

Agreement on work performance/Agreement on working activity

Do you want to earn extra money, but avoid paying taxes? You don't know which type of agreement would be the most convenient for you?

Agreement on work performance and Agreement on working activity

In general, agreements to complete a job or to perform work are often used when it comes to extra work, temporary or part-time jobs. Both institutes follow the Labour Code. These types of agreements are often used by students, retired people or mothers caring for a child.

There are two types of agreements, namely the agreement to complete a job and the agreement to perform work. Let's have a look at the specifics of the two agreements to help you choose the right one.

As for the agreement to complete a job (ACJ), the law sets the maximum limit of 300 working hours per calendar year for one employer. That means you can enter into several ACJs, but you cannot work for more than 300 hours per calendar year on the basis of one agreement. A major advantage of an ACJ is the fact that the social and health insurance contributions are only paid by the employer if your monthly earnings exceed 10,000 CZK. Please keep in mind that tax rebate can only be applied in one job per calendar month. On the other hand, a major disadvantage is the fact that sickness and pension contributions are not paid by the employer. In case of illness, you are left on your own. The state covers the insurance for certain groups such as students, pensioners, recipients of parental allowance, women on maternity or parental leave, persons receiving maternity allowance, and job applicants. If you do not fall into any of these categories and your monthly earnings do not exceed 10,000 CZK, you are obliged to pay your health insurance contributions yourself.

The number of working hours is different when it comes to the agreement to perform work (APW). You cannot work for more than 50 % of the given weekly working time. For a 40-hour week, that amounts to 20 hours. Just like with ACJs, you can enter into several agreements to perform work for different employers. If your monthly earnings do not exceed 3,999 CZK, no social and health insurance



contributions are paid by the employer. In contrast to ACJs, if your remuneration is not fixed and the expected monthly earnings are vague (e.g. the hourly wage is fixed, but the working time makes “up to 20 hours per month” or “on average 10 hours per week”), the job is a so-called small-extent job, regardless of your actual monthly earnings. It is important to note that in such a case, your social and health contributions are not paid by the employer. If your insurance is not covered by the state and the APW is your only source of income, you are obliged to pay your health insurance contributions yourself – the contributions amount to 13.5% of the minimal wage, which is 2,336 CZK in 2023.

Summary:

Advantages:

- Flexibility – both parties can terminate the employment relationship without giving any reason, the notice must be given in writing and the notice period is fifteen days
- Tax and levy concessions
- Looser rules for the working time (this will be impacted by the forthcoming amendment to the Labour Code)

Disadvantages:

- If you do not pay your social insurance, you might not receive your sickness benefits or retirement pension
- You need to assess whether or not you are obliged to cover the statutory health insurance

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