

## Discounts on premiums from 1 February 2023

January 2023

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You can read our previous article from October 2022 for more details on the conditions for claiming this premium discount. The article is available here: <https://asbgroup.eu/en/news/discount-on-the-insurance-with-shortened-ties/>

In this article, we would like to focus on the practical implications that the use of this discount will have on specific employers and the individual steps of the procedure. At the same time, we will try to recap the basic criteria of this novelty.

#### 1. EVALUATION OF WHETHER THE EMPLOYEE MEETS THE BASIC CONDITIONS FOR GRANTING THE DISCOUNT, SUBMISSION OF THE NECESSARY DOCUMENTS AND THEIR REGISTRATION TO VERIFY THE CLAIM BY THE CSSA (CZECH SOCIAL SECURITY ADMINISTRATION)

Here we evaluate and register the following conditions - they must be met throughout the month for which the discount is claimed, except for the month of hiring, where they must be met from the date of hiring:

- **Reaching the age of 55** at latest on the first day of the month for which the discount is applied
- **Care for a child under 10 years of age** - the age of 10 must be valid for the entire month for which the discount is applied. In this case, the discount can be claimed for both parents if they meet the other conditions - documented by a birth certificate; only the personal number is recorded, not the document
- **Care for a relative** is confirmed by a document from the Labour Office and this document is archived
- **Studies** - maximum age of 26 years, full-time study only - confirmed by the school and the confirmation is archived
- **Retraining** - commenced no later than within the last 12 months prior to the month for which the discount is claimed - confirmed by a document from the Labour Office, which is archived

- **Health impairment** - disability of any degree, or proof of health impairment (formerly ZPS) - confirmed by the competent authority and again the document is archived
- **Under 21 years old**

Another condition is the scope of working hours, which must be between 8 and 30 hours per week. Only employees under 21 years of age are exempt from this condition. **If an employee has two jobs with the same employer, the hours are added together.** However, the discount is applicable to only one job (it is up to the employer to choose) and one employer.

**Nota bene** - the discount cannot be applied to agreements outside of employment, which are not taken into account. They are not taken into account even if social security premiums are deducted.

If the above conditions are met, the employer must inform the employee in writing of the intention to apply the premium discount and ask the employee to provide the above documents. This document again must be archived.

The employee is legally obliged to inform the employer of the following:

- Whether they still have a part-time contract with another employer
- Any changes that occurred in the information they have provided to their employer (withdrawal of pension, termination of care for a relative, age of the child...)

If this is not fulfilled by the employee and the employer pays an incorrect (lower) social security premium for this reason, the employer may require the employee to pay a penalty for the incorrect social security payment.

Unfortunately, the conditions are set differently from the conditions for granting tax rebates, so it is not possible to keep one record of documents. In our opinion, this again increases the administrative burden on the HR departments of individual employers, as they will primarily be the ones to communicate with employees and complete documents for the payroll departments. At the same time, they will be the ones to collect any changes from the employees and inform the payroll department about them.



## 2. NOTIFICATION OF INTENT TO CLAIM EMPLOYEE PREMIUM DISCOUNTS / NOTIFICATION OF TERMINATION OF CLAIMING EMPLOYEE PREMIUM DISCOUNTS

If the employee meets the above conditions and has been informed in writing of the intention to claim the discount, and all the documents required by law have been submitted, we can proceed with the notification of intent. We assume that the further procedure will be entirely within the competence of the payroll departments, as they have primarily set up electronic access to the CSSA.

- Communication continues to be electronic only; PDF forms cannot be sent by post.
- The earliest the notification of intent can be given is the date when the notice of hiring for employment is given, but not earlier than 1 month before the first application of the discount.
- At the latest, this notification must be sent by the deadline for submitting the premium overview, i.e. by the 20th calendar day of the month following the month for which the discount is claimed.
- If the employee has more than one employer with whom they meet the conditions, the first to notify intent may claim the discount. In this case, the CSSA informs the employer that the discount cannot be applied for this employee. We therefore recommend not leaving the sending of the notification to the last minute, so as to avoid incorrect payment of the premium.

## 3. ASSESSING WHETHER A PARTICULAR EMPLOYEE IS ELIGIBLE FOR THE DISCOUNT IN A GIVEN MONTH

The intent is sent only once, after we have determined that the employee is eligible for the discount. Unfortunately, this is still far from the end of the assessment of the claim. Every month, it is necessary to assess whether the follow-up conditions are met, as listed below:

- The limit of 138 hours worked in a given month must not be exceeded, including state-mandated compensations (vacation, paid time off for weddings, medical appointments) and any overtime or extra hours. Hours are accumulated for each employment relationship. If the start of

employment occurred in the course of the month, the limit is reduced accordingly.

However, it should be noted here that only compensation for the absences directly referred to in Section 348(1) of the Labour Code is included in the time worked. Paid compensation for absences beyond the Labour Code by the employer as a benefit (typically sick days) are not included in the hours worked. In this case, the hours are excluded, but the assessment base is not reduced by the wages for such hours.

- 1.5 times the average wage must not be exceeded - for 2023 this is CZK 60,486 - here too the assessment bases for individual employment with the same employer are added together.
- At the same time, the total of the assessment bases per hour worked in a given month must not exceed 1.15% of the average wage - which is CZK 463.73 per hour for 2023. Hours worked refers to the hours as explained above.

If all the conditions, both permanent and variable, affected by the calculation of the wage in a given month are met by the employee, the last step can be taken, which is a calculation of the discount itself and subsequent reporting to the CSSA as part of sending the monthly overview for the policyholder. **The conditions for applying the discount must be met for the entire calendar month; if they arose/ended during the month, the discount cannot be claimed.**

#### 4. CALCULATION OF THE PREMIUM DISCOUNT

The discount on insurance premiums is 5% of the assessment base for employees to whom the discount applies. The value of the discount is rounded up to the nearest whole crown. The 5% are then deducted from the premium calculated from the sum of the assessment bases of all employees of the given employer and the total premium payment is reduced by this amount.

- It is applied through the “Premium overview” form and is deducted from the premiums paid for other employees.
- The overview must be submitted within the statutory deadline. **If this deadline is missed, the claim expires.**



## Specimen calculation

Assessment base for all employees	1 000 000.00
Sum of premiums for all employees - employer	248 000.00
Sum of premiums for all employees - employee	65 000.00
Total premiums	313 000.00
Calculation base for employees with a discount	60 486.00
<b>5% discount on premiums</b>	3 025.00
Total premium payment	309 975.00

Unfortunately, as can be seen from the above, the administrative complexity and IT requirements for setting up payroll and HR software are considerable. At the same time, the real savings at the maximum possible assessment base per employee amount to CZK 3,025.00. In our experience, however, few people will be eligible for this discount value when working part-time and the actual discount value will be much lower. It is therefore questionable whether this discount will cover the increased costs (both financial and time) for the HR and payroll departments of the individual employers.

Given the fact that the use of the discount on insurance premiums is entirely at the discretion of individual employers, only practice will show whether this discount will be a sufficient motivation and whether the law will fulfil its purpose and increase employment among these employee groups.

Are you interested in how the legislative changes will affect your company and employees? Do not hesitate to contact us at any time.

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