

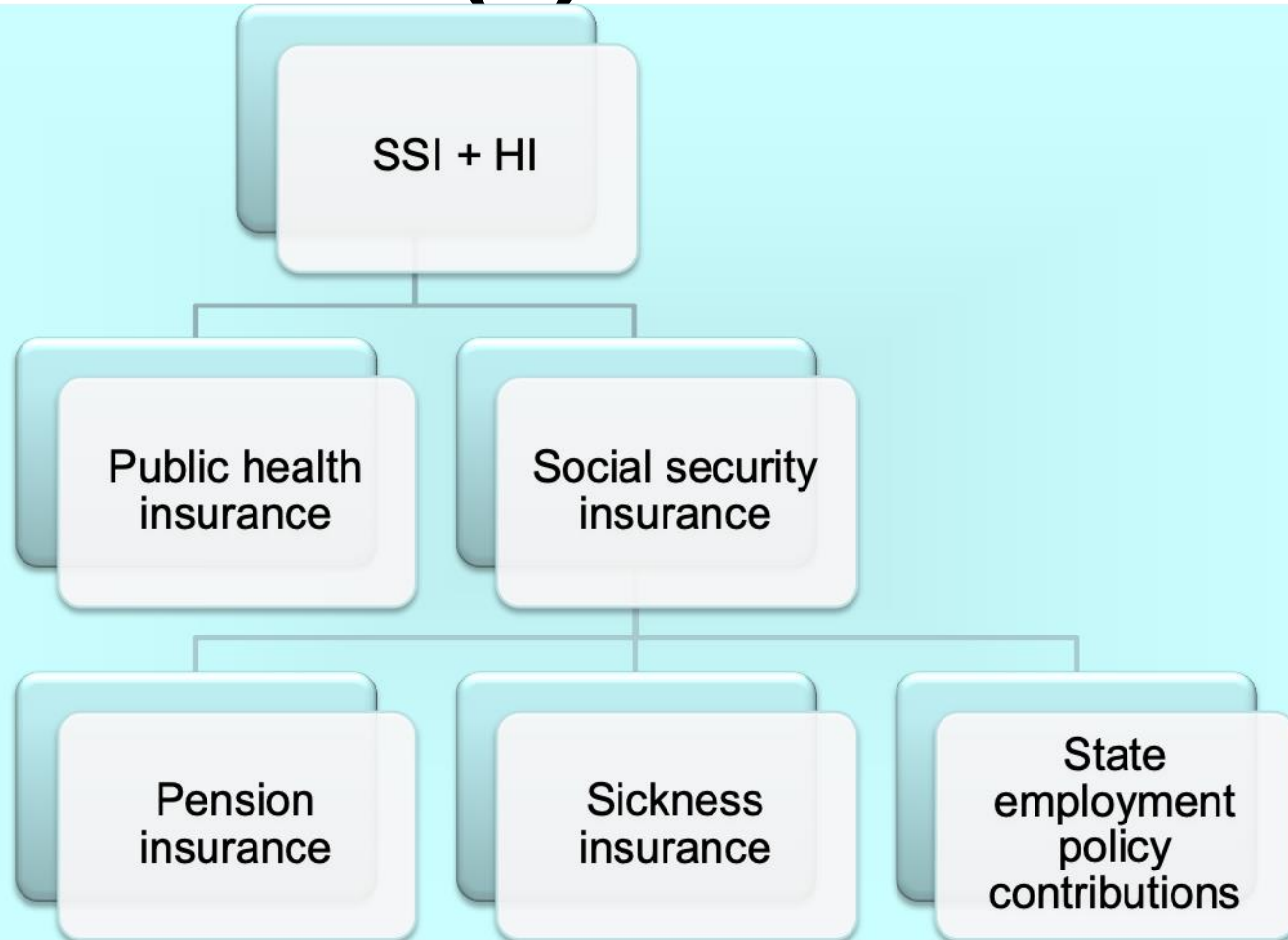


EVROPSKÁ UNIE
Evropské strukturální a investiční fondy
Operační program Výzkum, vývoj a vzdělávání



Social Security Insurance and Public Health Insurance in the Czech Republic

Social Security + Health Insurance (1)



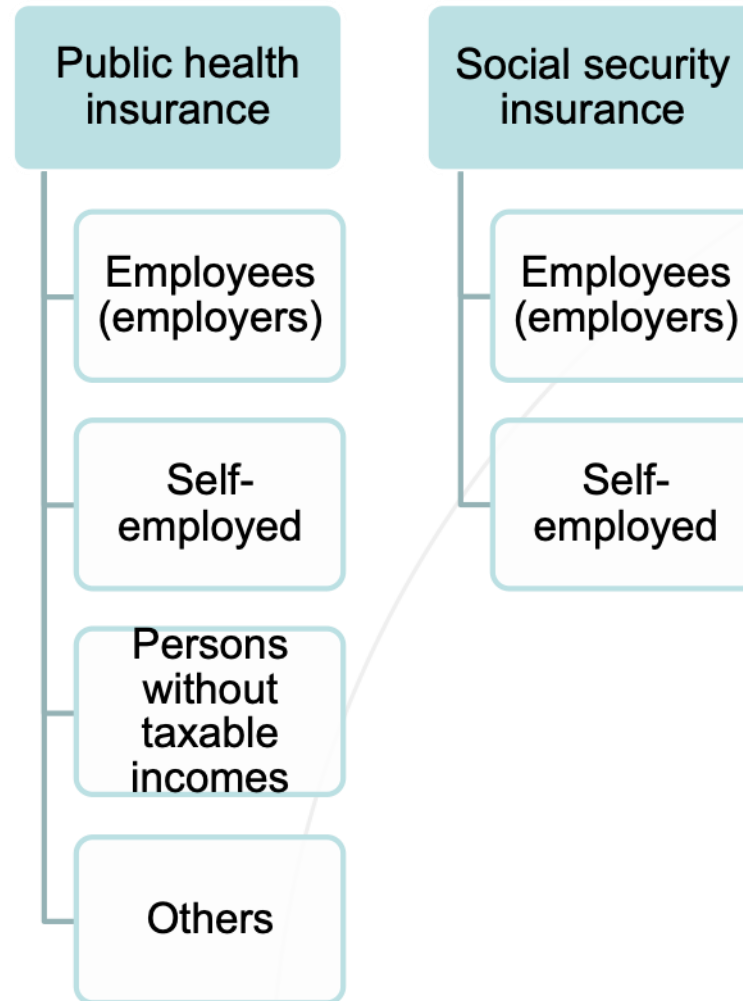
SSI + Health Insurance (2)

- **Public health insurance** → health care payments
- **Sickness insurance** → sickness contributions, maternity contributions
- **Pension insurance** → old age pensions, disability pensions, widow's pensions, widower's pensions
- **State employment policy** → unemployment benefits, active policy of employment

Participation in the Systems

- Public health insurance → residency in the CZ
- Social security insurance → taxable income
 - Taxable incomes are:
 - Incomes from employment
 - Incomes from self-employment
 - Non-taxable incomes:
 - Capital incomes
 - Rental incomes
 - Other incomes

Subjects of Insurance Systems



PIT x SSC (terminology)

- **Assessment base** = tax base
- **Insurance rate** = tax rate
- **Assessment period** = tax period
- **Minimum assessment base** = the minimum base
- **Maximum assessment base** = the maximum base

Assessment Period

- **Calendar month:**
 - Employees
 - Persons without taxable incomes
 - Others
- **Calendar year:**
 - Self-employed persons

Insurance Rates

	PHI	SI	PI	SEPC
Employee	4.5 %	-	6.5 %	-
Employer	9 %	2.3 %	21.5 %	1.2 %
Self-employed	13.5 %	2.3 %*	28 %	1.2 %
PWTI	13.5 %	-	-	-
Others	13.5 %	-	-	-

2.3 %* - voluntary for self-employed

Important Parameters 2019

Average wage (set by the Ministry of labour and social affairs)	32,699 CZK
Rate for real assessment base (self-employed)	50 %
Minimal wage (employees)	13,350 CZK

source: author

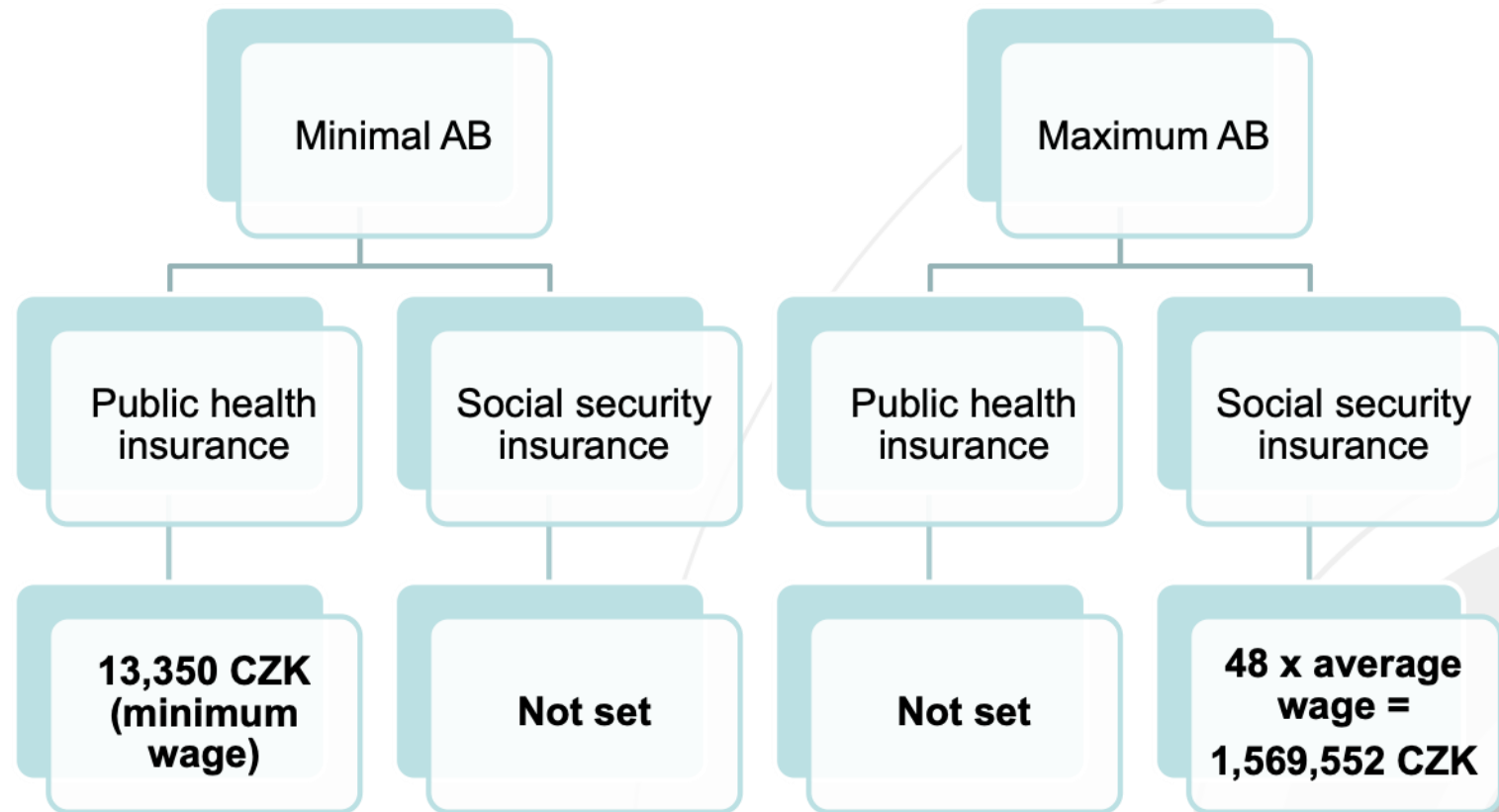
- Average wage is important for calculation of the assesment base of self-employed persons.
- Minimal wage is parameter used for employees´ assesment base.

Employees' Types of Incomes

Type of income	PHI	SSI
Employment contract	Yes	Yes
Contract for work (up to 10 000 CZK)	No	No
Contract for work activity (up to 2,999 CZK)	No	No
Other incomes (members of legal entities, shareholders in LLC, limited partner of LLC, etc.)	Yes	Yes

source: author

Minimum and Maximum Assessment Base (Employees)



Minimal assessment base is not set for these persons:

Persons covered by state insurance

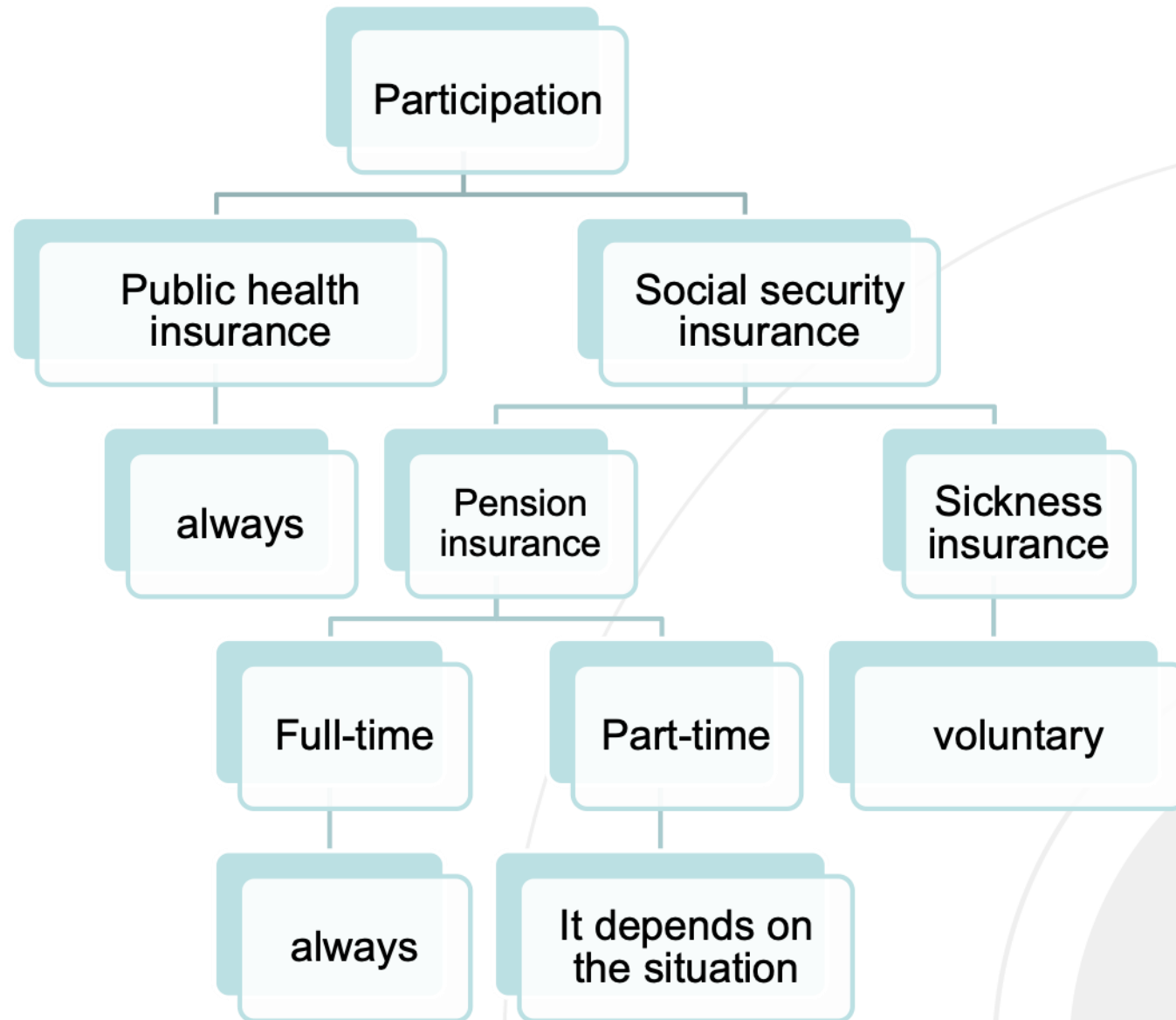
Persons with health disability

Sickness insurance beneficiary

Persons, who take care of child up to 7 years or 2 children up to 15 years

Persons, who are self-employed persons and their assessment base from self-employment activity is at least minimum wage

Self-employed persons (1)



Self-employed persons (2)

- **Full-time activity** = person has incomes from self-employment activity only
- **Part-time activity** = parallel incomes from employment and self-employment activity, parallel participation as a self-employed person and state insurance payer (students of HEIs up to 26 years, pensioners, etc.)
- **Assessment base of self-employed is 50 % of the partial tax base from self-employment (difference between incomes and expenses = real partial tax base)**
- Average wage 2019: **CZK 32,699**
- **Minimum AS PHI** = $0.5 * AW (2019) * \text{months a year}$
- **Minimum AS SSI** = $0.5 * 0.5 * AW (2019) * \text{months a year}$

Minimum and Maximum Assessment Base of Self-employed

	Minimum assessment base		Maximum assessment base	
	Monthly	Annually	Monthly	Annually
PHI	CZK 16,349.50	CZK 196,194	-	
SSI (full-time)	CZK 8,175	CZK 98,100	-	CZK 1,569,552
SSI (part-time)	CZK 3,270	CZK 39,240	-	CZK 1,569,552

Minimal assessment base is not set for these persons:

Persons covered by state insurance

Persons with health disability

Sickness insurance beneficiary

Persons, who take care of child up to 7 years or 2 children up to 15 years

Persons without taxable incomes

- Persons without any other incomes (from employment, self-employment activity) and they are not considered as a state insurance payers
- **Assessment base: CZK 13,350** (minimum wage)
- **Insurance rate: 13.5 %**
- **Insurance: CZK 1,803**

Others (persons covered by state insurance)

- Insurance is covered by the state (CZ)
- Approximately 5.3 million persons in the Czech Republic
- Types of persons covered by stata insurance:
 - Children under 18 years
 - Pension beneficiaries
 - Unemployed persons registered by official Labour office
 - Sickness insurance beneficiaries

Examples



Example 1 (Employee)

- Gross wage (labour contract): CZK 14,000
- The employee has got no other incomes during this month.
- Task:
 - Calculate the PIT (use the basic tax credit)
 - Calculate the social insurance
 - Calculate the public health insurance
 - Calculate the net wage

Example 1 (Results)

- PIT base: $14,000 \times 1.34 = \text{CZK } 18,760 = \text{rounded } 18,800 \times 0.15 = 2,820 - 2,070 = \text{CZK } 750$
- Social insurance paid by employee: 6.5 % CZK 910
- Social insurance paid by employer: 25 % CZK 3,500
- PHI paid by employee: 4.5 % CZK 630
- PHI paid by employer: 9 % CZK 1,260
- Net wage: $14,000 - 750 - 910 - 630 = \text{CZK } 11,710$

Example 2 (Employee)

- Gross wage (contract for work): CZK 10,000
- Task:
 - Calculate the PIT (use the basic tax credit)
 - Calculate the social insurance
 - Calculate the public health insurance
 - Calculate the net wage

Example 2 (Results)

- PIT: $10,000 \times 0.15 = \text{CZK } 1,500 - \text{CZK } 2,070 = 0$
- Social insurance: CZK 0
- PHI: CZK 0
- Net wage = CZK 10,000

Example 3 (Employee)

- Gross wage (contract for work): CZK 14,000
- Task:
 - Calculate the PIT (use the basic tax credit)
 - Calculate the social insurance
 - Calculate the public health insurance
 - Calculate the net wage

Example 3 (Results)

- PIT base: $14,000 \times 1.34 = \text{CZK } 18,760 = \text{rounded } 18,800 \times 0.15 = 2,820 - 2,070 = \text{CZK } 750$
- Social insurance paid by employee: 6.5 % CZK 910
- Social insurance paid by employer: 25 % CZK 3,500
- PHI paid by employee: 4.5 % CZK 630
- PHI paid by employer: 9 % CZK 1,260
- Net wage: $14,000 - 750 - 910 - 630 = \text{CZK } 11,710$

Example 4 (Self-employed)

- Tax base from self-employed activity: CZK 500,000
- Task:
 - Calculate the real assessment base
 - Calculate the social insurance
 - Calculate the public health insurance
 - Calculate the PIT (use the basic tax credit)

Example 4 (Results)

- Real AB: CZK 500,000 x 0.5 = CZK 250,000
- Social insurance 29.2 %: CZK 73,000
- PHI 13.5 %: CZK 33,750
- PIT: CZK 500,000 x 0.15 = CZK 75,000 – CZK 24,840 (tax credit) = CZK 50,160

Example 5 (Self-employed)

- Tax base from self-employed activity: CZK 100,000
 - Task:
 - Calculate the real assessment base
 - Calculate the minimum AB for social insurance
 - Calculate the minimum AB for public health insurance
 - Calculate the social insurance and the public health insurance
 - Calculate the PIT (use the basic tax credit)

Example 5 (Results)

- Real AB: CZK 100,000 x 0.5 = CZK 50,000
- Minimum AB social insurance: CZK 98,100
- Minimum AB PHI: CZK 196,194
- Social insurance 29.2 %: CZK 28,646
- PHI 13.5 %: CZK 26,487
- PIT: CZK 100,000 x 0.15 = CZK 15,000 – CZK 24,840 (tax credit) = CZK 0

International Comparison

Austria

	Ceilings (EUR)		Rates (%)	
	Regular wage per month	Christmas and leave bonus	Employee ⁽²⁾	Employer ⁽³⁾
Health insurance	4 980	9960	3.87	3.78
Unemployment insurance	4 980	9960	⁽⁴⁾	3.00
Pension insurance	4 980	9960	10.25	12.55
Accident insurance	4 980	9960	–	1.30
Contribution to the labour chamber	4 980	⁽¹⁾	0.50	–
Contribution for the promotion of residential building	4 980	⁽¹⁾	0.50	0.50
Addition to secure wage payments in the case of bankruptcy	4 980	9960	–	0.35

1. No contributions on Christmas and leave bonus. In Revenue Statistics, the contribution to the labour chamber is accounted under Taxes on Income of Individuals (1110) the total of the contribution for the promotion of residential buildings is included in Taxes on payroll (3000).
2. There is a threshold for employee contributions of EUR 425.70 per month.
3. A new program has been introduced as of 1st January, 2004 for severance payments. Employers are required to pay 1.53% of gross wages for those whose employment starts after 1st January, 2003 or where the employer and employee opt to participate in the new program. This contribution is seen as a non-tax compulsory wage-related payment.
4. Employees' unemployment insurance rate is reduced for low earnings. In 2017, it is zero for monthly earnings up to EUR 1 342, 1% up to EUR 1 464, 2% up to EUR 1 648 and 3% above.

Belgium

2017	Employee	Employer	Total
Unemployment	0.87	3.16	4.03
Health insurance indemnities	1.15	2.35	3.5
Health care	3.55	3.8	7.35
Placement services		0.05	0.05
Family allowances		7	7
Pensions	7.50	8.86	16.36
Child care		0.05	0.05
Work-related illnesses		1.01	1.01
Work-related accidents		0.32	0.32
Education leave		0.05	0.05
Business closures		0.35	0.35
Wage restraint		7.46	7.46
Tax shift 2017		-2.27	-2.27
Total	13.07	32.19	45.26

Estonia

Scheme name	Rate of contribution (%)
Pension insurance	20.00
Health insurance	13.00
Total	33.00

source: author

Finland

	Contribution rates (%)
Health insurance	1.08
Unemployment insurance (avg)	2.41
Earnings-related pension insurance	17.95
Accident insurance (avg)	0.8
Group life insurance (avg)	0.07
Total	22.31

source: author

Greece

	Employer	Employee	Total
1. Unified Social Security Fund (EFKA)	17.88	9.22	27.10
2. Supplementary Insurance Branch of (ETEAEP)	3.50	3.50	7.00
3. Other Funds	3.68	3.28	6.96
Total	25.06	16.00	41.06

source: author

Ireland (Employees' + Employers' Contributions)

Description	Rate	Threshold (EUR)	Ceiling (EUR)
Pension and social insurance	4.00	352 per week	

Description	Rate %
Occupational injuries	0.50
Redundancy contribution	0.40
Pension and social insurance	9.85
TOTAL	10.75

Israel (Employees' + Employers' Contributions)

Insurance branch	Full rate contribution (%)	Reduced rate contribution (%)
Total for National Insurance branches	7.00	0.40
Health	5.00	3.10
Total contributions	12.00	3.50

Insurance branch	Full rate contribution (%)	Reduced rate contribution (%)
Total for National Insurance branches	7.50	3.45
Health	-	-
Total contributions	7.50	3.45

Latvia (Employees' + Employers' Contributions)

- Employees pay: 10.5 % of their earnings

Scheme name	Rate of contribution (%)
Pension insurance	24.54
Unemployment insurance	1.90
Insurance of accidents at work and occupational diseases	0.48
Invalidity insurance	2.30
Maternity and sickness insurance	3.49
Parental insurance	1.38
Total	34.09

Luxembourg

	Employer's share (%)	Employee's share (%)	Ceiling on contributions (in euros)
a) Pension and disability insurance	8	8	119 915,16
b) Health insurance	3.05	3.05	119 915,16
c) Dependency insurance		1.4	Monthly allowance 499.65*
d) Health in the workplace	0.11		
e) Accident insurance	1.00		

* (Monthly allowance: $\text{EUR } 499.65 = 0.25 \cdot \text{social minimum salary}/12$). The social minimum salary in 2017 is equal to EUR 23 983.08.

Slovak Republic

Health Insurance	4.0%
Social Insurance	9.4%
<i>of which:</i>	
Sickness	1.4%
Retirement	4.0%
Disability	3.0%
Unemployment	1.0%

	Formula for MSSAB	Value of MSSAB
Health insurance		No limit
Social insurance		
<i>of which</i>		
sickness, retirement, unemployment, disability, Guarantee fund, Reserve fund	$7.0 \times AW (t-2)$	74 172. 00
accident		No limit

SSC: Pension – contribution sharing in case of II. Pillar participation

Period	Percentage of gross earnings		
	I Pillar	II Pillar	Total
System up to September 2012	9% (5% employer + 4% employee contribution)	9% (employer contribution)	18%
System up to December 2016	14% (10% employer + 4% employee contribution)	4% (employer contribution)	18%
Current system from January 2017	13.75% (9.75% employer + 4% employee contribution)	4.25% (employer contribution)	18%

Slovenia (Employees' + Employers' Contributions)

Scheme name	Rate of contribution (%)
Pension insurance	15.50
Health insurance	6.36
Unemployment insurance	0.14
Parental leave insurance	0.10
Total	22.10

Scheme name	Rate of contribution (%)
Pension insurance	8.85
Health insurance	7.09
Unemployment insurance	0.06
Parental leave insurance	0.10
Total	16.10

Sweden (Employees' + Employers' Contributions)

A general pension contribution of 7% of personal income is paid by employees and the self-employed when income is equal to or greater than 42.3% of the basic amount underlying the basic allowance (see Section 1.121). The contribution cannot exceed SEK 34 750 since the general pension contributions are not paid for income over SEK 496 305 (= 8.07*61 500). The employees' contribution is offset with a tax credit.

Program	Employer (%)	Self-employed (%)
Retirement pension	10.21	10.21
Survivor's pension	0.70	0.70
Parental insurance	2.60	2.60
Health insurance	4.35	4.44
Labour market	2.64	0.10
Occupational health	0.20	0.20
General wage tax	10.72	10.72
Total	31.42	28.97