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ASB Group

Payroll & HR Administration in Czech Republic

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**Company registration
and documentation needed**

Each employer (hereinafter „ER“) is obliged to register its company to the following authorities:

Social Security Authority (hereinafter „SSA“) – 8 days from the start day of first employee (hereinafter „EE“) at latest

Health Insurance Office (according to EE membership) – 8 days from the start day of first EE at latest

Kooperativa pojistovna (Liability Insurance) – immediately from the start day of first EE

Financial Authority (hereinafter „FA“) – advance tax and withholding tax, 30 days from the start day of first EE

Labour Office – start date of non-Czech resident



Documents needed:

Power of Attorney

Statement from commercial register

Bank account contract

Type of payment	Period			Dates of payments	Note
	Monthly	Quarterly	Yearly		
Social insurance	X			by 20 th of next month	
Health insurance	X			by 20 th of next month	
Tax	X			by 20 th of next month	
Liability insurance		X		31.1., 30.4., 31.7., 31.10.	Has to be paid by each employer, counted from the Social Insurance base per previous quarter
Tax payment resulting from the non-compulsory share of employees with disabilities			X	15.2. of each year	Only employers who employed more than 25 employees (average)

In saying that it is important to have employees working contracts in place previously prepared by a legal representative. We do not recommend to download any from internet as the Labour law is very complex and later termination of working contract could be at risk if done so. We have good relations with many law firms and can easily recommend a partner to draft necessary documents.



Employees registration and documents needed

Each Employer has to register the employee to the payments for Health insurance office, where its employees are registered to and to the Czech Social Security Authority. All foreigners have to be registered to the Labour office as well.

One of the obligations ensuing from the Act on the Residence of Foreign Nationals (pdf, 1 MB) for citizens of the EU, Iceland, Norway, Liechtenstein, or Switzerland is the "reporting requirement" in the event that the length of the intended stay in the Czech Republic is longer than **30 days**. In this situation, within 30 days of entering the Czech Republic, an individual is required to report his/her presence to the appropriate Foreign Police Department that holds jurisdiction in the location of his/her stay in the Czech Republic.



Requested documents:

Working contract – signed by both parties during the start day at latest!

Personal questionnaire (fully filled and sign by employee, we recommended our template, where you can find all required details)

Health insurance office the EE is registered with

Copy of ID card for viewing

Specific documents based on internal policy



Labour and fire trainings for the client´s Employees as well as medical checks which are mandatory as per Czech legislation. This activity as such is not a part of payroll but we prefer to inform client of it´s necessity.

The employee entry medical check must be completed and submitted to the Employer latest on the day of onboarding.

If the entry occupational medical examination is not carried out, the job applicant is deemed medically unfit for work. The employer may not assign work to an unfit person. If the employer does so, he commits an offence under the Labour Inspection Act, for which a fine of up to CZK 2,000,000 (roughly EUR 84,250) or under the Public Health Protection Act, for which a fine also up to CZK 2,000,000 (roughly EUR 84,250).

The biggest risk is the situation where an employee would started work for employer and subsequently, he/she would bring a medical report that he/she was unable to work, in which case it could be problematic to terminate the employment relationship during the probationary period. The employer could face a discrimination claim.



Types of Working Contracts

The employer shall ensure performance of his tasks primarily by employees being in an employment relationship. However, he can ensure it by employees engaged under agreements on work performed outside an employment relationship. The employees are entitled to get remuneration just for work they really performance.

Type of contract/agreement	SI	HI	TAX	Limit	Note
Indefinite Employment contract	yes	yes	yes	N/A	
Fixed-Term Employment contract	yes	yes	yes	N/A	max 2 x times extended
Agreement to work (DPP)	no	no	yes	300 hrs/year	no insurance only in case of the income under 10.000 CZK
Agreement to working activity (DPC)	Yes 4000	Yes 4000	yes	1/2 of standard weekly working hrs	

Basic Net Wage Calculation

Social insurance 6,5 %

Health insurance 4,5 %

Tax is calculated as 15 % from gross salary + 8% from the income exceeding 161,296 CZK / month (annual 1,935,552 CZK)



Net wage is reduced by deductions (salary seizures, meal vouchers, private gas etc.) to get net to be paid



Frequently asked questions

What is the minimum salary in the Czech Republic?

The minimum gross salary in 2023 is 17 300 CZK.

What is the average salary in the Czech Republic?

The average salary in the Czech Republic in 2023 is 40 324 CZK.

How much tax will I pay from my Czech salary?

Your income tax is 15% for a gross salary under 161 296 CZK or 23% for a gross salary over 161 296 CZK as the progressive taxation applies

How much from my Czech salary will I pay in social security and insurance?

Income tax, social security, and health insurance are paid to Czech authorities by full-time employers and employees receive a net salary. Social security and health insurance are paid by both employee and employer.

Employees are charged 6.5% social security and 4.5% health insurance from their gross salary. The employer is charged 24.8% social security (21,5 % pension insurance, 2,1 % sickness insurance, and 1,2 % unemployment insurance) and 9% health insurance from the gross salary.

Does my health insurance cover my family's health care?

If you are an EU resident, your unemployed spouse and children should be insured under the same company. Children and spouses on maternity leave have insurance coverage free of charge.





Tax Calculation

Income tax is relatively extensive subject. For the purposes of Payroll, the explanation will be shortened.

A taxpayer with income from dependent activity (Employment) is referred to as an "employee", payer of income as "employer."

Taxpayer declaration

Signed:

- yes – always advance tax 15 % from the tax base.

Not signed:

- no - Incomes from agreement on work up to 10,000 CZK 15% withholding tax.
- no – Incomes from agreement on work above 10,000 CZK 15% advance tax.
- no - Agreement on working activity doesn't exceed 4,000 CZK per month 15% withholding tax.

Non-resident tax payer can apply only basic tax allowance and if continuously studying for their future profession they can apply student tax allowance.



Tax credits applicable when the Taxpayer declaration is signed.

Type of tax credit	Yearly amount	Monthly amount
For a tax payer	30 840 CZK	2 570 CZK
For child	15 204 CZK	1 267 CZK
For second child	22 320 CZK	1 860 CZK
For third and more child	27 840 CZK	2 320 CZK
For child with health disability	30 408 CZK	2 534 CZK
For second child with health disability	44 640 CZK	3 720 CZK
For third child with health disability	55 680 CZK	4 640 CZK
For Student	4 020 CZK	335 CZK





Legislative Surcharges

Basic length of working hours is 40 per week. In workplaces underground, mining, and geological exploration, the working time 37,5 hours per week, which is same for three-shift and continuous work. Youths under 18 years of age have working hours the same as others. The length of the youth's shift mustn't exceed 8 hours. They are not allowed to work overtime and night works.

Breaks for food and rest are not counted into work time and therefore are not paid for. Breaks are obligatory and that is after 6 hours of continuous work (youths after 4,5 hours) in length of at least 30 minutes. Exceptions are works which cannot be discontinued.

The employer must provide employees at certain works influenced by risk factors of work conditions, with safety breaks that are classed as work.

If however overtime occurs, surcharges apply. Please note that all surcharges mentioned below are the minimum limits.

Extra Pay	Claim	Note
Overtime Work	basic salary + 25 % of aver. earning	
	basic salary + compensation time off (unpaid)	
Public Holiday work	basic salary + 100 % of aver. earning	
	basic salary + compensation time off (paid)	
Night Work	10 % of aver. earning	22:00 pm - 6:00 am
Weekend Work	10 % of aver. earning	Saturday, Sunday





Annual Leave

After the ZP 2020 amendment, we only recognize holidays:

- for the calendar year and its pro rata part,
- additional leave

The length of leave remains unchanged and is still given in multiplication of weeks, although it is then converted into hours.

The basic rate of leave is 4 weeks. If an employee has worked continuously for 52 weeks in a calendar year for a full week or less in accordance with a shift pattern, he shall be entitled to annual leave in the full amount of the multiplication of weeks

New:

- Simple and fair calculation of leave
- Transfer of leave
- Scheduled weekly working hours and agreed shorter weekly working hours.



The conditions for entitlement to a proportional part of leave belong to an employee who has been working for employer in the relevant calendar year for at least 4 weeks of a continuous duration of employment with the same employer.

The amendment to the Labor Code no longer provides for the subsequent reduction of leave in the event of the employee not performed work due to obstacles at work, which are not considered work, for a period of 100 or more shifts. On the other hand, it is newly stipulated that obstacles at work are recognized as work performance, but only up to twenty times the set or agreed shorter weekly working hours in a calendar year, provided that the employee has worked at least twelve times the set or agreed shorter weekly working hours. All obstacles at work are thus either counted or not included in the number of hours worked by the employee, which corrects the resulting length of leave.





Obstacles to Work

Labour code and Government Decree number 590/2006 recognizes the obstacles to work, with the information if employee has claim for the paid or unpaid leave for this reason.

EE must inform the employer about the period when he would like to use paid leave in advance. If the obstacle isn't known ahead, he must inform the employer ASAP.

On the side of employee

- Important personal reasons (illness, medical checks, wedding, accompanying family member, maternity, and parental leave, etc.)
- Important general reason (performance of public function, citizen obligation – blood donation, trainings)

On the side of employer

- Idle Time and Work Interruptions (i.e., breakdown of machinery, supply disruptions, power failure); transfer to another work or at least 80% of average earnings
- Adverse weather conditions, replacement of at least 60% of average earnings
- Partial unemployment (restriction of sales)

Unpaid Leave

- Excused Leave without Compensation of Income. Employer can permit unpaid leave based on the request of the employee.





Salary Compensation During Temporary Incapacity to Work

The employee, who has been recognized to be temporarily unfit for work is entitled during the first **14 calendar days** of his sickness a salary compensation per each working day during this period. The compensation is paid by employer during this period.

Salary compensation is provided at **60%** of his reduced average hourly earnings.

From the **15th calendar day** of an illness there is an entitlement to sickness benefits administrated and provided by Czech Social Security Authority.





CONTACT



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