

**THE SECOND REPORT ON FULFILMENT OF THE  
EUROPEAN CODE OF SOCIAL SECURITY**

## SECTION I.

### ***List of legal regulations:***

No changes (legal regulations are attached in the form of Appendix)

#### **Part II – Health care**

- Act No. 48/1997 Coll., on Public Health Insurance, amending and supplementing certain related Acts, as amended
- Act No. 20/1966 Coll., on Population Health Care, as amended
- Act No. 285/2002 Coll., on Donating, Taking and Transplanting Tissues and Organs, amending certain Acts (the Transplantation Act), as amended

#### **Part III – Sickness benefits**

- Act No. 54/1956 Coll., on Employee Sickness Insurance, as amended
- Regulation No. 31/1993 Coll., on evaluating temporary sick leaves for the purposes of social security, as amended
- Act No. 100/1988 Coll., on Social Security, as amended
- Act No. 582/1991 Coll., on Organization and Implementation of Social Security, as amended
- Act No. 32/1957 Coll., on Medical Care in Armed Forces, as amended
- Regulation No. 143/1965 Coll., on provision of cash benefits in health insurance
- Regulation No. 165/1979 Coll., on health insurance of certain employees and provision of sickness benefits to citizens in special cases

#### **Part IV – Unemployment benefits**

- Act No. 1/1991 Coll., on Employment (Employment Act), as amended
- Act No. 9/1991 Coll., on Employment and competence of Czech authorities in the area of employment, as amended

#### **Part V – Retirement pension**

- Act No. 155/1995 Coll., on Pension Scheme, as amended
- Act No. 582/1991 Coll., on Organization and Implementation of Social Security, as amended

#### **Part VII – Family benefits**

- Act No. 117/1995 Coll., on State Social Support as amended
- Act No. 463/1991 Coll., on Subsistence Level, as amended

#### **Part VIII – Maternity benefits**

- Act No. 88/1968 Coll., on Prolongation of Maternity Leave, Maternity Benefits and Child Benefits from the Health Insurance Scheme, as amended
- Act No. 582/1991 Coll., on Organization and Implementation of Social Security, as amended

#### **Part IX – Disability pension**

- Act No. 155/1995 Coll., on Pension Scheme, as amended
- Regulation No. 284/1995 Coll., implementing the Act on Pension Scheme, as amended

- Act No. 582/1991 Coll., on Organization and Implementation of Social Security, as amended

**Part X – Survivor benefits**

- Act No. 155/1995 Coll., on Pension Scheme, as amended
- Act No. 582/1991 Coll., on Organization and Implementation of Social Security, as amended

## SECTION II.

### *Application of the Code*

No changes – Article 10 of the Constitution of the Czech Republic stipulates that promulgated international treaties (agreements) that have been ratified by the Parliament and that have become binding upon the Czech Republic, form part of the legislation; if an international treaty (agreement) stipulates otherwise than the national law, the international treaty shall apply.

### *Article 2 – Adopted provisions*

No changes – The Czech Republic has adopted obligations arising from the parts listed below:

- Part II - Health care
- Part III - Sickness benefits
- Part IV - Unemployment benefits
- Part V - Retirement pension
- Part VII - Family benefits
- Part VIII - Maternity benefits
- Part IX - Disability pension
- Part X - Survivors' benefits

### *Article 6 – Voluntary insurance schemes*

No changes – the report does not take into account protection arising from voluntary insurance.

## **Parts XI – XII**

Questions on Articles 65 to 68 have been answered within the relevant part of the form.

### *General comments on calculations of benefits:*

We present updated information below:

In 2003 the average monthly gross wage of a skilled worker was CZK **17,682** and according to the results of a survey the wage of 55.8 % of employees was lower than the above mentioned sum.

The income of a skilled worker corresponds to the pay of a metal turner – a tool setter and an operator – under KZAM 72231.

No changes were made to the arrangement whereby the Labour Cost Information System is a selective statistical survey of the Ministry of Labour and Social Affairs which is every year included in the statistical survey program of the Czech Statistical Office and as a quarterly payroll survey it monitors the wage level of individual jobs in the Czech Republic,

in accordance with the KZAM job classification. It is the average hourly wage calculated for wage compensations for labour-law purposes in accordance with Section 17 of the Act No. 1/1992 Coll. on Wages, remuneration for being on duty and the average income that is determined in individual quarters for individual employees of selected economic entities. The survey also makes it possible to monitor the structure of the gross wage showing the wage level throughout the period from the beginning until the end of the quarter.

As in the Czech Republic social benefits are not subject to taxation (with the exception of pension amounts exceeding CZK 144,000 a year that are included in the income tax base) and no health or social insurance contributions are deducted from them, shares of benefits can be compared to net income (wage). The net wage of a skilled worker with a dependent wife and two children in 2003 was CZK 15,845 /the benefits for two children amounted to CZK 1,319 in the monitored period/ - the average monthly net income of a skilled worker in 2003 was CZK 14, 526.

- The benefit rate does not differ between regions (paragraph 8 article 65 is not applied).
- The average year-on-year price inflation index in 2003 was 100.1 %
- The year-on-year average nominal wage index in the national economy was 106.8 %

#### *Article 69 – Right of appeal*

No changes.

The sole exception is one organizational change – as at 1 April 2004, the execution of the state social support has been transferred to Labour Offices as first instance authorities, whereas regional authorities will remain to be appellate bodies.

#### *Article 70 – Cost (expenses) of benefits*

1.

- No changes were made to the arrangement whereby the costs of provided **unemployment benefits** are covered from the contribution to the state employment policy. Contributions to the state employment policy are collected together with the pension insurance contributions by the Czech Social Security Administration from insurance payers (employees through employers and from employers). The contributions are transferred to the state budget and from the state budget the costs of unemployment benefits are included into the budget of the Ministry of Labour and Social Affairs and distributed to individual Labour Offices through the Ministry.

No change was made to the arrangement whereby the costs of provided **pensions and sickness benefits** are covered from social insurance contributions forming part of the state budget. The provisions of Section 7 of the Act No. 589/1992 Coll. stipulate the insurance rates from the assessment base, amounting to 26% in the case of organizations (of which 3.3 % for the sickness insurance, **new feature – this is a change against the previous report – 21.5 % for the pension insurance scheme and 1.2 % for the state employment policy**) and further no changes – in the case of employees 8 % (out of which 1.1 % for the sickness insurance, 6.5 % for the pension insurance scheme and 0.4 for the state employment policy).

- No changes were made to the arrangement whereby under Section 1 of the Act No. 117/1995 Coll., the state social support benefits (**family benefits**) are paid from the state budget of the Czech Republic. The income of the state budget consists of taxes – income taxes of individuals (natural persons) and legal entities, turnover taxes and a number of other taxes, administration fees, fines and a number of other items. The level of taxes is unrelated to an entitlement to and the amount of state social support benefits.

2. No changes – not applied.

3. Updated information

Total income for 2003

- Pension scheme .....CZK 202,973.1 million
- Sickness insurance .....CZK 33,316.2 million
- Contribution to the state employment policy... .CZK 28,075.8 million

Total costs for 2003

- Pension scheme .....CZK 218,237 million
- sickness insurance .....CZK 34,319.3 million
- Contribution to the state employment policy  
(for payments of unemployment benefits) ..... CZK 6,949,250,000.

*Article 71*

No changes – Not applied..

*Article 74*

Updated information – year 2003

Total number of employees covered by pension scheme ..... 3,945,488 persons

Self-employed persons covered by pension scheme ..... 648,486 persons.  
out of this covered by sickness insurance scheme ..... 292,329 persons

### **SECTION III.**

No changes

### **SECTION IV.**

No changes – principal issues relating to the application of the relevant parts of the Code still have not been addressed by Czech courts.

### **SECTION V.**

No changes

## PART II – HEALTH CARE

### *Article 7 and 8*

No changes

### *Article 9*

No change has been made to the arrangement whereby the scope of protected persons includes all persons with the permanent residence in the territory of the Czech Republic or persons whose permanent residence is not in the territory of the Czech Republic, but who are employed by an employer whose registered office is in the territory of the Czech Republic (Section 2 of the Act No. 48/1997 Coll.).

### Updated information

- A. Number of protected persons: 10 211 455 (year 2003)
- B. Population: 10 211 455 (year 2003)
- C. 100%

### *Article 10*

No changes

### *Article 11*

No changes

### *Article 12*

No changes



## PART III – SICKNESS BENEFITS

### *Article 13 and 14*

No changes.

### *Article 15*

The Czech Republic refers to the provision of Art 15 letter a) of the European Code of Social Security (ECSS).

#### Updated:

Number of protected employees: 4,020,000

Number of protected self-employed persons : 259,000.

### *Article 16*

A. The Czech Republic refers to the provision of Art 65 of the ECSS.

## Chapter I

### We present updated information below

A. – Rules for the calculation of sickness benefits:

1. Specified period: 12 calendar months preceding the date when the insured person became unable to work.
2. Daily assessment base: countable income divided by the number of calendar days of the specified period (some days are not counted to avoid unjustified dilution of the daily assessment base, for instance days when sickness benefits were paid).
3. Countable income: all income subject to social security contributions and contribution to the state employment policy accounted for an employee in the specified period.
4. Reduction of the daily assessment base: for the period of the first 14 days of the sickness leave, up to the 1st reduction limit 90% income is counted, between the 1st and 2nd limit 60% is counted, and the amount over the 2nd reduction limit is not taken into account. From the 15th day of the sickness leave the whole amount up to the first reduction limit is counted, between the 1st and 2nd reduction limit 60% income is counted, and the amount over the 2nd reduction limit is not taken into account.

5. For 2003 and 2004 the 1st reduction limit is CZK 480, the 2nd reduction limit is CZK 690.
6. The daily benefit is calculated at 25% of the daily assessment base for the 1st to 3rd day of the sickness leave and at 69% of the daily assessment base for the 4th and the following days.
7. The total sickness benefit is the product of the daily benefit and the number of calendar days of the sickness leave.

B.

The evaluation of the required level of the sickness benefits is governed by Art 65 Para 6 letter b) of the ECSS. Economically active population is covered (protected) by health insurance in the Czech Republic. Insurance of self-employed persons is on a voluntary basis.

C.

In 2003 the average wage of a skilled worker was CZK 17,682 (according to job classification under KZAM 72231 – a metal turner – a tool setter and an operator).

## Chapter II

We present updated information below

D - G Calculation of the proportion for the evaluation of the level of sickness benefits

- Calculations are based on the gross wage of a skilled worker (according to job classification under KZAM 72231 – a metal turner – a tool setter and an operator) in 2003, i.e. CZK 17,682.
- Gross wage from employment: CZK 17,682; of this net wage (taxpayer, dependent wife and two children) amounts to CZK 14,526.
- The daily assessment base (DAB) for the calculation of sickness benefits is the quotient of the monthly wage and the number of days in the month:  $CZK 17,682 / 30 = CZK 590$ .
- The daily assessment base is reduced: (the first reduction limit is CZK 480, the second reduction limit is CZK 690)
  - DAB for the first 14 days of sickness:  $480*90\% + (590 - 480)*60\% = CZK 498$
  - DAB from the 15th day:  $480 + (590 - 480)*60\% = CZK 546$
- The daily sickness benefit is calculated as follows: 1st – 3rd day: 25% of the DAB. i.e.  $25\%*498 = CZK 125$ , from the 4th day it accounts for 69% of the DAB; 4th – 14th day:  $69\%*498 = CZK 344$ , from the 15th day:  $69\%* 546 = CZK 377$ .
- **Monthly amount of sickness benefits:**  $3*125 + 11*344 + 16*377 = CZK 10,191$ .
- The amount of **benefits for 2 children**, 9 and 14 years-old: CZK 605 and CZK 714 = CZK 1,319.
- Sickness benefits and benefits for two children:  $CZK 10,191 + CZK 1,319 = CZK 11,510$ .
- The income prior to the insured event:  $CZK 14,526 + 1,319 = CZK 15,845$ .

- **The proportion** of income after the insured event (sickness benefits and benefits for two children) and income prior to the insured event (net wage plus benefits for two children): CZK 11,510 / CZK 15,845 = **72.6%**.

Monthly wage in CZK		Benefits for 2 children in CZK, per month	Sickness benefits in CZK per month	Proportion of the benefits / wage in % *)	
gross	net			gross	net
17,682	14,526	1,319	10,191	60.6	72.6

\*) including benefits for 2 children

The ECSS requires the proportion of sickness benefits to previous income of the insured person at 45%. The Czech Republic fulfills the required level in the case of the proportion of sickness benefits to both the gross and net wage.

B. No changes – not applied.

C. No changes – the wording of Section 15 of the Act on Employee Sickness Insurance stipulates that an employee is entitled to receive sickness benefits regardless of his financial circumstances.

*Article 17*

No changes

*Article 18*

No changes

## PART IV – UNEMPLOYMENT BENEFITS

### *Article 19 and 20*

No changes.

### *Article 21*

No changes -

- A. The Czech Republic refers to letter a).
- B. The scope of protected persons, i.e. also persons supported with unemployment benefits under the Act No. 1/1991 Coll. includes all persons that comply with the conditions set forth in the comment on Art 20.

### *Article 22*

No changes -

- A. The Czech Republic refers to Art 21 letter a) of the European Code of Social Security, the calculation will be performed according to Article 65.

Chapter I

A. No changes

Chapter II

D. through G.

We present updated information below:

The average monthly net income of a skilled worker in 2003 amounted to CZK 14,526, benefits for 2 children, CZK 1,319 in the aggregate and the previous income, inclusive of child benefits was CZK 15,845.

The amount of the unemployment benefit of a typical skilled worker during the first three months of unemployment:

Amount of benefit (50% of average previous income) <i>/from net wage/</i>	Child benefits	Total income	% of original income increased by child benefits
CZK 7,263	CZK 1,319	CZK 8,582	54.16 %

The amount of the unemployment benefit of a typical skilled worker during the following three months of unemployment:

Amount of benefit (40% of average previous income)	Child benefits	Total income	% of original income increased by child benefits
CZK 5,810.4	CZK 1,319	CZK 7,129.4	44.99%

B. Not applied.

C. The responsibility of the state for providing unemployment benefits is absolute. This material support is an obligatory benefit, i.e. a person is always entitled to receive the benefit if he/she complies with the conditions required by law. The wording of Section 12 and following of Act No. 1/1991 Coll. stipulates that an employee is entitled to receive unemployment benefits regardless of his/her financial circumstances.

*Article 23*

No changes

*Article 24*

No changes

## PART V – RETIREMENT PENSION

### *Article 25 and 26*

#### We present updated information below

The retirement age is stipulated in Section 32 of the Act No. 155/1995 Coll.. In 2004 the retirement age of men is 61 years and 4 (2) months, the retirement age of childless women is 59 years and 4 months, the retirement age of women who have raised one child 58 years and 4 months, the retirement age of women who have raised two children 57 years and 4 months, the retirement age of women who have raised 3 and 4 children 56 years and 4 months and the retirement age of women who have raised 5 and more children 55 years and 4 months. The retirement age is gradually increased every year by 2 months in the case of men and by 4 months in the case of women, so that it will be 63 years for men and childless women, 62 years for women who have raised one child, 61 years for women who have raised 2 children, 60 years for women who have raised 3 and 4 children and 59 years for women who have raised 5 and more children.

The concurrence of the retirement pension (except for the early retirement) with the gainful activity is possible on the assumption of entering into the employment contract for the period of one year as a maximum.

### *Article 27*

- A. No changes have been made to the arrangement whereby the scope of protected persons includes the persons set forth under letter a) and accounts for more than 50%.
- B. No changes have been made, either, to the arrangement whereby the scope of protected persons also includes groups set forth under letter b). Protected persons are persons who participate in or have participated in the pension scheme. The participation in the pension scheme is compulsory. Economically active persons, both employees and self-employed people are insured compulsorily. The law stipulates that other groups of people are insured without paying the contributions and therefore protected. These groups include students, soldiers doing their military service, women taking care of a child less than 4 years old.
- C. Updated information –

number of protected employees:	4,020,000
Self-employed persons covered by the pension scheme:	646,000.

### *Article 28*

- A. No changes – a benefit is the repeated (revolving) payment calculated in accordance with letter a) of this Article. A benefit is calculated in accordance with Article 65 of the ECSS, where the income of a skilled worker is taken as the base.

## Chapter I

We present updated information below

### A – rules for the calculation of the retirement pension

The retirement pension consists of two components:

**Basic sum:** amounts to CZK 1,310 per month.

**Percentage sum:** depends on the level of income (it is based on the personal assessment base) and the number of years of insurance. For the retirement pension it amounts to 1.5% of the personal assessment base for every year of insurance. The personal assessment base is determined as the average of indexed gross income (earnings are indexed in relation to the growth of average wages in the national economy) for the period from 1986 to the year preceding the year the retirement pension is granted. Not all earnings are fully included in the personal assessment base, i.e. the average amount is reduced so that only 30% of income is counted between the 1st and 2nd reduction limit and only 10% of income is counted above the 2nd reduction limit.

In 2004 reduction limits are CZK 7,500 and CZK 19,200, respectively (these limits are increased every year, depending on the growth of wages).

B. The evaluation of the required level of the retirement pension is governed by Art 65 Para 6 letter b) of the ECSS. Economically active population is covered (protected) by pension scheme in the Czech Republic

C. In 2003 the average gross wage of a skilled worker was CZK 17,682 (according to job classification under KZAM 72231 – a metal turner – a tool setter and an operator).

As in the Czech Republic social benefits are mostly not subject to taxation (with the exception of pension amounts exceeding CZK 144,000 a year – i.e. some 0.2%) and no health or social insurance contributions are deducted from them, shares of benefits can be compared to net income (wage).

## Chapter III

We present updated information below

D.– G.

Calculation of the proportion for the evaluation of the level of the retirement pension:

- Calculations are based on the gross wage of a skilled worker (according to job classification under KZAM 72231 – a metal turner – a tool setter and an operator) in 2003, i.e. CZK 17,682.
- From the gross wage of CZK 17,862 the **net wage** for a taxpayer with a dependent wife is **CZK 13,826**.
- Personal assessment base (CZK 17,682) is reduced as follows:  $CZK 7,500 + (CZK 17,682 - CZK 7,500) * 30\% = CZK 10,555$ .
- Percentage sum for thirty years of insurance is  $30 * 1.5\% * 10,555 = CZK 4,750$ .

- **Amount of retirement pension** : basic sum and percentage sum CZK 1,310 + CZK 4,750 = **CZK 6,060** .
- **Proportion** of income after the insured event (retirement pension ) and income prior to the insured event (net wage) CZK 6,060/ 13,826 = **43.8 %**.

Wage in CZK per month		Amount of retirement pension in CZK per month	Proportion pension / wage in %	
gross	net		gross	net
17,682	13,826	6,060	34.3	43.8

The ECSS requires the proportion of the retirement pension to previous wage of the insured person at 40%. The Czech Republic fulfills the required level in the case of the proportion of the retirement pension to the net wage.

*Article 29*

No changes

*Article 30*

No changes



## PART VII – FAMILY BENEFITS

*Article 39 and 40*

No changes

*Article 41*

No changes

*Article 42*

No changes

*Article 43*

No changes

*Article 44*

B.

**We present updated information below**

Expenses of child benefits within the state social support for 2003... CZK 12,519 million  
Number of dependent children..... 2,220,000.

C.

ii.

CZK 17,682,- (gross wage of a skilled worker) \* 0.015 (1.5 % of the wage) \* 12 (months) \*  
2.2 (million children) = the result is CZK 7 billion

*Article 45*

No changes

## PART VIII – MATERNITY BENEFITS

### *Article 46 and 47*

No changes

### *Article 48*

- A. No changes - The Czech Republic refers to letter a).
- B. No changes – in the case of **cash benefits** all employed women are protected. The personal scope of the **health care** provided during pregnancy and maternity includes all women who are citizens of the Czech Republic and women who work in the territory of the Czech Republic for an employer with the registered office in the territory of the Czech Republic.
- C. Updated information – Number of protected employees:
  - employees covered by the pension scheme : 4,020,000.
  - Self-employed persons covered by the sickness insurance : 295,000.

### *Article 49*

No changes

### *Article 50*

- A. No changes – the calculation is performed in accordance with the provisions of Article 65 of the ECSS

## Chapter I

We present updated information below

### **A – rules for the calculation of maternity benefits**

1. Specified period: 12 calendar months preceding the beginning of the maternity leave.
2. Daily assessment base: countable income divided by the number of calendar days of the decisive period (some days are not counted to avoid unjustified dilution of the daily assessment base – for instance days when sickness benefits were paid).
3. Countable income: all income subject to payments of social security contributions and the contribution to the state employment policy accounted for a female employee (male employee) in the specified period.
4. Reduction of the daily assessment base: up to the 1st reduction limit 100% income is counted, between the 1st and 2nd limit 60% is counted and over the 2nd reduction limit 0% is counted.

5. For 2003 and 2004 the 1st reduction limit is CZK 480 and the 2nd reduction limit is CZK 690.
  6. The daily benefit is determined at 69% of the daily assessment base.
  7. The maternity benefit is the product of the daily benefit and the number of days the benefit is provided (196 calendar days).
- B. The evaluation of the required level of cash benefits is governed by Article 65, Para 6 letter b) of the ECSS. Economically active population is covered (protected) by health insurance in the Czech Republic. Insurance of self-employed persons is on a voluntary basis.

## Chapter V.

We present updated information below

C: In 2003 the average gross wage of a skilled worker was CZK 17,682 (according to job classification under KZAM 72231 – a metal turner – a tool setter and an operator). As in the Czech Republic social benefits are not subject to taxation and no health or social insurance contributions are deducted from them, shares (proportions) of benefits can be compared to net income (wage) .

D. - G

Calculation of the proportion for the evaluation of the level of maternity benefit:

- Calculations are based on the gross wage of a skilled worker in 2003, i.e. CZK 17,682.
- Gross wage from employment: CZK 17,682, of this **net wage** (of a taxpayer) is CZK **13,826**.
- The daily assessment base (DAB) for the calculation of maternity benefits is the quotient of the monthly wage and the number of days in the month: CZK 17,682 / 30 = CZK 590.
- The daily assessment base is reduced (the first reduction limit is CZK 480 and the second reduction limit is CZK 690). DAB from the 1st day:  $480 + (590 - 480) * 60\% = \text{CZK } 546$ .
- The daily amount of maternity benefit from the 1st day:  $69\% * 546 = \text{CZK } 377$ .
- **Monthly amount of maternity benefit:**  $30 * 377 = \text{CZK } 11,310$ .
- **The proportion** of income after the insured event (maternity benefit) to the income prior to the insured event (net wage):  $11,310 / 13,446 = \mathbf{84.1\%}$ .

Monthly wage in CZK		Amount of maternity benefits in CZK per month	Proportion of the benefits / wage in %	
gross	net		gross	net
17,682	13,446	11,310	64.0	84.1

The ESSC requires the proportion of cash benefits to previous income of the insured person at 40%. The Czech Republic fulfills the required level in the case of the proportion of maternity benefits to both the gross and net wage.

*Article 51*  
No changes

*Article 52*  
No changes

## PART IX – DISABILITY PENSION

### *Article 53 and 54*

No changes

### *Article 55*

- A. No changes – The Czech Republic refers to letter a).
- B. No changes – we refer to explanation of Art 27, the scope of protected persons is the same.
- C. We present updated information – Number of protected employees:  
employees covered by the pension scheme: 4,020,000.  
self-employed persons covered by the pension scheme: 646,000.

### *Article 56*

No changes – The Czech Republic refers to Article 65 of the ECSS.

## Chapter I

We present updated information below

The benefit is a regularly repeated (revolving) payment calculated according to the same rules as the retirement pension (see the explanation of Art 26).

### ***A – rules for the calculation of the disability pension***

The pension consists of two components:

**Basic sum:** amounts to CZK 1,310 per month.

**Percentage sum:** depends on the level of income (it is based on the personal assessment base) and the number of years of insurance. For the retirement pension it amounts to 1.5% of the personal assessment base for every year of insurance. The personal assessment base is determined as the average of indexed gross income (earnings are indexed in relation to the growth of average wages in the national economy) for the period from 1986 to the year preceding the year the pension is granted. Not all earnings are fully included in the personal assessment base, i.e. the average amount is reduced so that only 30% of income is counted between the 1st and 2nd reduction limit and only 10% of income is counted above the 2nd reduction limit.

In 2004 reduction limits are CZK 7,500 and CZK 19,200, respectively (these limits are increased every year, depending on the growth of wages).

- B. No changes – The evaluation of the required level of the disability pension is governed by Art 65 Para 6 letter b) of the ECSS. Economically active population is covered (protected) by the pension scheme in the Czech Republic.

C. In 2003 the average gross wage of a skilled worker was CZK 17,682 (according to job classification under KZAM 72231 – a metal turner – a tool setter and an operator).

As in the Czech Republic social benefits are not subject to taxation (with the exception of pension amounts exceeding CZK 144,000 a year that are included in the income tax base) and no health or social insurance contributions are deducted from them, shares (proportions) of benefits can be compared to net income (wage). As in the Czech Republic for the calculation of the amount of disability pensions the time from the day of establishment of an entitlement to the full disability pension is added to the insurance period, it is possible to take into account 30 years of insurance.

## Chapter II

### We present updated information below

#### D – G

Calculation of the proportion for the evaluation of the level of the disability pension

- Calculations are based on the gross wage of a skilled worker (according to job classification under KZAM 72231 – a metal turner – a tool setter and an operator) in 20003, i.e. CZK 17,682.
- From the gross wage of CZK 17,862 **the net wage** for a taxpayer with a dependent wife and two children is CZK **14,526**.
- Personal assessment base (CZK 17,682) is reduced as follows: CZK 7,500 + (CZK 17,682 – CZK 7,500)\*30% = CZK 10,555.
- Percentage sum for thirty years of insurance:  $30 * 1.5\% * 10,555 = \text{CZK } 4,750$
- **Amount of disability pension:** Basic sum and percentage sum CZK 1,310 + CZK 4,750 = CZK **6,060**.
- Amount of **benefits** for 2 children, 9 years old and 14 years old: CZK 605 and CZK 714 = CZK 1,319.
- The disability pension and benefits for two children: CZK 6,060 + CZK 1,319 = CZK 7,379.
- Income prior to the insured event: CZK 14,526 + CZK 1,319 = CZK 15,845.

**The proportion** of income after the insured event (the disability pension and benefits for two children) to the income prior to the insured event (net wage and benefits for two children): CZK 7,379 / CZK 15,845 = **46.6%**.

Wage in CZK per month		Benefits for 2 children in CZK	Amount of disability pension in CZK per month	Proportion pension / wage *)	
gross	net			gross	net
17,682	14,526	1,319	6,060	38.8	46.6

\*) including benefits for 2 children

The ECSS requires the proportion of the disability pension and benefits for two children to previous wage of the insured person and benefits for two children at 40%. The Czech Republic fulfills the required level in the case of the proportion of the disability pension to the net wage.

*Article 57*

No changes

*Article 58*

No changes

## PART X – SURVIVOR BENEFITS

### *Article 59 and 60*

No changes

### *Article 61*

- A. No changes – the scope of protected persons corresponds to the group set forth under letter a). (see also the explanation of Art 27).
- B. No changes – protected persons are survivors (widow/widower, dependent child) after persons that were recipients of the retirement, full, or partial disability pension or complied by the day of their death with the condition of the required insurance period for the entitlement to the full disability pension or complied by the day of their death with the conditions for the entitlement to the retirement pension or died due to an industrial accident.
- C. We present the updated information - number of protected employees:
- |   |           |
|---|-----------|
| employees covered by the pension scheme             | 4,020,000 |
| self-employed persons covered by the pension scheme | 646,000   |

### *Article 62*

- A. No changes – the benefit is a regular payment calculated in accordance with Article 61, letter a) pursuant to Article 65.

## Chapter I

### We present updated information below

#### *A – rules for the calculation of the widow's (widower's) pension*

1. The pension consists of two components:
  - **Basic sum:** it amounts to CZK 1,310 per month.
  - **Percentage sum:** depends on the level of income and the number of years of insurance of the demised person.

#### Percentage sum :

- for the **widow's (widower's)** pension it is 50% of the percentage sum of the disability (retirement) pension that the demised person was entitled to or would have been entitled to (see the retirement or disability pension).



- for the **orphan's** pension it is after each parent 40% of the percentage sum of the disability (retirement) pension that the demised person was entitled to or would have been entitled to (see the retirement or disability pension).

## B

No changes – The evaluation of the required level of survivor pensions is governed by Art 65 Para 6 letter b) of the ECSS

## C

Updated – In 2003 the gross average wage of a skilled worker was CZK 17,682 (according to job classification under KZAM 72231 – a metal turner – a tool setter and an operator).

As in the Czech Republic social benefits are not subject to taxation (with the exception of pension amounts exceeding CZK 144,000 a year, i.e. some 0.2%) no health or social insurance contributions are deducted from them, shares of benefits can be compared to net income (wage).

## Chapter IV

We present updated information below

Calculation of the proportion for the evaluation of the level of survivor pensions:

- Calculations are based on the gross wage of a skilled worker (according to job classification under KZAM 72231 – a metal turner – a tool setter and an operator) in 2003, i.e. CZK 17,682.
- From the gross wage of CZK 17,862 the **net wage** for a family with two children is **CZK 14,526**.
- Personal assessment base: (CZK 17,682) is reduced as follows:  $CZK 7,500 + (CZK 17,682 - CZK 7,500) * 30\% = CZK 10,555$
- Percentage sum of the retirement (disability) pension of the demised person for thirty years of insurance is:  $30 * 1.5\% * 10,555 = CZK 4,750$ .
- Percentage sum of the widow's pension:  $50\% \text{ of } CZK 4,750 = CZK 2,375$ .
- **Amount of the widow's pension (widower's) pension** basic sum and percentage sum  $CZK 1,310 + CZK 2,375 = CZK 3,685$ .
- Percentage sum of the orphan's pension:  $40\% \text{ of } CZK 4,750 = CZK 1,900$ .
- **Amount of the orphan's pension:** basic sum and percentage sum:  $CZK 1,310 + CZK 1,900 = CZK 3,210$ .
- Amount of **benefits** for 2 children, 9 years and 14 years old: CZK 605 and CZK 714 = CZK 1,319.
- The widow's pension, two orphan's pensions and benefits for two children:  $3,685 + 2 * 3,210 + 1,319 = CZK 11,424$ .

- Income prior to the insured event: CZK 14,526 + CZK 1,319 = CZK 15,845.

**The proportion of** income after the insured event (survivor pensions and benefits for two children) to income prior to the insured event (net wage and benefits for two children): CZK 11,424 / CZK 15,845 = **72.1%**.

Wage in CZK per month		Benefits for 2 children in CZK	Survivor pensions in CZK	Proportion between pension / wage *)	
gross	net			gross	net
17,682	14,526	1,319	10,105	66.2	72.1

\*) including benefits for 2 children

The ECSS requires the proportion of survivor pensions and benefits for two children to previous income of the insured person at 40%. The Czech Republic fulfills the required level.

*Article 63*

No changes

*Article 64*

No changes