THE TENTH CZECH REPORT ON THE FULFILMENT OF
THE EUROPEAN CODE OF SOCIAL SECURITY

for the period from 1st July 2011 to 30th June 2012
**SECTION I**

*List of applicable legislation:*

**Part II – Medical care**
- Act N. 48/1997 Coll., providing for Public Health Insurance and on Changes and Amendments to Certain Related Acts, as amended
- Act N. 20/1966 Coll., Public Healthcare Act, as amended
- Act N. 372/2011 Coll., regulating Medical Services and Conditions for Their Providing (Act on Medical Services effective from April 1st, 2012)
- Act N. 285/2002 Coll., to regulate the Donation, Removal and Transplantations of Tissues and Organs and on Changes to Certain Acts (the Transplantation Act), as amended
- Regulation N. 3/2010 Coll., providing for the Determination of the Content and Time Intervals for Preventative Examinations
- Regulation N. 386/2007 Coll., to Determine the Illnesses for which Dispensary Care is Provided, the Time Intervals for Dispensary Examinations and to Determine the Specialisation for the Dispensing Physician

**Part III – Sickness Benefit**
- Act N. 187/2006 Coll., on Sickness Insurance, as amended
- Act N. 262/2006 Coll., the Labour Code, as amended

**Part IV – Unemployment Benefit**
- Act N. 435/2004 Coll., the Employment Act, as amended

**Part V – Old-age Benefit**
- Act N. 155/1995 Coll., Pension Insurance Act, as amended
- Act N. 582/1991 Coll., providing the Organisation and Implementation of Social Security, as amended
- Regulation N. 284/1995 Coll., to Implement the Pension Insurance Act, as amended

**Part VII – Family Benefit**
- Act N. 117/1995 Coll., to regulate the State Social Support, as amended
- Act N. 110/2006 Coll., regulating the Living and Subsistence Minimum, as amended

**Part VIII – Maternity Benefit**
- Act N. 187/2006 Coll., on Sickness Insurance, as amended

**Part IX – Invalidity Benefit**
- Act N. 155/1995 Coll., Pension Insurance Act, as amended
- Regulation N. 284/1995 Coll., to Implement the Pension Insurance Act, as amended
- Act N. 582/1991 Coll., providing the Organisation and Implementation of Social Security, as amended
- Regulation N. 359/2009 Coll., to Determine the Percentage Rate of the Decline in Ability to Work and Prerequisites for the Disability Assessment and Regulates the Assessment of Capacity to Work for the Purpose of Disability

**Part X – Survivors’ Benefit**
- Act N. 155/1995 Coll., Pension Insurance Act, as amended
- Act N. 582/1991 Sb., providing the Organisation and Implementation of Social Security, as amended
SECTION II

Code application

The Article 10 of the Constitution of the Czech Republic stipulates that promulgated international treaties, the ratification of which has been approved by the Parliament and which are binding for the Czech Republic, are considered to be a part of the legal order. If the provisions of an international treaty vary from the national legislation, the provisions of the international treaty shall prevail.

Article 2 – Provisions adopted

The Czech Republic has adopted the obligations resulting from the following parts of the Code:

- Part II – Medical Care
- Part III – Sickness Benefit
- Part IV – Unemployment Benefit
- Part V – Old-age Benefit
- Part VII – Family Benefit
- Part VIII – Maternity Benefit
- Part IX – Invalidity Benefit
- Part X – Survivors’ Benefit

Article 6 – Voluntary insurance schemes

The report does not consider the protection provided under voluntary insurance schemes.

Parts XI – XII

The questions on Articles 65 to 68 have been answered under the relevant section of the form.

General notes on benefit calculation:

In 2011, the average gross monthly wage of a qualified blue-collar worker was CZK 23,310 and according to the survey results approximately 70% of the economically active people earned a lower wage than the stated amount. A qualified worker’s wage corresponds to the wage of a metal turner – a machine tool setter and operator – according to KZAM-R 72231. In 2011, the average gross monthly wage of a non-qualified blue-collared worker was CZK 16,480 [according to KZAM-R 93211 – a mechanical handling worker in industry (manufacturing)].

Information system on the average earnings is a selective statistical survey by the Ministry of Labour and Social Affairs, which is annually included as a part of the statistical research program of the Czech Statistical Office and, as a wage search with regular periodicity, it monitors the wage levels of individual professions in the Czech Republic, based on the KZAM Job Classification. The data on the average hourly wage of individual employees of selected economic entities, calculated as remuneration for labour-law-related
purposes, pursuant to Section 351 of Act N. 262/2006 Coll., the Labour Code, are collected on a quarterly basis. The survey also allows monitoring of the amount and structure of the monthly gross wage which indicates the average salary level for the period from the beginning of the year to the end of the current period.

As the social security benefits in the Czech Republic are not subject to taxation (with the exception of pensions that exceed CZK 288,000 per year which are included in taxable income), and they are not subject to health insurance and social security contributions either, it is possible to calculate the ratio of the benefits to net wages. In 2011, the net wage of a qualified blue-collar worker with two children was CZK 19,966 (the calculated income tax has been reduced by tax credits at the amount of CZK 1,970 for the taxpayer and tax credits of 2 x 967 CZK for the two nourished children). The allowance for two children aged 6 to 15 amounts to CZK 1,220 (610 x 2).

- The benefits do not vary from region to region (paragraph 8 of Article 65 is not applied)
- The average year-on-year price inflation index in 2011 was 101.9 %.
- The year-on-year index for the average nominal wage in the national economy in 2011 was 102.4 %.

**Article 69 – Right of appeal**

Updated information:

An insured individual is entitled to lodge an appeal against a decision issued by the appropriate District Social Security Administration concerning the disallowance of his/her claim for a sickness insurance benefit (sickness benefit and maternity benefit), the amount of the benefit, the reduction of the benefit or the withdrawal or suspension of the payment thereof in accordance with Act N. 187/2006 Coll. Sickness Insurance Act, as amended (hereafter referred to as “Sickness Insurance Act”). The superior body, i.e. the Czech Social Security Administration, decides on the appeal. Since 1st January 2010, it has been possible to lodge written objections concerning a decision of a social security body in matters of pension insurance as a regular legal remedy measure in accordance with Act N. 582/1991 Coll., providing the Organisation and Implementation of Social Security (hereafter referred to as “Organisation Act”), provided this is done within 30 days of the day when the participant in the proceedings was notified of the decision.

The social security body which issued the decision also decides on any objections, but the objection proceedings must be held separately from the first-instance social security decision-making body; the proceedings must not be participated in or decided upon by anybody who participated in the proceedings concerning the issuance of the disputed decision. It is possible to take a legal action against a decision upon the objections with the Regional Court. The option of a judicial review of a decision in matters of pension insurance is contained in the Administrative Procedure Code and elaborated in the Organisation Act.

The decisions which form the basis for decisions concerning benefits from pension insurance are excluded from the judicial review; the court only reviews any such decisions when deciding on an action brought against a decision of the Czech Social Security Administration.
Article 70 – Expenditure on benefits

Updated information:

Total revenue for 20111

- Pension insurance .......................... CZK 319,424,850 000
- Sickness insurance .......................... CZK 24,348,053 000
- Contributions to the state’s employment policy .......... CZK 13,676,896 000

Total expenditure for 20112

- Pension insurance .......................... CZK 359,098,199 000
- Sickness insurance .......................... CZK 21,505,374 000
- Unemployment benefits ...................... CZK 10,349,149 000

Article 71

No changes

Article 74

The total average number of employees in 2011 was 4,257,171 people. With self-employed persons included among the individuals covered (sickness insured), the total number is 4,379,614 people.

Total number of employees with pension insurance: 4,257,171 people.

Self-employed persons with pension insurance (the average for 2011) .......... 742,251 people of whom individuals with sickness insurance .................. 122,443 people

SECTION III

No changes

SECTION IV

No changes

SECTION V

No changes

1 Source: National Accounts for the Czech Ministry of Labour and Social Affairs chapter for 2011
2 Source: National Accounts for the Czech Ministry of Labour and Social Affairs chapter for 2011
Articles 7 and 8
No changes

Article 9

A. The Czech Republic refers to letter c).


The personal scope of the public health insurance applies to all individuals with permanent residence in the Czech Republic and to individuals who do not have permanent residence in the Czech Republic, provided they are employees of an employer which has its registered office or permanent residence in the territory of the Czech Republic (section 2, subsection 1 of the Public Health Insurance Act).

Since the accession of the Czech Republic to the European Union, however, citizens of the EU Member States, the EEC and Switzerland now also have access to the Czech public health insurance system upon the basis of an entitlement arising from the application of Community law. The same entitlement arises to people who are treated on the basis of a relevant international treaty, by which the Czech Republic is bound.

C. Updated statistical information:

A. Number of covered individuals: – 10,367,033 people (average number of insured people in 2011)

B. Population: – 10,504,203 people (as of 31st December 2011)

C. 98.69 %

D. Women on maternity and parental leave and dependent children fall in the category of covered individuals who are entitled to medical care according to Article 10. However, primarily derived material benefits do not exist in the Czech Republic. Woman and children within the personal scope of public health insurance are entitled to medical care in pursuance of the law.

E. No changes

Article 10

A. Healthcare which is paid for from public health insurance funds is defined by the Public Health Insurance Act.
The healthcare covered at the extent and under the conditions designated by law includes the following with reference to Article 10, paragraph 1:

- Outpatient and institutional treatment,
- Emergency and rescue service,
- Preventative care,
- Dispensary care,
- Supplying of medical preparations, healthcare devices and dental products,
- Articles of food for special medical purposes,
- Spa care and care at specialist children’s nursing homes and sanatoria.

Medical preparations containing the following medicinal substances are covered in full from health insurance: serum against staphylococcus infections, serum against diphtheria, serum against snake venom, serum against botulism, serum against gaseous gangrene, serum against rabies, immunoglobulin against tetanus, immunoglobulin against hepatitis B, tetanus toxoid, vaccine against staphylococcus infections, vaccines against rabies and antidotes (used during the treatment of poisoning with organophosphates, heavy metals and cyanides).

During the provision of outpatients’ medical care, health insurance covers medicaments and articles of food for special medical purposes, if the State Institute for Drug Control has decided on the application of higher remittances. In each group of medicinal substances stated in Annex No. 2, at least one medicinal product or article of food for special medicinal purposes is covered in full from health insurance. In addition, individually prepared products, radiopharmaceuticals, transfusion preparations, pharmaceuticals and advanced therapy for tissue and cells are paid from health insurance in the amount prescribed by the Institute by way of a general nature measure.

During the provision of institutional care, health insurance fully covers medicaments and food stuff for special medical purposes, individually prepared medicinal products, radiopharmaceuticals and transfusion products, medicaments, pharmaceuticals and advanced therapy for tissue and cells in the least economically demanding variant and depending on the degree and seriousness of the illness. The insured individuals do not contribute to those.

B.

Regulatory fees were introduced in the Czech Republic on 1st January 2008 (section 16a of the Public Health Insurance Act). The insured individuals or their legal guardians are obliged to pay the healthcare facility regulatory fees at the amount of CZK 30, 90 or 100 depending on the provision of the given care.

The regulatory fees are set as follows for the purposes of Article 10, section 1, subsection a):

A) CZK 30 per

(i) visit to a general practitioner or a paediatrician involving a clinical examination and for the visiting service provided by a general practitioner or a paediatrician,

(ii) visit to a doctor providing specialised outpatients’ healthcare and per visit to a clinical psychologist or clinical speech therapist for the visiting service provided by a general practitioner or a paediatrician,

(iii) per prescription, on which the first packet of paid and prescribed medicine or food stuff for special medical purposes was issued, regardless of the number of paid medicine or food stuff for special medical purposes and the required number of packets.
B) CZK 100 for
(iv) each day of provided institutional care, complex spa treatment or institutional care in specialised hospitals for children and health resorts

C) CZK 90 for
(v) outpatients’ service provided by a healthcare institution providing:
1. a medical first aid service, including medical first aid provided by dentists,
2. institutional outpatients’ service at weekends or on public holidays and on workdays in the period from 5:00 p.m. to 7:00 a.m. provided the insured individual is not subsequently taken into institutional care.

In order to ensure that the regulatory fees are not an excessive burden on certain groups of individuals, several measures have been adopted in the Public Health Insurance Act, including:

1. Section 16a, Paragraph 2 of this Act determines the groups of individuals who pay no regulatory fees (e.g., children placed in children’s care homes and foster care).

2. Section 16a, Paragraph 3 of this Act designates the situations where the CZK 30 regulatory fee is not paid during a visit to a general practitioner, paediatrician or gynaecologist or for a visit involving a dental examination, for a visit to a doctor providing specialised outpatient medical care and for the visiting service provided by a general practitioner or paediatrician (for example, visits to a doctor for preventive check-ups and haemodialysis). According to this section, the regulatory fees are also not paid in the aforementioned situations by children until they reach the age of 18, including the day they reach that age.

3. section 16b of this Act sets out the limits for the regulatory fees and supplementary charges for medicines or articles for food for special medical purposes:
   a) a limit at the amount of 5,000 CZK – if the total amount paid by an insured individual or on the behalf of said individual by his/her statutory representative for regulatory fees at the amount of 30 CZK and for supplementary charges pertaining to prescribed medicinal products or food stuff for special medical purposes which are partially covered by health insurance and have been dispensed in the Czech Republic exceeds the given limit or
   b) a limit at the amount of 2,500 CZK – if the total amount paid by an insured individual or on the behalf of said individual by his/her statutory representative (in the case of children under 18, including the calendar year in which they turned 18, and in the case of insured individuals older than 65, including the calendar year in which they turned 65) for regulatory fees at the amount of 30 CZK and for supplementary charges pertaining to prescribed medicinal products or food stuff for special medical purposes which are partially covered by health insurance and have been dispensed in the Czech Republic exceeds the given limit, the health insurance company is obliged to pay the insured individual or his/her statutory representative the amount by which this limit has been exceeded.

The limit includes fees paid for partially reimbursed medicines or food stuff for special medical purposes containing the same active ingredients and the same application only in the amount calculated in accordance with the supplement of medicine or food stuff for special medical purposes, where the supplement for quantity unit is the lowest and the interruption or termination of supply was not found.
C. In the case of pregnancy, childbirth and any consequences thereof, no participation in the costs for the provided healthcare is required. No regulatory fees are paid in relation to the institutional care provided to a newborn child from the day of the birth through to the day of release from the healthcare institution where the child was born or to the day of release from another medical institution to which the child was transferred directly after the birth for medical reasons.

D. According to the Public Health Insurance Act, every insured individual is obliged to cooperate during the provision of medical care and during the inspection of the treatment process and to adhere to the treatment regime and is obliged to submit to preventative medical examinations, to adhere to measures aimed at preventing illnesses and to refrain from any actions aimed at deliberately damaging his/her health.

*Article 11*

The Czech public health insurance system does not add up the insurance periods and no prior insurance period is required for the establishment of entitlement to a benefit. An individual receives all of the entitlements which arise from the public health insurance system from the first day when said individual becomes a participant in the public health insurance scheme (begins paying the insurance contributions or becomes a state insured individual).

*Article 12*

In the case of illness or injury, material benefits (medical care) are provided throughout the entire period of illness and throughout the entire convalescence period. No time limit has been set for drawing down the material benefits.
PART III – SICKNESS BENEFIT

Articles 13 and 14

Sickness benefit entitlement applies to all employees who are acknowledged in accordance with the Sickness Insurance Act to be temporarily unable to work, if said inability for work lasts longer than 21 calendar days (14 calendar days up to 31st December 2010, the change is planned as a temporary measure until 31st December 2013). The employee is entitled to salary or wage compensation according to the Labour Code in the course of the first 21 calendar days of the duration of the temporary inability to work paid to the employee by the employer.

The group of insured individuals is defined by the Sickness Insurance Act. This involves employees in employment, employees active upon the basis of agreements to work outside the scope of employment activity, judges, volunteers in care services, partners and company secretaries from a limited liability company, beneficiary associates directors, members of legal entity collective body, proctors, liquidators etc., Sickness insurance for self-employed persons is voluntary.

From January 1, 2012, the group of insured employees expands, i.e. includes among others employees active upon the basis of agreements to work outside the scope of employment activity who participate in the sickness insurance, if they operate in the Czech Republic and the amount of their income exceeds CZK 10,001 in particular calendar month during existence of such an agreement. When employee performs more than one agreement to complete a job, becomes a participant of the health insurance system if the sum of the incomes exceeds the amount of CZK 10,000 in a particular calendar month.

Article 15

A. The Czech Republic refers to the provisions of letter a).

B. Not applied

C. Updated statistical information:

A. Number of employees covered: 4,257,171 people
   Number of self-employed persons covered: 122,443 people
B. Total number of employees: 4,257,171 people
C. 100 %

Article 16

A. The Czech Republic refers to the provisions of Article 65.
Chapter I

Updated information (from 1.1.2012):

A. Rules for the calculation of the sickness benefit:

a) **salary or wage compensation** paid to employees by employers

1. The compensation is paid out for workdays – only during the first 21 calendar days of the temporary incapacity for work.
2. The specified period for setting the average pay is the previous completed quarter.
3. The amount is set on the basis of the average hourly wage which is reduced in a similar way as the basis for determining the amount of sickness benefits.
4. The percentage rate is the same as that for sickness insurance (60 % of the reduced average salary).
5. The compensation is not granted for the first three working days (the waiting period); however, it is possible to reach an agreement between the employee and the employer or an arrangement within a collective agreement or to stipulate by an internal regulation that the compensation will also be granted for the first three days of the temporary inability to work.
6. The daily amount of salary compensation from the fourth working day of the temporary incapacity to work corresponds to the amount of the sickness benefit from the 22\textsuperscript{nd} calendar day of the temporary incapacity to work (60 % of the daily assessment basis).

b) **Sickness benefit**

1. The specified period for determining the average income is the 12 calendar months preceding the calendar month in which the temporary incapacity to work occurred.
2. The daily assessment basis is calculated from the income divided by the number of calendar days in the specified period (some days are not counted in order to avoid the unjustified dilution of the daily assessment basis, for example the days when sickness benefits were paid).
3. The qualifying income constitutes all income subject to social security contributions and contributions to the state employment policy calculated for an employee in the specified period.
4. The reduction of the daily assessment basis: 90 % of the amount is counted up to the first reduction limit, 60 % of the amount is counted between the first and second reduction limits, 30 % is counted to third reduction limits and the amount above the third reduction limit is not taken into account.
5. In 2012, the first reduction limit is CZK 838, the second reduction limit is 1,257 CZK and the third reduction limit is CZK 2,514.
6. The daily benefit is calculated as 60 % of the daily assessment basis from the 22\textsuperscript{nd} day of the temporary incapacity to work.
7. The sickness benefit is calculated as a multiple of the daily benefit and the number of calendar days of the duration of the temporary incapacity to work.
B. The evaluation of the required level of sickness benefit is undertaken in accordance with Article 65, section 6 subsection b). In the Czech Republic, sick leave coverage is mandatory for all employees. The participation of self-employed persons in the health insurance scheme is voluntary.

C. In 2011, the average gross wage of a qualified blue-collar worker was CZK 23,310 (based on Job Specification KZAM 72231 – metal turner – a machine tool setter and operator).

Chapter II

Updated information (from 1.1.2012):

Salary compensation per workday for the first 21 days of the temporary incapacity to work corresponds to the amount of sickness benefit from the 22nd day of the temporary incapacity to work. Therefore, we have only specified the sickness benefit calculation for the purposes of evaluating the amount of benefit paid during sickness.

D. – G. The calculation of the ratio for the evaluation of the sickness benefit level:

- The calculation is based on the average gross monthly wage of a qualified blue-collar worker (based on Job Specification KZAM 72231 – metal turner – a machine tool setter and operator) in 2011, i.e. CZK 23,310.
- Gross wage from employment: CZK 23,310, of which the net wage after the tax deductions amounts to CZK 19,966.
- Daily assessment basis for the calculation of sickness benefit (DAB): the ratio between the annual wage and the number of days in specified period: 23,310 x 12/365 = CZK 766.36.
- The daily assessment basis is reduced as follows:
  DAB: 767 x 90 % = CZK 690
- Daily sickness benefit:
  it is 60 % of the DAB from the 21st day of the temporary incapacity to work, 60 % of 690 = CZK 414.
- Monthly sickness benefit: 30 x 414 = CZK 12,420
- Child benefit for two children – in the amount CZK 1,220 (2 x CZK 610)
- Net income = CZK 21,186
- Sickness benefit and child benefits for two children = CZK 13,640
- The ratio between the income after the insurance claim (the sickness benefit) and income before the insurance claim (net salary): 13,640/21,186 = 64.4 %.

<table>
<thead>
<tr>
<th>Monthly salary in CZK</th>
<th>Monthly allowances for 2 children in CZK</th>
<th>Monthly sickness benefit in CZK</th>
<th>Ratio sickness benefits/salary in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross</td>
<td>Net</td>
<td>Gross</td>
<td>Net</td>
</tr>
<tr>
<td>23 310</td>
<td>19 966</td>
<td>1 220</td>
<td>12 420</td>
</tr>
</tbody>
</table>

The European Code of Social Security requires that the ratio of sickness benefit in comparison with preceding income is at least 45 %. The Czech Republic fulfils the required level of the amount of sickness benefit in respect of both gross and net wage.
B. Not applied.

C. No changes

Article 17

The Czech legal regulations do not determine the fulfilment of a qualification period as a precondition for the establishment of entitlement. The insured individual’s entitlement to the sickness benefit arises as of the day of his/her entry into employment which provides the basis for participation in the sickness insurance scheme.

Article 18

Sickness benefit is provided from the 22nd calendar day of the duration of the temporary incapacity to work, but up to a maximum of 380 calendar days from the beginning of the temporary incapacity to work according to the Sickness Insurance Act. Sickness benefit may also be provided after the expiry of this support period, if it is possible to expect that the insured individual will shortly return to capacity for work upon the basis of a statement from the health insurance company’s body. It is, however, only possible to provide the sickness benefit in this way for a period of a further 350 calendar days.

In the case of any new temporary incapacity to work, the previous period of temporary incapacity to work is counted in the period of 380 calendar days from the beginning of the temporary incapacity to work, provided these days fall in the period of 380 calendar days prior to the occurrence of the new case of temporary incapacity to work. This period of previous temporary incapacity to work is not counted, however, if the insured activity lasted at least 190 calendar days from the end of the last case of temporary incapacity to work.

The Sickness Insurance Act enables the payment of sickness benefits abroad upon the basis of a request received from an insured individual. It is only paid to the insured individual’s bank account and in return for the payment of the associated costs.

If an insured individual who is temporarily unable to work applies for a disability pension in accordance with Act N. 155/1995 Coll., Pension Insurance Act, as amended and is acknowledged as disabled by a social security body, the temporary incapacity to work ends at the latest 30 days from the day following the day on which the insured individual was acknowledged as disabled. The disability pension will be granted from the day following the day of the termination of the temporary incapacity to work.

If an old age pension is granted according to the Pension Insurance Act in the period when the insured employment or the insured individual’s independent gainful activities have not ended, the entitlement to sickness benefit will not end. However, the length of the period of provision of sickness benefit will be limited in the case of this temporary incapacity to work alongside the payment of an old age pension. Sickness benefit is paid to a recipient of an old age pension for a maximum period of 63 calendar days, but not longer than the day of the termination of the insured activity and not longer than would be paid out up to the ceasing of the “general length” of the period of support.
In the course of any temporary incapacity to work, an insured individual loses his/her entitlement to sickness benefit in the situation where the insured individual becomes entitled to an old age pension in the course of said period of temporary incapacity for work and said individual’s insured employment or insured independent gainful activities ceased before the day on which the individual became entitled to the payment of the old age pension.

The temporary incapacity to work of an insured individual who is entitled to maternity benefit shall be terminated and payment of sickness benefit shall be stopped at the beginning of the sixth week before the expected date of birth, if she was not entitled to receive maternity benefit earlier.

The temporary inability to work of an insured individual who is entitled to maternity benefit ends and the payment of the sickness benefit is halted as of the beginning of the sixth week before the expected date of the delivery, provided she has not started drawing maternity benefit at an earlier date.

An insured individual or any other recipient of a sickness insurance benefit who has failed to fulfil any of the imposed obligations or has received the benefit or part thereof even though he/she must have been aware from the circumstances that it had been paid out wrongfully or at a higher amount than said individual was entitled to, is obliged to repay the benefit payer any overpayment of the benefit. If another physical or legal entity has caused the benefit to be paid out wrongfully or at an amount higher than the individual was entitled to, said entity will be obliged to repay the benefit payer any overpayment of the benefit.

If the insured individual has brought about his/her temporary incapacity to work
- as a result of his/her participation in a fight;
- as a direct consequence of his/her inebriation or abuse of narcotic or psychotropic substances or
- when committing an intentional offense or an intentional misdemeanour,
said individual will still be entitled to sickness benefit, but at half of the amount. An insured individual who has deliberately brought about his/her temporary incapacity to for work has no entitlement to sickness benefit.

If an incapacitated insured individual breaches the set medical treatment during temporary incapacity to work, his/her sickness benefit may be reduced or withdrawn for a maximum period of 100 calendar days from the day of the breach in the medical treatment, but not longer than until the end of the period of temporary incapacity to work during which the breach in this treatment occurred.

If an incapacitated insured individual breaches the set medical treatment during temporary incapacity to work in the course of first 21 days of the temporary incapacity to work, the employer is rightful to terminate the employment in accordance with the provision of section 52, subsection h) of the Labour Code for gross violation of “other employees obligations” stipulated in section 301a of the Labour Code.
The amendment to the Labour Code introduced a new provision of section 301a which determines “the other obligations of employees” imposes that employees are obliged to follow the directions and medical treatment in respect of an obligation to remain at the residence and respect the time and range of leaves in accordance with Health Insurance Act in the course of the first 14 calendar days during temporary incapacity to work and in the period from January 1st, 2012 until December 31st, 2013 in the course of the first 21 days calendar days of temporary incapacity to work.

The insured individual is not entitled to the payment of the sickness benefit for the period, throughout which

- he/she carries out the insured activities, to which the sickness benefit pertains, i.e. he/she works or is involved in independent gainful activities,
- he/she is still entitled to the qualifying income from employment to which sickness benefit pertains according to the special regulations.

PART IV – UNEMPLOYMENT BENEFIT

Article 19
No changes

Article 20

Act N. 435/2004 Coll., Employment Act, as amended, (hereafter referred to as “Employment Act”) determines the conditions under which an individual may be included in the register of jobseekers and under which conditions the said individual is entitled to an unemployment benefit.

A jobseeker is an individual who personally applies for finding a suitable employment at the regional branch of the Labour Office (the term Labour Office will hereafter be used for simplification), in whose territory he / she is resident, and is registered as a jobseeker by the Labour Office upon fulfilling the legally stipulated conditions.

An individual may not be included in the jobseekers’ register, if he / she is in employment or service relationship (with certain stated exceptions), if he / she is a self-employed individual, an individual gainfully employed abroad, an associate or a company secretary in a commercial organisation or a member of a cooperative, a supervisory board or a board of directors, if he / she carries out work for a company or a cooperative which is remunerated at a certain amount or if he / she is a judge, a member of parliament, etc.

Within the framework of the reference period from 1st July 2011 to 30th June 2012: Jobseekers are entitled to unemployment benefit, if they have acquired a pension insurance period of at least 12 months in the specific period (until December 2011 3 years and with effect from January 1st, 2012 2 years before inclusion in the jobseekers’ register) by means of employment or other gainful activities according to the Pension Insurance Act.
Unemployment benefit does not apply to jobseekers:
- who have been dismissed from employment in the period of the last 6 months before their inclusion in the jobseekers’ register due to an especially gross breach of their obligations arising from the legal regulations pertaining to the work which they performed; this also applies in the case of the termination of any other employment relation for similar reason,
- who have been dismissed from employment in the period of the last 6 months before their inclusion in the jobseekers’ register due to gross breach of their other obligations arising from the section 301a of the Labour Code,
- who have become entitled to a service allowance according to the special legal regulations (Section 131 and the subsequent sections of Act N. 221/1999 Coll, the Professional Soldiers Act, Section 157 and the subsequent sections of Act N. 361/2003 Coll., providing the Service Conditions for the Members of the Security Forces, as amended) and if this allowance is higher than the unemployment benefit which the jobseeker would otherwise be entitled to, if he or she were not entitled to the service allowance,
- who carry out any of the activities according to section 25, subsection 3 of the Employment Act, i.e. any activities on the basis of work or service relations with monthly earnings not in excess of half the minimum wage, as of the day when the unemployment benefit should have been granted, or
- who carry out activities on the basis of a an agreement on work activity or a service contract with monthly earnings or earnings pertaining to 1 month of the period to which they apply which are not in excess of the half the minimum wage.

Article 21

A. The Czech Republic refers to letter a).

B. The group of covered individuals consists of those individuals who meet the conditions for the establishment of the entitlement to the unemployment benefit according to the Employment Act.

C. Updated statistical information:

   A. Number of covered employees: 4,257,171 people
   B. Total number of employees: 4,257,171 people
   C. 100 %

Article 22

A. The Czech Republic refers to the provisions of Article 65.
Chapter I

A. Updated information:

Employment Act stipulates that the amount of the unemployment benefit and support during retraining is determined as a percentage of the average earnings which have been ascertained in the case of the jobseeker and last used for employment purposes at his / her last job in the specified period according to the employment regulations; if these employment regulations were not applied to the jobseeker due to the provisions set out in the special legal regulations pertaining to the legal relations under which the jobseeker carried out his / her last completed employment, the average of such a jobseeker’s net monthly earnings is ascertained for the purposes of the unemployment benefit and support during retraining analogously according to the employment regulations.

The amount of the unemployment benefit and the support during retraining for a jobseeker who was self-employed prior to being included in the jobseekers’ register is determined by using a percentage of the last assessment base in the specified period recalculated for 1 calendar month.

During the first two months of the provision of unemployment benefit (i.e. the so-called support period), the unemployment benefit amounts to 65 % of the average net monthly earnings or the assessment base: it then falls to 50 % for the next two months and 45 % for the remainder of the support period. The percentage rate for support during retraining amounts to 60 %.

A jobseeker who has terminated his / her employment without any serious grounds for doing so or by means of an agreement with employer is entitled to unemployment benefit at the amount of 45 % throughout the entire support period.

If an individual has fulfilled the condition of previous employment by means of a substitute employment period (see Article 23) and if this period has been assessed as being the last employment, the unemployment benefit is set at the amount of 0.15 times the average wage in the national economy for the 1st to 3rd quarters of the calendar year preceding the year in which the benefit application was submitted for the first 2 months, at 0.12 times for the next two months and at 0.11 times for the remainder of the support period.

The maximum amount of the unemployment benefit has been set at 0.58 times the average wage in the national economy for the first to third quarters of the calendar year preceding the calendar year in which the benefit application was submitted. The maximum amount of the support during requalification has been set at 0.65 times the average wage in the national economy for the first to third quarters of the calendar year preceding the calendar year in which the requalification started. The maximum amount of the unemployment benefit was CZK 13,528 per month, in 2012 CZK and in 2012 13,762.

B. Not applied
C. The state’s responsibility for providing unemployment benefits is absolute. The unemployment benefit applies to any individual who meets the legally stipulated conditions. Unemployment benefit applies once the conditions have been met, regardless of the individual’s assets.

Chapter II

Updated information (from 1.1.2012):

D. - G.

The average net monthly wage of a qualified blue-collar worker with two children was CZK 19,966.

The calculation of the unemployment benefit as of January 1, 2012:

<table>
<thead>
<tr>
<th>The benefit for a typical qualified blue-collar worker for the first two months of unemployment:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit amount</td>
</tr>
<tr>
<td>(65 % of the preceding average income)</td>
</tr>
<tr>
<td>/of net wage/</td>
</tr>
<tr>
<td>CZK 12,978</td>
</tr>
<tr>
<td>% of the original income</td>
</tr>
<tr>
<td>65 %</td>
</tr>
</tbody>
</table>

The benefit for a typical qualified blue-collar worker for the next two months of unemployment:

| Benefit amount |
| (50 % of the preceding average income) |
| /of net wage/ |
| CZK 9,983 |
| % of the original income |
| 50 % |

The benefit for a typical qualified blue-collar worker for the remaining support period:

| Benefit amount |
| (45 % of the preceding average income) |
| /of net wage/ |
| CZK 8,985 |
| % of the original income |
| 45 % |
Thus the **average monthly benefit** for a qualified blue-collar worker throughout the support period was \((2 \times 12,978) + (2 \times 9,983) + 8,985/5 = \text{CZK 10,981}\). The **ratio** between the income after the insured event (unemployment benefit) and the income before the insured event (the net wage) is \(10,981/19,966 \times 100 = 55\%\).

The European Code of Social Security requires that the level of unemployment benefits in comparison to preceding wage is at least 45\%. **The Czech Republic fulfils the required level.**

B. Not applied.

C. No changes

**Article 23**
The establishment of the entitlement to an unemployment benefit in the Czech Republic is bound to the fulfilment of the required period of pension insurance with employment or other gainful activities. The necessary period amounts were 12 months in the last three years in the period to December 31\textsuperscript{st}, 2011 and 12 months in the last two years, as of January 1\textsuperscript{st}, 2012. It is also possible to count a so-called substitute employment period in that period.

A substitute employment period is considered to be:

a) the period of preparation for work by an individual with a disability,

b) the period of receipt of a disability pension for level-three invalidity,

c) the period of providing personal care for a child up to the age of four years,

d) the period of providing personal care for an individual which is considered a person dependent on the assistance of another physical entity in level II (medium dependency), level III (heavy dependency) or level IV (complete dependency) according to Section 8 of Act N. 108/2006 Coll., the Social Services Act, provided said individual lives permanently with the jobseeker and they jointly pay for their needs; these conditions are not required, if this involves an individual who is considered to be a close individual for the purposes of pension insurance,

e) the performance of long-term volunteer services upon the basis of a volunteer contract concluded with a posting organisation which has been accredited by the Ministry of Interior according to Act N. 198/2002 Coll., Volunteer Service Act, or the performance of public service upon the basis of a public service contract according to Act N. 111/2006 Coll., regulating the Assistance in Material Need, provided the extent of the realised service in excess of at least 20 hours a calendar week,

f) personal care for an individual under ten years of age who is considered to be an individual with level I (light dependency) dependency on the assistance of another individual according to the special legal regulation.
Article 24

1. The period of the provision of the unemployment benefit (the support period) depends on the age of the individual. The support period is five months for jobseekers up to the age of 50, eight months for jobseekers between 50 and 55 and eleven months for jobseekers over 55. The decisive factor for the length of the support period is the jobseeker’s age as of the date of the submission of the unemployment benefit application.

The length of the support period is also influenced by the fact as to whether or not the jobseeker has used the entire support period at any time during the last three years (until December 31, 2011), more specifically two years (with effect from January 1, 2012). If the entire support period has not been used and the jobseeker has acquired a pension insurance period of at least three months by means of employment or other gainful activities after the end of the used part of the support period, such a jobseeker will be entitled to an unemployment benefit for the entire support period. If said jobseeker has acquired a support period of less than three months, he / she will be entitled to an unemployment benefit for the remainder of the support period. At the same time, the requirement of the total necessary period of previous employment must also have been fulfilled.

If the entire support period has been used in the last three years (until December 31, 2011), more specifically two years (with effect from January 1, 2012) prior to the inclusion of the individual in the jobseekers’ register, the jobseeker will be entitled to an unemployment benefit, if he / she has acquired a pension insurance period of at least six months since the full use of the original support period; this period is not required in cases when the employment was terminated for health reasons or because the employer had breached any of the essential obligations arising from the legal regulations, a collective agreement or agreed employment conditions. At the same time, the condition of the total period of previous employment must have been fulfilled.

2. The duration of the period during which the unemployment benefit is granted is not graded according to the length of contribution period.

3. In accordance with the European Code of Social Security, the waiting period has not been directly determined by the Employment Act.

A jobseeker is entitled to an unemployment benefit upon the fulfilment of the set conditions from the date of the submission of the written unemployment benefit application. If the jobseeker requests the granting of the unemployment benefit at the latest within three workdays of the termination of employment or any other gainful activities or any activities considered to constitute a substitute employment period, the unemployment benefit will be granted from the day following the termination of the employment or the aforementioned activities.

Until January 1, 2011:
A jobseeker who was entitled to legal severance pay or settlement from his/her last employment according to other legal regulations was provided with an unemployment benefit after the expiry of the period which corresponds to the number of average months’ earnings provided in the form of the legal severance pay or settlement, but at least at the amount of three times the average earnings. These provisions did not affect the length of the support period determinated by the Employment Act.
Effective as of January 1, 2012

Jobseeker who has been paid the redundancy payment, reduced policy bonus or settlement under the other legal regulations, has been granted unemployment benefits after the expiration of the period determined by the number of multiples of average monthly earnings of which the minimum compensation of the legal severance pay or settlement was derived in pursuant of other legal regulations. The total duration of support period determined by the Employment Act shall not be affected by these provisions.

Jobseeker who is entitled to unemployment benefits, but he / she had not been paid a redundancy payment, reduced policy bonus or settlement after the employment/service relationship termination or at the nearest time limit for pecuniary payment settled by employer for the payment for wages or salaries or at the date of termination of employment or service, will be provided with a compensation by Labour Office from the day of placement into the jobseekers’ register for a period corresponding to the amount of the a redundancy payment, reduced policy bonus or settlement. The amount of compensation is determined by multiplying the period for which the redundancy payment, reduced policy bonus or settlement pertains and 65 % of the average monthly net income of the jobseeker. The jobseeker is granted unemployment benefit after the expiration of the period covered with said compensation.

4. The Employment Act does not stipulate any special conditions for the unemployment benefits granting to seasonal workers. The general system applies.

5. No unemployment benefit is provided throughout the period of:
   - drawing an old age pension;
   - drawing a sickness insurance benefit;
   - custody.

The provision of an unemployment benefit is suspended throughout this period.

Jobseekers are not granted an unemployment benefit throughout the period of any legal relations on the basis of which they realise any of the activities which prevent inclusion in the jobseekers’ register and throughout the period when they are granted support during retraining.

The entitlement to an unemployment benefit ceases with the expiration of the support period, the completion of the inclusion of an individual in the jobseekers’ registry or when he/she is discharged from the registry.
PART V – OLD AGE BENEFITS

Articles 25 a 26

Updated information (from January 1, 2012):

The retirement age and the gradual increases in it are specified by the Pension Insurance Act. The retirement age is gradually rising; for men 2 months per year and for women 4 month per year. In 2012, the retirement age is 62 years and 6 months for men, 61 years and 4 months for childless women, 60 years and 4 months for women who have raised one child, 59 years and 4 months for women who have raised two children, 58 years and 4 months for women who have raised 3 or 4 children and 57 years and 4 months for women who have raised 5 or more children.

An amendment to the Pension Insurance Act which enables gradual increase in the age limit so that there will be a uniform age limit of 67 for insured men and women born in 1977 has been approved with effect from of September 30, 2011. The increase will continue by 2 months per year after this unification.

Article 27

A. The Czech Republic refers to letter a).

B. The group of covered individuals also includes the groups specified under letter b). Covered individuals are those who are or were participants in the pension insurance scheme. Participation in the pension insurance scheme is mandatory for all economically active individuals, both employed and self-employed. By law, there are certain other population groups that are also covered by pension insurance without having to make contributions, such as women caring for a child of up to 4 years of age. Students have not been participants in the pension insurance scheme since January 1, 2010, but they have the option of registering for voluntary participation.

C. Updated statistical data:

A. Number of covered employees: 4 257 171 people
   Number of covered self-employed persons: 742 251 people
B. Total number of employees: 4 257 171 people
C. 100 %

D. Not applied

Article 28

A. The Czech Republic refers to Article 65
Chapter I

Updated information (as of January 1, 2012):

A. Old age pension consists of two components:

**Basic Part:** CZK 2,270 per month (9 per cent of average gross wage)

**Percentage Part:** depends on the individual’s income (calculated from the calculation base) and the number of years of insurance. For the old age benefit, this amounts to 1.5 % of the calculation base for each completed year of insurance. The calculation base is determined on the basis of the average indexed gross income (earnings are indexed in relation to growth in average salaries in the national economy) usually for the period from 1986 to the year preceding the year in which the person first qualified for the old age pension. When determining the calculation base, this average (“personal assessment base”) is reduced in such a way that 100 % of the income is counted from the amount to the first reduction limit, between the first and second reduction limits 28 %, between the second and third reduction limits 16 % and 8 % is counted from the amount above the third reduction limit.

In 2012, the first reduction limit is CZK 11,061 CZK, the second reduction limit is CZK 29,159 and the third reduction limit is CZK 100,548.

B. No changes

C. In 2011, the average gross monthly wage of a qualified blue-collar worker was CZK 23,310 (according to the Job Specification KZAM 72231 – metal turner – a machine tool setter and operator).

Chapter III

Updated information (from January 1, 2012):

D. – G. Calculation of the ratio for the evaluation of the pension benefit:

- The calculation is based on the average gross monthly wage of a qualified blue-collar worker (according to the Job Specification KZAM 72231 – metal turner – a machine tool setter and operator) in 2011, i.e. CZK 23,310.
- **The net wage** for a taxpayer after applying the tax deductions amounts to CZK 18,032 per month.
- The personal assessment base of CZK 23,310 is reduced
  11,061 + (23,310 – 11,061) x 28 % = CZK 14,491.
- The **percentage part** for thirty years of insurance is 30 x 1.5 % x 14,491 = CZK 6,521.
- **The amount of the old age benefit** is composed of the basic part and the percentage part
  2,270 + 6,521 = CZK 8,791
- The **ratio** between the income after the insured event (the old age benefit) and the income before the insured event (the net wage) is 8,791/ 18,032 = 48.8 %.
<table>
<thead>
<tr>
<th>Monthly wage in CZK</th>
<th>Monthly old age benefit in CZK</th>
<th>Ratio pension / salary in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross</td>
<td>Net</td>
<td>Gross</td>
</tr>
<tr>
<td>23,310</td>
<td>18,032</td>
<td>8,791</td>
</tr>
</tbody>
</table>

The European Code of Social Security requires that the ratio of old age benefit in comparison with preceding income is at least 40%. **The Czech Republic fulfills the required level of the amount of old age benefit in respect to net wage.**

**Article 29**

Updated information (from January 1, 2012):

The pension is provided to a covered individual who had fulfilled the qualification period of at least 25 years in 2009 in accordance with the Pension Insurance Act; this period is gradually increasing by 1 year from 2010 and the target period of 35 years of insurance will apply for insured individuals who reach retirement age after 2018. Apart from that, the entitlement to an old age pension also applies to an insured individual who reaches retirement age and achieves an insurance period of at least 30 years (only the period of employment without any non-contributory periods). The gradual extension of the required insurance period to obtain an entitlement to retirement pension indeed applies to cases in which a pension is granted after achieving age 5 years higher than the retirement age in which case a condition of the minimum insurance period had been set to 15 years before the adoption of Act N. 306/2008. Since this Act came into force, the minimum insurance period has been gradually increased (by one year per each calendar year elapsed after the effectiveness of Act N. 306/2008). Ministry of Labour and Social Affairs takes into account that a new legislative proposal in this matter is needed to put the Czech national law in accordance with Article 29 section (2) Part V of the Code again and will propose such a bill at the earliest opportunity.

In case of an old age pension, to which an individual becomes entitled by reaching an age higher than the retirement age and acquiring the minimum necessary insurance period according to the third and fourth sentence in the previous paragraph, there will be no reduction of the benefit on the grounds of the percentage rate for one year of insurance, but the benefit is usually lower than the average paid old age pension due to the lower number of acquired years of insurance.

**Article 30**

No changes
PART VII – FAMILY BENEFIT

Article 39

Until the end of the year 2011, the regular family benefits in the Czech Republic according to Article 42 were the child allowance, the social allowance and the parental allowance. From January 1, 2012, the regular family benefits are child allowance and parental allowance.

Article 40

The child allowance is provided to dependent children living in families whose decisive income is lower than the sum of the amount of the family’s living minimum amount multiplied by the coefficient of 2.4. The child allowance is provided at three different amounts depending on the age of the child.

The social allowance was provided to families with children whose decisive income was lower than the sum of the amount of the family’s living minimum amount multiplied by the coefficient of 2.0. The social allowance helped to cover the costs associated with securing the needs of children not only in low income families with children and with disabled family member (child or parent). As from January 1, 2012, this allowance was cancelled.

The parental allowance is provided to a parent who personally provides all-day care for the youngest child in the family. Until the end of 2011, the parental allowance was provided in three variants (short, classic or long periods of receipt) until the child was two, three or four years of age. The parent’s choice of the period for receiving the allowance also affected the amount of the contribution. As of January 1, 2012, the parental allowance is stipulated by the total amount which the parent is granted until the child is four years of age. The parent’s gainful activities and income are not monitored, but the placement of the child in pre-school facilities is limited.

Article 41

The scope of covered individuals for the regular family benefits according to Article 42 is determined Act N. 117/1995 Coll. State Social Support Act.

For the purposes of the child allowance, the covered group is considered to consist of dependent children. The child’s entitlement does not depend on whether or not the parent is an employee, an economically active individual or a participant in the pension or sickness insurance schemes.

For the purposes of the social allowance, low-income families and families with a disabled family member are considered to be the group covered. The family’s entitlement does not depend on the parent’s economic activity or whether or not he / she is a participant to the insurance scheme.

For the purposes of the parental allowance, parents caring for small children are considered to be the group covered. The entitlement does not depend on the parent’s economic activity or whether or not he / she is a participant to the insurance scheme.
According to the definition of the individuals covered in Czech legislation, it is not possible to apply this to any of the articles in Article 41.

The statistical information for 2011:

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>the number of dependent children entitled to a child allowance</td>
<td>481,3 thousand</td>
</tr>
<tr>
<td>the number of families entitled to the social allowance</td>
<td>14.4 thousand</td>
</tr>
<tr>
<td>the number of parents receiving a parental allowance</td>
<td>323.1 thousand</td>
</tr>
<tr>
<td>the number of dependent children</td>
<td>2,337.0 thousand</td>
</tr>
<tr>
<td>the number of families with independent children</td>
<td>1,452.9 thousand</td>
</tr>
</tbody>
</table>

In 2011, the child allowance was received by an average of 481,3 thousand dependent children every month which means that it was provided to approximately to 20.6% of all dependent children.

In 2011, the social allowance was received by an average of 14.4 thousand families with dependent children, i.e. ca 1% of families with dependent children.

In 2011, the parental allowance was received by an average of 323.1 thousand families with small children, i.e. approximately to 22.2% of families with dependent children.

**Article 42**

The Czech Republic refers to paragraph a): the family benefits take the form of monthly, regularly occurring financial payments.

The amount of the child allowance is set at a fixed monthly amount of CZK 500 for a child up to 6 years of age, CZK 610 for a child aged from 6 to 15 and CZK 700 for dependent children from 15 to 26 years of age.

The amount of the social allowance in 2011 depended on the income of the family with children and the level of child or parent disability. As from January 1\textsuperscript{st} 2012, this allowance was cancelled.

Until the end of the year 2011, the amount of the parental allowance was set in fixed monthly amounts in three rates: the increased rate at CZK 11,400, the basic rate at CZK 7,600 and the reduced rate at CZK 3,800 which corresponded to the length of receipt of the parental allowance selected by the parents. As of January 1\textsuperscript{st} 2012, the amount of the parental allowance is determined in fixed total amount of CZK 220,000. The parent who is a participant to the health insurance scheme, draws the amount on his/her selective basis in monthly maximum of CZK 11,500 but only until the child is four years of age. The parent who does not participate to the health insurance scheme is granted parental allowance in fixed monthly amount of CZK 7,600 until the child is ninth month of age and subsequently CZK 3,800 until the child is four years of age.

**Article 43**

No qualifying period has been set for the entitlement to family benefits. Also see the answer to Article 41.
**Article 44**

Statistical information for 2011:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross monthly wage of a non-qualified blue-collar worker – male (mechanical handling worker in industry KZAM-R 93211)</td>
<td>CZK 16,480</td>
</tr>
<tr>
<td>Annual expenditure on the child allowance</td>
<td>CZK 3.5 billion</td>
</tr>
<tr>
<td>Annual expenditure on the social allowance</td>
<td>CZK 0.8 billion</td>
</tr>
<tr>
<td>Annual expenditure on the parental allowance</td>
<td>CZK 25.7 billion</td>
</tr>
<tr>
<td>Number of dependent children</td>
<td>2,337,0 thousand</td>
</tr>
<tr>
<td>Total required expenditure for monetary family benefits</td>
<td>CZK 6.9 billion</td>
</tr>
</tbody>
</table>

Total required (monetary) expenditure for family benefits:

CZK 16,480 (average gross monthly salary of an unqualified blue-collar worker) x 0.015 (1.5 % of the salary) x 12 (months) x 2,337 (thousand children) = **CZK 6.9 billion**

**In 2011, the total expenditure on family benefits was CZK 30,0 billion which means that the Czech Republic has fulfilled Article 44 in relation to the total required expenditure on monetary family benefits at the amount of CZK 6.9 billion.**

Families with dependent children are also supported by means of tax relief for the supported children in the form of tax exemptions and tax bonuses or the combination thereof. The tax relief for a dependent child is higher than the child allowances which are means-tested. To the contrary, the tax relief is applied by all families with dependent children which have taxable income.

Under legislation effective in 2010 and 2011, the taxpayer was entitled to a tax relief for a dependent child in the amount of CZK 11,604 per year. The taxpayer could apply for a tax relief by tax exemption, tax bonus or their combination. The conditions for entitlement to tax relief are settled in § 35c of Act No. 586/1992 Coll., to Regulate Income Taxes, in the version applicable for the particular tax period.

The tax relief for dependent child can be drawn through both tax return on income of individuals or through employers who are taxpayers of income from employment. Information about the granted tax relief is therefore derived from two sources, from the payers of tax returns on income of individuals (information on tax relief) and taxpayers’ financial statement (information on tax exemption and tax bonus).

**Persons submitting a tax return**

Persons submitting the tax return on income claim the tax relief after expiration of the tax period which is a calendar year. That means that in 2010 was drawn a lump sum tax benefit according to the tax return on income of individuals for the tax period 2009. This does not apply to employees who sign a tax declaration, prove the entitlement to tax relief for employers and subsequently draw the monthly benefit while running business or leasing immovable. This group of people can apply only for eventual unpaid difference on tax advantage through tax return on income.
The overview of the total volume of tax relief drawn by people submitted the tax return on income in calendar years 2010 and 2011

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>2010</th>
<th>2011</th>
<th>Rate (%)</th>
<th>Difference 11-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax period</td>
<td>2009</td>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax relief of persons submitting the tax return on *</td>
<td>8,816</td>
<td>9,902</td>
<td>112,3</td>
<td>1,086</td>
</tr>
<tr>
<td>Of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- tax exemption</td>
<td>4,962</td>
<td>5,515</td>
<td>115,2</td>
<td>553</td>
</tr>
<tr>
<td>- tax bonus *</td>
<td>3,854</td>
<td>4,387</td>
<td>113,9</td>
<td>533</td>
</tr>
</tbody>
</table>

Note: * After correction of the bonus paid by employers in the previous year.

Employees
Employees who only have income from their employment and do not submit a tax return of income can draw a monthly tax benefit as early as in respective calendar year. If the tax relief is not possible to deduct from the later deducted tax pre-payment because of the worker’s low income or higher number of dependent children, employers are obliged to pay to employee the tax bonus from their own resources. Later on, employers can ask the tax administrator for reimbursement of such paid bonuses (in accordance with § 35d of the Income Tax Act).

Overview of the total volume of tax bonuses paid to employers for calendar years 2010 to 2011

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>Rate (%)</th>
<th>Difference 11-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax bonuses submitted to employers</td>
<td>3,471</td>
<td>3,643</td>
<td>104,9</td>
<td>172</td>
</tr>
</tbody>
</table>

For the fiscal year 2010, employers paid out to employees the total amount of CZK 6,817 mill. CZK as a tax bonus per a dependent child. In the long term, the slight upward trend was monitored in the volume of drawn tax bonuses. More details with regards to employees’ tax benefit for calendar year 2011 is possible to bring next year, as the tax payers from income from employment (employers) are required to submit detailed tax financial statement within two months after the end of the calendar year. If the tax payer submits the financial statement electronically, the deadline was extended until March 20, 2012. Subsequently, the detailed financial statements are checked, registered in information systems and required data are transferred to the General Tax Directorate. Under the previous year’s development, there is a prerequisite that the volume of tax bonuses drawn by employers will reach the amount of CZK 7,000 million.
Article 45

The family benefits are paid out throughout the entire period of the social event and they are not dependent upon insurance.
**PART VIII – MATERNITY BENEFIT**

*Article 46 a 47*

According to the Sickness Insurance Act, the covered social events include pregnancy, delivery and their consequences. The institution of the suspension of earnings is not expressly defined in the Czech legal regulations, but it can be inferred from a systematic interpretation that this involves the overall halting of earnings as a consequence of an absence from work and not simply the reduction of said earnings. The maternity benefit corresponds to this structure.

*Article 48*

A. The Czech Republic refers to letter a)
B. No changes
C. Updated information:
   A. Number of covered employees:
      a) Employees with pension insurance  4,257,171 people
      b) Self-employed persons with sickness insurance  122,443 people
   B. Total number of employees:  4,257,171 people
   C. 100 %

*Article 49*

No changes

*Article 50*

A. The Czech Republic refers to Article 65.

**Chapter I**

Updated information (from 1.1.2012):

A. Rules for the calculation of the maternity benefit

1. Specified period: 12 calendar months preceding the calendar month in which the employee started his/her maternity leave.
2. Daily assessment base (DAB): qualifying income divided by the number of calendar days of the specified period (some days are not counted in order to avoid the unjustified dilution of the daily assessment base – for example, days when sickness benefits were paid).
3. Qualifying income – All the income subject to social security contributions and contributions to the state employment policy that is calculated for an employee in the specified period.
4. Reduction of the daily assessment base: the entire amount is counted until the first reduction limit is reached; 60 % of the income is counted from the amount between the first and the second reduction limits; 30 % of the income is counted from the amount between the second and the third reduction limits, and the amount above the third reduction limit is not taken into account.

5. In 2012, the first reduction limit is CZK 838, the second reduction limit is CZK 1,257 CZK and the third reduction limit is CZK 2,514.

6. The daily benefit is calculated as 70 % of the daily assessment base.

7. Maternity benefit is paid out for a period of 28 weeks. This period is extended to 37 weeks for women who have given birth to more than one child at the same time and are taking care of at least two such children.

B. No changes

C. The average gross monthly wage of a qualified blue-collar worker in 2011 was CZK 23,310.

Chapter V

Updated information (from 1.1.2012):

D. – G. Calculation of the ratio for the evaluation of the level of the maternity benefit

- The calculation is based on the average gross monthly wage of a qualified blue-collar worker in 2011, i.e. CZK 23,310.
- Net wage (of the taxpayer) is CZK 18,032.
- Daily assessment base (DAB) for calculation of the maternity benefit is the ratio between the annual wage and the number of days of the year: CZK 23,310 x 12/365 = CZK 766.36.
- The daily assessment base is reduced DAB from the 1st day: 767 x 100 % = CZK 767.
- Daily amount of the maternity benefit from the 1st day: 70 % x 767 = CZK 537.
- Monthly amount of the maternity benefit: 30 x 537 = CZK 16,110.
- The ratio between the income after the insured event (maternity benefit) and the income before the insured event (net wage) is: 16,110/18,032 = 89.3 %.

<table>
<thead>
<tr>
<th>Monthly wage in CZK</th>
<th>Monthly amount of the maternity benefit in CZK</th>
<th>Ratio maternity benefit / wage in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross</td>
<td>Net</td>
<td>Gross maternity benefit / wage</td>
</tr>
<tr>
<td>23,310</td>
<td>18,032</td>
<td>69.1</td>
</tr>
<tr>
<td></td>
<td>16,110</td>
<td>89.3</td>
</tr>
</tbody>
</table>

The European Code of Social Security requires that the ratio of maternity benefit to the preceding income is at least 45 %. The Czech Republic fulfils the required level of the maternity benefit in respect of both gross and net wage.

Article 51

Maternity benefit applies to an employee, if she has participated in at least 270 days of sickness insurance in the last two years before commencing the receipt of this benefit.
The following is also included in the required period of 270 days of insurance:

- the period of study at a secondary, college or tertiary education institution or at a conservatoire considered to constitute systematic preparation for a future profession for the purposes of pension insurance, if the study was successfully finished,
- the period of receipt of a disability pension for level-three disability, if this benefit has been withdrawn and the insured activity has arisen or continued after the withdrawal of the benefit.

If a claim is made for maternity benefit from sickness insurance, in which the condition of 270 days of participation in sickness insurance has not been met, the periods of participation in previous insurance in the period of two years before the entry into maternity benefit are also included for the fulfilment of this condition; the overlapping period of participation in the insurance can only be counted once. If a claim for maternity benefit is made simultaneously from one or more types of insurance, in which the condition of participation of 270 days in sickness insurance has been met, and from insurance, in which this condition has not been met, only the days in the period of two years before the entry into maternity benefit, in which the participation in insurance for 270 days occurred in parallel in the given types of insurance, from which the claim for maternity benefit has been made, are counted towards the fulfilment of this condition for the insurance, in which this condition has not been met. If the participation condition has not been met in several types of insurance, the periods of participation in the insurance in a period of two years prior to the entry into maternity benefit are only counted for the fulfilment of this condition in the case the insurance, which has the highest daily assessment base.

**Article 52**

The period of entitlement to the maternity cash benefit of an insured woman who has borne a child must not be shorter than 14 weeks and must not expire prior to the elapse of 6 weeks from the date of birth.

The insured individual is not entitled to the maternity benefit throughout a period, in which:

1. she (he) carries out the insured activities, on which this benefit is based, i.e. work or other independent gainful activities,
2. she is still entitled to receive the qualifying income from the employment, which this benefit is based on, according to the special legal regulations.

The maternity benefit is not paid out:

1. to the mother of a child throughout the period, during which the mother has an agreement with the father of the child or the mother’s husband as to the fact that said individual will assume the care of the child and as such the insured individual, with whom the mother of the child has concluded said agreement, is entitled to receive the maternity benefit,
2. to an insured individual throughout the period, during which the child has been taken into the institutional care of a healthcare facility for medical reasons and during which the insured individual carries out the insured activity, upon the basis of which the maternity benefit is provided, work or independent gainful activities,
3. to an insured individual throughout the period, during which said individual is unable to or not permitted to care for the child due to a serious long-term illness,
due to which said individual has acquired temporary inability to work and because of which the child has been taken into the care of a different physical entity or legal entity,

4. throughout the period, in which the insured individual does not take care of a newborn child and the child is therefore assigned to foster care or to institutional care,

5. to an insured individual throughout the period, in which the child was in institutional care for reasons other than medical grounds on the part of the child or the insured individual.

In both situations, stated in 4. and 5. the insured woman is in receipt of the maternity cash benefit for the minimum duration of the period of entitlement pursuant to Section 35 of the Sickness Insurance Act, irrespective of whether the woman actually takes care of the child or not over that period.
PART IX – INVALIDITY BENEFIT

Articles 53 and 54

Updated information (from January 1, 2012):

The covered social events include level one, two and three disability.

An insured individual is disabled, if his/her work ability has fallen
- by at least 35%, but not by more than 49%: **level-one disability**
- by at least 50%, but not by more than 69%: **level-two disability**
- by at least 70%: **level-three disability**.

The percentage of the fall in work ability, the prerequisites for the disability assessment and the assessment of the work ability for the purposes of the designation of disability are set out in Regulation N. 359/2009 Coll.

**Article 55**

A. The Czech Republic refers to letter a).

B. No changes

C. Updated information:

   A. Number of covered employees:
      a) Employees with pension insurance: 4,257,171 people
      b) Self-employed persons with pension insurance: 772,251 people
   B. Total number of employees: 4,257,171 people
   C. 100 %

**Article 56**

The Czech Republic refers to Article 65.

**Chapter I**

Updated information (from 1st January 2011):
The benefit is a periodic payment calculated on the basis of the same rules as the old age pension (see the explanation of Article 26).

A. The rules for the calculation of the level-three disability benefit

The benefit consists of two components:

**Basic part**: CZK 2,270 per month (9% of the average gross wage).

**Percentage Part**: depends on the individual’s income (calculated from the calculation base) and the length of insurance in years. For the level-three disability pension, it is 1.5% of the calculation base for each year of insurance. The calculation base is determined on the basis of the average indexed gross wage (earnings are indexed in relation to growth in average wages in the national economy) usually for the period from 1986 to the year preceding the year in which the person first qualified for the benefit.

When determining the calculation base, this average ("personal assessment base") is reduced in such a way that 100% of the income is counted to the first reduction limit, from the amount between the first and second reduction limits only 28% of income is counted, 16% of the income is counted from the amount between second and third reduction limit and only 8% above the third reduction limit is counted.

In 2012 the amount of the first reduction limit is CZK 11,061, the second CZK 29,159 and the third CZK 100,548.

B. No changes

C. In 2011, the average gross monthly wage of a qualified blue-collar worker was CZK 23,310 (according to Job Specification KZAM 72231 – a mechanical handling worker in industry (manufacturing)).

To determine the level of disability benefit in the Czech Republic, the insurance period also includes the ‘add-in’ period, from the date of entitlement to the level-three disability benefit until the retirement age; therefore, in determining the pension amount, the relevant person can be considered to have been insured for 30 years.

**Chapter II**

Updated information (from 1st January 2012):

D. – G. Calculation of the ratio for the evaluation of the level-three disability benefit

- The calculation is based on the average gross monthly wage of a qualified blue-collar worker (according to Job Specification KZAM 72231 – a mechanical handling worker in industry (manufacturing) in 2011, i.e. CZK 23,310.
- The net wage amounts to **CZK 19,966**.
- The personal assessment base (CZK 23,310) is reduced:
  \[11,061 + (23,310 – 11,061) \times 28 \% = CZK 14,491.\]
- **Percentage part** for thirty years of insurance: \(30 \times 1.5\% \times 14,491 = CZK 6,521\)
- **Amount of the level-three disability benefit**: Basic part and percentage part \(2,270 + 6,521 = CZK 8,791\).
The *ratio* between the income after the insured event (full level-three disability pension and allowances for two children) and the income before the insured event (net wage and allowances for two children) is: \( \frac{10,011}{21,186} = 47.3\% \).
<table>
<thead>
<tr>
<th>Monthly wage in CZK</th>
<th>Allowances for 2 children in CZK</th>
<th>Invalidity benefit in CZK</th>
<th>Ratio benefit / wage *)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross</td>
<td>Net</td>
<td></td>
<td></td>
</tr>
<tr>
<td>23,310</td>
<td>19,966</td>
<td>1,220</td>
<td>8,791</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>40.8</td>
</tr>
</tbody>
</table>

*) invalidity benefit and salary including allowances for 2 children

The European Code of Social Security requires that the ratio of disability benefit to preceding income is at least 40 %. The **Czech Republic fulfills the required level of the disability benefit in respect to both gross and net wage ratio.**

**Chapter VI**

See Annex No 1

**Article 57**

Updated information (from 1.1.2012):

The benefit is provided to covered individuals under the condition of acquiring the necessary insurance period. The necessary insurance period is not required, if the disability arises as a result of a work accident. An individual who is 18 years of age, has permanent residency in the territory of the Czech Republic and is an disabled with level-three disability is also entitled to disability pension, if this disability arose before said individual reached the age of 18 and said individual has not participated in the insurance for the required period. The required insurance period for other disabled persons is graded according to age in the age groups of up to 20 and from 20 to 38. It amounts to less than one year up to the age of 20, is set at one to four years up to the age of 28 and amounts to five years secured in the last ten years before the occurrence of disability from the age of 28. In the case of insured individuals who are older than 38 years of age, the condition of the insurance period required for an disability pension is also considered to have been fulfilled, if the period was acquired in the period of the last 20 years before the occurrence of the disability; the required insurance period in this case amounts to 10 years.

**Article 58**

A disability pension applies throughout the entire period of the duration of the disability, up to the age of 65. The disability pension is transformed into an old age pension at the same level when the beneficiary of the disability benefit reaches the age of 65. Nevertheless, the old age pension beneficiary has an option to request a determination of the old age pension amount calculated under the general rules.

As far as Article 68 is concerned, the following letters are used:

a) if the total disability occurred before the person reached the age of 18, the pension is not paid out unless the beneficiary is a permanent resident of the Czech Republic.

b) full disability pension is not paid out while the beneficiary is receiving sickness benefits granted before the beneficiary became entitled to the disability pension.
d) if it is ascertained that the person no longer qualifies for disability pension or its payment, the beneficiary will be denied of the benefit or its payment will be discontinued. If the benefit has been granted or paid in an amount higher than that to which the beneficiary is entitled, or if the pension has been granted or is being paid wrongfully, the pension will be reduced or the beneficiary will be denied of it, and the payments will be discontinued, starting on the day following the day whereby the period for which the benefit was paid elapses. If the pension has been granted in an amount lower than that to which the beneficiary is entitled or has been wrongfully denied, or if it has been granted from a later date than that from when the beneficiary was entitled to it, the benefit will be increased or granted as of the date from which the beneficiary becomes entitled to such a benefit or its increase, but for no more than five years retroactively prior to the date on which the entitlement to such a benefit or its increase has been ascertained or claimed. However, the pension or its increase will be retroactively paid out from the day when the beneficiary was entitled to the benefit or its increase, if the benefit was not granted or if it was paid at an amount lower than that to which the beneficiary was entitled or was wrongfully denied or was granted from a later date than that which the beneficiary was entitled to it due to an incorrect procedure on the part of the Social Security Authority.

e) if the disability occurred as a result of intentional harm to health that the insured person self-inflicted or had someone else inflict on the insured person or if harm to the insured person’s health occurred as a consequence of the insured person’s intentional crime, the ‘add-in’ period, i.e. the time between the date on which the person becomes entitled to the disability pension and the attainment of retirement age, will not count for the purposes of the disability pension; at the same time into is taken account the retirement age of women who did not bring any child and for men the age limit prescribed for women who did not bring any child of the same birth date.

f) the payments of the disability pension may be suspended, if the beneficiary has failed to undergo a medical examination.

if it finds that the retirement benefits or for payment of the disappeared, the pension is withdrawn or the stop payment
PART X – SURVIVORS’ BENEFIT

Articles 59 and 60

No changes

Article 61

A. The Czech Republic refers to letter a).

B. No changes

C. Updated statistical information:

A. Number of covered employees: 4,257,171 people
   Number of covered self-employed persons: 772,251 people
B. Total number of employees: 4,257,171 people
C. 100 %

Article 62

A. No changes

Chapter I

Updated information (from January 1, 2012):

A. The rules for the calculation of widow’s (widower’s) pension

The benefit consists of two components:
- **The basic part**: CZK 2,270 per month (9 % of the average gross wage).
- **The percentage part**: depends on the income and number of years of insurance of the insured deceased person.

**The percentage assessment:**
- **widow’s (widower’s)** pension: 50 % of the percentage part of the level-three disability or an old age pension to which the deceased was or would be entitled (see the old age or disability pension).
- **orphans’** pension: for each parent 40 % of the percentage part of the level-three disability or an old age pension to which the deceased was or would be entitled (see the old age or disability pension).

B. No changes

C. The average monthly gross salary of a qualified blue-collar worker in 2011 was CZK 23,310.
Chapter IV

Updated information (from January 1, 2012):

D. – G. The calculation of the ratio for evaluating the survivors’ benefit

- The calculation is based on the average gross monthly wage of a qualified blue-collar worker (according to Job Specification KZAM 72231 – a mechanical handling worker in industry (manufacturing) in 2011, i.e. CZK 23,310.

- The net wage for a family with two children (and only one parent) is CZK 19,966.

- The personal assessment base (CZK 23,310) is reduced

  \[11,061 + (23,310 – 11,061) \times 28\% = CZK 14,491\]

- The percentage part of the old age (disability) pension of the deceased person for thirty years of insurance amounts to: 30 x 1.5% x 14,491 = CZK 6,521.

- Percentage part of widow’s pension: 50% of CZK 6,521 = CZK 3,261.

- **Amount of widow’s (widower’s) pension**: the basic part and percentage part

  \[2,270 + 3,261 = CZK 5,531\]

- Percentage part of the orphan’s benefits: 40% of CZK 6,521 = CZK 2,609.

- **Amount of the orphan’s benefit**: basic part and percentage assessment

  \[2,270 + 2,609 = CZK 4,879\]

- Widow’s benefit and two orphan’s benefits:

  \[CZK 5,531 + 2 \times CZK 4,879 = CZK 15,289\]

- The **ratio** after the insured event (the survivors’ benefit and child allowances) and income before the insured event (the net wage and child allowances) amounts to:

  \[16,509/21,186 = 77.9\%\].

<table>
<thead>
<tr>
<th>Monthly wage in CZK</th>
<th>Allowances for 2 children in CZK</th>
<th>Survivors’ benefit in CZK</th>
<th>Ratio benefit / wage *)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross</td>
<td>Net</td>
<td>1,220</td>
<td>15,289</td>
</tr>
<tr>
<td>23,310</td>
<td>19,966</td>
<td></td>
<td>67.3</td>
</tr>
</tbody>
</table>

*) including child allowances

The European Code of Social Security requires that the ratio of survivors’ benefit to preceding income is at least 40%. **The Czech Republic fulfils the required level of survivors’ benefit in respect to both gross and net wage.**

Chapter VI

See Annex No 1

Article 63

Updated information (from January 1, 2012):

The survivor’s benefit is paid out to a covered individual, whose husband (wife) or the parent of a child was a recipient of a disability pension or old-age pension or who would have met the conditions to be granted pension or old-age pension as of the day of his/her
death or whose was caused by a work accident. This involves benefits derived from pension insurance – see the interpretation of Article 29 and Article 57.

**Article 64**

**Widow’s (widower’s) pension** is paid for the period of one year following the death of the beneficiary’s spouse, and afterwards in cases where the survivor:

a) cares for a dependent child,

b) cares for a child who is dependent on the care of another person in Category II (medium dependency), Category III (heavy dependency) or Category IV (total dependency),

c) cares for his / her parent or a parent of the deceased spouse, with whom the beneficiary shares the same household, and is dependent on the care of another person in Category II (medium dependency) or Category III (heavy dependency) or Category IV (total dependency),

d) is an disabled with level-three disability, or

e) has reached an age which is 4 years lower than the retirement age set for a man of the same date of birth or the retirement age, if the retirement age is lower.

The precondition for the entitlement to an orphan’s pension is the child’s dependency. The dependency is defined in section 20, subsection 3 of the Pension Insurance Act and is recognised as lasting until the completion of the compulsory school attendance and then (if the other conditions are met) up to a maximum age of 26. The entitlement to the widow’s or widower’s benefit ceases when the beneficiary remarries. The entitlement to the orphan’s pension ceases upon the child’s adoption.

As far as Article 68 is concerned, the following letters are used:

a) if it is ascertained that the person no longer qualifies for the benefit or its payment, or if the benefit has been granted or is being paid at an amount higher than that to which the beneficiary is entitled or if the pension has been granted or is being paid wrongfully, the benefit will be reduced or cancelled, and the payments will be discontinued, starting on the day following the day whereby the period for which the benefit was paid out. If the benefit has been granted at an amount lower than that to which the beneficiary is entitled or has been wrongfully denied or if it has been granted from a later date than when the beneficiary was entitled to it, the benefit will be increased or granted as of the date when the beneficiary became entitled to such a benefit or its increase, but for no more than five years retroactively prior to the date on which the entitlement to such a benefit or its increase has been ascertained or claimed. However, the benefit or its increase will be retroactively paid out from the day when the beneficiary was entitled to the benefit or its increase, if the benefit was not granted or if it was paid at an amount lower than that to which the beneficiary was entitled or was wrongfully denied or was granted from a later date than that since which the beneficiary has been entitled to it, due to an incorrect procedure by the Social Security Authority. If the amount of widow’s benefit to which an entitlement (re)occurred prior to 1st January 1996 or to which an entitlement reoccurred after 31st December 1995 was limited due to the concurrent entitlement to the payment of old age benefit or full disability pension pursuant to legislation in force prior to 1st January 1996 or for the said reasons the widow’s benefit was not paid, the payments due after 1st July 2006 will be adjusted by the amount of the difference between the paid amount and the amount without any such limitation. If, for the same reasons, the widow’s benefit was not paid, the procedure applied is similar, with the date of awarding the widow’s benefit being considered to be the day when the entitlement to such widow’s benefit occurred,
e) The entitlement to the widow’s or widower’s benefit ceases to exist on the date of final and conclusive a court ruling on the widow or widower having intentionally caused the death of his / her spouse as a perpetrator or co-perpetrator or as a participant in a crime. Likewise, this applies to the entitlement to orphan’s benefit.
Annex No 1

The year-on-year indexes for old age pensions, average gross nominal wage and consumer prices (living expenses) according to Article 65, Chapter VI

<table>
<thead>
<tr>
<th>Year</th>
<th>Old age pension *</th>
<th>Average wage (for recalculated numbers)</th>
<th>Average year-on-year consumer price index (living expenses) for households in total in %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>abs. in CZK</td>
<td>index in %</td>
<td>abs. in CZK</td>
</tr>
<tr>
<td>2001</td>
<td>6,352</td>
<td>107.5</td>
<td>14,378</td>
</tr>
<tr>
<td>2002</td>
<td>6,830</td>
<td>103.5</td>
<td>15,524</td>
</tr>
<tr>
<td>2003</td>
<td>7,071</td>
<td>102.6</td>
<td>16,430</td>
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<tr>
<td>2004</td>
<td>7,256</td>
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<tr>
<td>2005</td>
<td>7,730</td>
<td>105.7</td>
<td>18,344</td>
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<td>2006</td>
<td>8,175</td>
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<td>19,546</td>
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<td>8,735</td>
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<td>9,151</td>
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<tr>
<td>2011</td>
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<td>102.1</td>
<td>24,436</td>
</tr>
</tbody>
</table>
BIENNIAL REPORT

ON THE

EUROPEAN CODE OF SOCIAL SECURITY

(ARTICLE 76 – PARTS NOT SPECIFIED IN THE RATIFICATION OF THE CODE OR IN A NOTIFICATION MADE SUBSEQUENTLY)
REPORT

for the period from July 1, 2010 to June 30, 2012 made by the government of the Czech Republic in accordance with Article 76 of the European Code of Social Security on the position of national law and practice in regard to the matters dealt with in Parts of the European Code of Social Security which have not been specified in the ratification of the Code or in a subsequent notification.

I and II List of primary legislation

List of laws and regulations


Regulation N. 440/2001 Coll., to regulate the Compensation of Distress and Increased Difficulty of Social Application, as amended

Regulation N. 125/1993 Coll., Providing the Conditions and Rates of Mandatory Statutory Insurance of Liability of an Organization for Industrial Injuries or Occupational Diseases, as amended

Labour Inspection Act No 251/2005 Coll., as amended

Regulation N. 201/2010 Coll., to Define the Method of Evidence, Reporting and Notification of Injuries [New].

Regulation N. 359/2009 Coll., to Regulate the Percentage Rate of Working Ability Decrease and Requirements of Disability Opinion and Providing Work Ability Assessment for Disability.

The fundamental law which addresses the issues related to compensation for industrial injury or occupational diseases is the Act N. 262/2006 Coll., Labour Code.

1. Scope
Coverage is granted to all employees.

2. Conditions for Entitlement to Benefits

According to the Labour Code, if an employee suffers industrial injury in connection with the performance of his/her employment task or in direct consequence thereof, or if an occupational diseases should be diagnosed which would give rise to damages, such damages must be compensated by the employer. This constitutes an objective liability of the employer. The employer is obliged to provide compensation for such damages even if he complied with all obligations arising to him from legal and other regulation related to the work safety and health protection at work.
Employers may be released from such liability for damages in part or in full only for reasons which are defined in an exhaustive list of exemptions contained in the Labour Code (e.g. if the employee caused injury to himself by his own fault, being inebriated or otherwise intoxicated, or due to breach of work safety and health protection rules even though such were made known to him by the employer and their knowledge and compliance was duly enforced and controlled by the employer). Employers may also seek a change in the scope of their rights and obligations in instances where a significant change in circumstances occurred on the part of the injured party which would be decisive for the purposes of determination of the compensation due.

If the employer does not achieve such release from liability he shall be obliged to provide the employee with the compensation as follows:

a)   for loss of income during sick leave
b)   for loss of income for the period following the sick leave
c)   for distress / pain and increased difficulty of social application
d)   for costs effectively disbursed in connection with treatment
e)   for material damage.

3. Level of Benefits

(a) Compensation for loss of income during sick leave and for loss of income for the period following the sick leave is provided to employees at the level of an average income achieved prior to the damage occurring. Compensation for loss of income during sick leave takes into account any sickness benefits provided, and any compensation for loss of income for the period following the sick leave correspondingly takes into account income attained after the work injury or diagnosis with occupational disease, same as any additional potential disability benefits provided for the same reason. Compensation for loss of income for the period following the sick leave is regularly adjusted as per the mandate granted in the Labour Code. Any such compensation thus granted belongs to the injured party until the end of the calendar month in which such person reaches 65 years of age.

Compensation for distress / pain and increased difficulty of social application is provided on the basis of Regulation N. 440/2001 Coll., to Regulate the Compensation of Distress and Increased Difficulty of Social Application, on the basis of a point system. At present time, one point corresponds to the value of CZK 120.

Compensation of costs effectively disbursed toward treatment shall be borne by the employer and reimbursed to such a person who provides proves the disbursement of any such costs. Material costs must also be correspondingly proven by an employee.

If an employee passed away as a result of an industrial injury or occupational disease the employer shall provide for:

a)   compensation of costs effectively disbursed toward treatment
b)   compensation of costs reasonably related to the funeral
c)   compensation of cost of living for his survivors
d)   one-time compensation to his survivors
e)   compensation of material costs
Compensation of costs effectively disbursed toward the treatment of the injured party and compensation of reasonable costs related to the funeral of the injured party will be reimbursed by the employer to those who expended such costs. Compensation of the cost of living for the survivors of the deceased belongs to those whom the deceased supported or was obliged to support. Calculation of the amount of this compensation is based on the average income of the deceased and takes into account any widow/widower or orphan benefits to be provided.

The lump-sum compensation to the survivors shall be provided to the spouse of the deceased and to the dependent child, each to receive CZK 240,000; to the parents of the deceased if they lived with the deceased in a household in the total amount of CZK 240,000. The government may, in relation to the changes which may arise due to development of income levels and cost of living, increase the amounts of such lump-sum compensation provided to the survivors.

With respect to material damage the compensation is provided in the amounts corresponding to the value of such goods at the time of their loss or destruction.

There is no statute of limitations with respect to the right to receive compensation for the loss of income and the right to compensation of the cost of living of the survivors; however, there is a subjective statute of limitations with respect to individual performance arising from such rights of two years.

(b) Compensation for industrial injury and occupational disease rests in the Czech Republic on the principle of settlement, i.e. on compensation of lost income. Both, industrial injury or occupational disease benefits - are provided from the general system of pension insurance and the calculation of its amount corresponds to one of disability levels (an insured individual is disabled, if his/her work ability has fallen by at least 35 %, but not by more than 49 %: level-one disability; by at least 50 %, but not by more than 69 %: level-two disability; by at least 70 %: level-three disability). Similarly, related sickness benefits are provided from the general system of healthcare insurance (same as in cases which occur due to other general causes) and other material benefits [including benefits in kind (medical care, healthcare)] are covered by the national health insurance system.

(c) See paragraph a).

4. Miscellaneous

(a) If the employee considers the amount of compensation provided by employer incorrect or if he/she has not been provided with compensation he/she shall have the right to enforce his rights before the court.

(b) Employer who employs at least one employee is insured by law, for the purposes of occurrence of industrial injuries or occupational diseases, with effect from January 1, 1993, and the relevant insurance provider will refund employers providing compensation to employees. Employers pay insurance contribution to the insurance provider which is calculated on the basis of calculation of social security payments and the contribution toward the state employment policy. The calculation follows the rates listed in Regulation N. 125/1993 Coll., Providing the Conditions and Rates of Mandatory Statutory Insurance of Liability of an Organization for Industrial Injuries or
Occupational Diseases, as amended, for each corresponding category determined in connection with the prevalent activities which form the business activities of the organization. If a claim for compensation arose before January 1, 1993 the employer shall be liable for such compensation without recourse to a refund from the insurance provider. With regard to the fact that the compensation is provided by insurance providers and employers, the Ministry of Labour and Social Affairs does not keep records of the number of injured who are at present in receipt of such compensation.

(c) The supervision is performed by the Government Council for Safety and Health at Work and State Labour Inspection (section 6 of Labour Inspection Act).

III

In 2006, Act N. 266/2006 Coll., to Regulate Accident Insurance of Employees which was scheduled to come into effect on January 1, 2008 and was supposed to replace the existing legal regulation of compensation due to industrial injury or occupational disease as contained in the Labour Code. However, Acts N. 218/2007 Coll. and N. 282/2009 Coll. postponed the effectivity of the Act on Accident Insurance of Employees until January 1, 2013 until then; the existing Labour Code shall regulate the matters related to the compensation due to work injury or occupational disease.