

## **LEGISLATIVE CHANGES IN WAGES 2023**

### **JANUARY 2023**

Below please find an overview of important deadlines and major news in 2023:

#### **Social insurance in 2023**

The most significant changes this time concern the area of social insurance. From 1 February 2023, employers employing part-time employees from the affected group can claim a 5% discount on their insurance premiums. However, all the prescribed conditions must be met, including sending a timely notice of the intention to claim the discount. [You can read more about the conditions for claiming the discount in our October 2022 article which you can find here: https://asbgroup.eu/en/news/discount-on-the-insurance-with-shortened-ties/.](https://asbgroup.eu/en/news/discount-on-the-insurance-with-shortened-ties/)

Employers employing paramedics and corporate firefighters have new obligations as of the new year in relation to these workers' potential early retirement. The employers will keep a list of these workers and issue annual confirmations of shifts worked for the purposes of the Czech Social Security Administration. This also entails higher social security contributions. They will gradually increase by 2, 3 and 4 percentage points and by up to 5 percentage points from 2026.

In the case of an employee who also performs other work, the employer will have two assessment bases and a different rate of insurance will apply to each of the bases. However, the amendment will affect virtually all employers. The current archiving period for keeping payroll and accounting records of data required for pension insurance purposes has been extended, from the current 30 years to 45 years.

#### **Changes in sickness insurance**

#### **Extension of paternity leave**



As of 1 December 2022, the provision of the paternity postnatal care benefit, known as paternity benefit, will be extended to include cases related to stillbirth or death of a child within 6 weeks of birth, which have not been covered until now. Thanks to the legislative amendment, the father is entitled to paternity leave to give him time to cope with the difficult life situation and to be entitled to compensation for the income from his employment during his leave from work. Paternity benefit on account of the death of a child is payable if the paternity leave is taken within 6 weeks of the child's birth. If a newborn child is hospitalized for medical reasons on the part of the child or the child's mother, the period for taking paternity leave on account of the child's death will be extended by the number of days of hospitalization. If, however, the period for taking paternity leave on account of the child's death is less than 2 weeks from the date of the child's death, paternity benefit will be payable if the paternity leave was taken within 2 weeks from the date of the child's death. The date of commencement of the leave is to be determined by the father according to his needs.

### **Maximum assessment base for 2023**

The maximum amount of gross income subject to social security contributions from 1 January 2023 is **CZK 1,935,552**. The basic rates of social security contributions are 6.5% of the assessment base paid by the employee and 24.8% paid by the employer. In the particular cases mentioned above, the employer's contribution rate may be reduced to 19.8%.

The amount of the maximum assessment base also has a significant impact on the taxation of personal income. Pursuant to the adopted regulation, the higher tax rate of 23% will be applied to income exceeding the maximum assessment base for insurance premiums of **CZK 1,935,552 (CZK 161,296 per month)**, while income below this threshold will be taxed at a rate of 15%.

### **Application of discounts – age limit (18 years, 26 years)**

The age limit must be met from the beginning of the month. In the case of a non-student child turning 18 or a student turning 26 during the month, the month during which the child reached that age can still be included. However, if the child is born on the first day of the month, the situation will be different. Unlike in the earlier interpretations, the new Civil Code is now being applied. Based on the

opinion of the Directorate General of Finance, a non-student child turns 18 on the first day of the month (similarly, a student child turns 26 on the first day of the month) and the condition is no longer fulfilled on that day. Under Section 601(1) of the Civil Code, where a right is to be acquired on a certain day, it will be acquired or established on the beginning of that day. Thus, the child turns 18 or 26 at midnight on the first day of the month and the entitlement to tax benefit ceases that month.

### **Meal voucher benefits**

The amount of meal voucher benefits will also affect the catering of employees, where the employer decides to increase the employee benefit by means of a cash benefit, the so-called meal voucher benefit. The meal benefit for one shift is exempt from income tax (and thus from insurance contributions) on the part of the employee up to 70% of the upper limit of the meal allowance for a working trip lasting 5 to 12 hours set for a salaried employee, i.e. an employee referred to in Section 109(3) of the Labor Code. From 1 January 2023 the amount will be **CZK 107.10** (70% of CZK 153).

### **Minimum wage**

The minimum pay for a 40-hour week is set at **CZK 17,300** per month and **CZK 103.80** per hour in 2023. In 2023, the minimum assessment base is equal to this amount and the minimum health insurance premium is **CZK 2 336**.

The minimum assessment base in the amount of the current minimum wage does not apply to employees for whom health insurance is being paid also by the state (pensioners, dependent children, persons on maternity and parental leave, recipients of parental allowance and others). In their case, the employer will calculate the health insurance premiums based on the actual assessment base, regardless of the amount, i.e. without any top-up to the minimum assessment base, but only in cases where employment relationship has been established from the health insurance perspective. It is not established, for example, where an agreement to complete a job with remuneration of up to CZK 10,000 per month has been made. In that case, the employer does not register these persons for health insurance and does not pay health insurance.

## Higher assessable income

The increase in income that triggers participation in sickness insurance will also have an impact on health insurance. From 1 January 2023, the assessable (decisive) income will change from CZK 3,500 to CZK 4,000. The assessable (decisive) income in the public health insurance system is used in order to determine the exception where a person is not an employee for health insurance purposes. A person who is on the exceptions list provided in the Public Health Insurance Act, with the person's income being below the assessable income threshold (i.e., less than CZK 4 000 as of 1 January 2023), will not be considered an employee within the meaning of that act.

Exhaustive list of persons to whom the exceptions apply:

- a member of a cooperative who is not in an employment relationship with the cooperative but performs work for the cooperative for which he or she is remunerated and who did not achieve assessable income in the calendar month (i.e. up to a maximum of CZK 3 999);
- persons working under an arrangement to perform work, or multiple agreements to perform work made with one employer, if the aggregate amount of income from such agreements in a calendar month does not reach the assessable income; assessable income recognized by the employer after termination of the agreement to perform work will be deemed to have been recognized in the calendar month in which the agreement was terminated;
- a volunteer care worker who did not earn assessable income in the calendar month.

## Guaranteed wage

Employees in the employment relationship whose wages are not agreed by collective agreement are protected from being paid too little by a "guaranteed wage". The work performed is graded according to its complexity, responsibility and demands into eight different groups, with a minimum guaranteed wage level for each group. Thus, employers are not only bound by the minimum wage, but must remunerate their employees at least at the level of the lowest guaranteed wage applicable to the relevant group. And it increases with each increase in the minimum wage.

Similar to the minimum wage, the lowest levels of the guaranteed wage are set both hourly and monthly, and like the sub-minimum wage, the sub-guaranteed wage must be topped up to the level of the guaranteed wage. For this purpose, wages or salaries do not include wages or salaries for overtime, holiday extra pay or extra pay for night work, work in difficult environments and work on Saturdays and Sundays. The minimum levels of guaranteed wages do not apply to agreements for work outside the employment relationship.

Group of works	Hourly guaranteed wage 2023	Monthly guaranteed wage 2023
1.	103,80	17 300
2.	106,50	17 900
3.	117,50	19 700
4.	129,80	21 800
5.	143,30	24 100
6.	158,20	26 600
7.	174,70	29 400
8.	207,60	34 600



## Occupational health examinations pursuant to the amendment of the Regulation

Regulation No. 79/2013 Coll., on occupational health services, was amended as of 1 January 2023. There are no changes with respect to the initial examinations; employees under employment still have to undergo them. However, periodic examinations will become voluntary (at the request of the employee or the employer) for the "clean" categories one and two. At the same time, the content of occupational health services, counselling and supervision is simplified. The conditions for emergency and exit examinations are slightly modified. Annex 1 is completely deleted and Annex 2 is modified. For example, in the area of special examinations of drivers of clerks and education workers.

If you would like to know how the legislative changes will affect your company and your employees, please do not hesitate to contact us at any time.

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