

GMS Flash Alert

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Czech Republic - Determining Super-Gross Salary and Antivirus Regime C

The Czech parliament has approved the amendment of the Act on Social Security Premiums and State Unemployment Policy Contributions.¹ Under this legislation, a waiver can be obtained for part of social security premiums and state unemployment policy contributions mandatorily paid by the employers (i.e., 24.8 percent of the aggregate income of their employees) for June to August 2020. This waiver can be obtained under certain conditions (so called new “Regime C” of the “Antivirus program”). This gives rise to questions about the impact of the new rules on the calculation of income tax on an individual’s employment income.

WHY THIS MATTERS

Since the new Regime C of the Antivirus program allows for the waiver of part of employer-paid social security premiums and state unemployment policy contributions, it is necessary to clarify how the employers who qualify for such waivers will determine the employee’s super-gross salary for the particular calendar months.

Details of the Proposal

At present, the tax base for the calculation of prepayments of income tax on employment income comprises an employee’s gross income for a particular calendar month plus related social security and health insurance premiums paid by the employer (i.e., “super-gross salary”).

Since the Antivirus C program allows for the waiver of part of the employer-paid social security premiums and state unemployment policy contributions (program criteria are discussed in a KPMG article²) it is necessary to clarify how the super-gross salary of the employees will be determined for particular calendar months.

The General Financial Directorate (GFD) issued information³ drawing the attention of employers to the fact that the amendment to the Act on Social Security Premiums and State Unemployment Policy Contributions will not have an

effect on determining the tax base for the calculation of prepayments of income tax on employment income (the super-gross salary). Employers covered by the Antivirus C program – even if they enjoy an exemption under that program – will still have to calculate super-gross salary and “increase” an employee’s income for purposes of the tax base determination, usually by 33.8 percent. (i.e., 24.8-percent social security premium plus the 9-percent health insurance premium).⁴ Furthermore, to determine the super-gross salary amount, employers will thus have to calculate social security premiums *and* state unemployment policy contributions despite the fact that the actual premiums for particular months might amount to zero according to the Act 300/2000 Coll.

FOOTNOTES:

1 See in Czech: Act No. 300/2000 Coll. on waiver of social security contributions and state unemployment policy contributions paid by some employers in connection with the extraordinary measures due to the epidemic situation in 2000 and amendment of the Act No. 187/2006 Coll. on sickness insurance as further amended (*Zákon o prominutí pojistného na sociální zabezpečení a příspěvku na státní politiku zaměstnanosti placeného některými zaměstnavateli jako poplatníky v souvislosti s mimořádnými opatřeními při epidemii v roce 2020 a o změně zákona č. 187/2006 Sb., o nemocenském pojištění, ve znění pozdějších předpisů*) at: <https://www.sbirka.cz/POSL4TYD/NOVE/20-300.htm> and <https://www.psp.cz/sqw/text/tiskt.sqw?O=8&CT=875&CT1=0> .

2 See (in English) “Certain Aspects of Antivirus’ Regime C,” a publication of the KPMG International member firm in the Czech Republic discussing the program criteria at: <https://danovky.cz/en/certain-aspects-of-antivirus-regime-c> .

3 See in Czech “Sdělení v souvislosti s vládním návrhem zákona o prominutí pojistného na sociální zabezpečení a příspěvku na státní politiku zaměstnanosti placeného některými zaměstnavateli” at: <https://www.financnisprava.cz/cs/dane/novinky/2020/sdeleni-gfr-k-navrhu-zakona-o-prominuti-pojistneho-10737> .

4 It was not clear whether, if social security is exempted under the Antivirus C program, the super-gross salary had to be calculated with the inclusion of only the 9-percent health insurance contribution, which was not exempted under the Antivirus C program. Now it is clear, it must include the 24.8-percent social security premium plus the 9-percent health insurance premium.

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Contact us

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