confirm the conclusions of the Regional Court only in relation to the first period (no express legal authorization is required for a government's decree and the government may issue a decree related to the implementation of a law). If so decided, the expected amount of refund would be reduced to one third. Furthermore, a new request would probably have to be submitted. It cannot be ruled out that the court will take into consideration also the fact that in the case concerned the social security contributions were not actually paid at all in 2007.



Changes in value added tax rates (VAT) - additional information

As the Ministry of Finance of the Czech Republic has published additional information on the interpretation of the amendment to the VAT act, by which the VAT tax rates increased (10% and 20%) as of January 1, 2010, we would like to re-emphasize a few points published in the last Newsletter.

A. Clearance of tax prepayments

The prepayments made in 2009 are subject to the original tax rate (9% or 19%). Any additional payment of taxes for deliveries with a taxable date in 2010 is subject to the new tax rate (10% or 20%). Any overpayments shall be refunded in 2010 at the original tax rate.

B. Financial lease

The tax rate valid until December 31, 2008 (i.e. 9% or 19%) remains applicable to contracts for financial lease executed before the year 2009.

C. Credit notes and debit notes

The tax rate applied to credit notes and debit notes will always be applied on the date of the original taxable transaction. Thus, for credit and debit notes related to deliveries made in 2009, the tax rate of 19% or 9% is applicable also in the case they were issued after January 1, 2010.

Miscellaneous

A. Draft bill on VAT

Members of Parliament for the Civic Democratic Party submitted a draft bill on VAT. The amendment aims also to cancel the time limits for reduced VAT rates in case of repair, reconstruction and improvement of housing developments. The Czech Republic was granted an exception in the form of a reduced tax rate which was to end by December 31, 2010. The amendment proposes for the reduced tax rate to exist permanently.

As part of discussions it was proposed to delete Section 36a from the VAT act. As of January 2010 new rules were introduced concerning adjustments of the tax base to the level of usual prices for certain transactions between related parties.

B. Travel cost reimbursement

The basic rate for the use of motor vehicles for the purpose of travel cost reimbursement and the rates for domestic and international food allowance were adjusted for the year 2010 by Decrees 459 and 462/2009 Coll. Some of the adjustments are given in the table below:



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		2009	2010
Domestic allowances	5 – 12 hours	CZK 60 - 72	CZK 61 - 73
	12 – 18 hours	CZK 92 - 110	CZK 93 - 112
	more than 12 hours	CZK 144 - 172	CZK 146 - 174
Average fuel prices	91 O (Special)	CZK 26,30	CZK 28,50
	95 O (Natural, Super)	CZK 26,80	CZK 28,70
	98 O (Super Plus)	CZK 29,00	CZK 30,70
	Nafta (Diesel)	CZK 28,50	CZK 27,20

The allowances for international travel changed only for the following countries: Guatemala, Iraq, Qatar, Kuwait, Mexico, Pakistan, United Arab Emirates, Democratic Republic of São Tomé and Príncipe, Tanzania, Turkmenistan, Uganda, Venezuela. A new category of "Other countries" was introduced with the daily rate of EUR 35.

Warning: All of the above mentioned is of a general indicative nature only and is not comprehensive. The purpose is only to draw attention to the most important points of the amendments and changes. No damage claims for steps made based on the information shall be accepted. If you use information included in this document, you will only do it at your own risk and responsibility.

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