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LABOUR LAW AND EMPLOYMENT

Czech Republic | 2023 Guide



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ENTITLEMENT TO WORK IN THE CZECH REPUBLIC

For Czech nationals

No employment permission needed.

For foreigners

- foreigners from the EU, Switzerland and EEA and their family members do not need an employment permit
- foreigners from third countries (except some special categories of employees, such as holders of long-term residency permits, students etc.) need one of the following:



Work Permit – most common in cases of seasonal work, or applicants for international protection etc.



Employee Card – for long-term stay in the territory of the Czech Republic where the purpose of the stay (longer than 3 months) is employment



Blue Card – for a long-term stay involving the performance of a highly skilled job



Intra-Company Transfer Card – for transfer within a group of companies (from a group company outside the EU into Czech Republic), where the purpose of the stay is work (longer than 3 months) as a manager, specialist or employed intern

EMPLOYMENT TYPES

Regular employment

There are two types of regular employment contracts in the Czech Republic:



Employment Contract for a definite period: generally, it can be concluded for a maximum of 3 years and it is possible to prolong such contract only twice (maximum length 3x3 years)



Employment Contract for an indefinite period: an employment relationship shall last for an indefinite period unless a definite period has been expressly agreed

Work outside employment relationship

Furthermore, an employee may perform work outside employment relationship on the ground of two agreements:



Agreement to complete a job: the scope of work for which an agreement is concluded may not exceed 300 hours in one calendar year.



Agreement to perform work: the scope of work shall not exceed a maximum of one half of determined weekly working hours (20 hours)



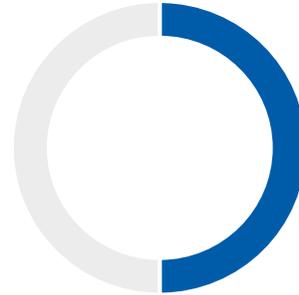
Employment contract preparation available just a click away in our eShop.

Probationary period

In Czech employment contracts, the probationary period can be concluded as:



Maximum **3 consecutive months**
for regular employees



Maximum **6 consecutive months**
for managers

A probationary period may not be longer than one half of the agreed period of the employment relationship and must be agreed in writing on the day of commencement of employment at the latest.



TERMINATION OF EMPLOYMENT

Cases

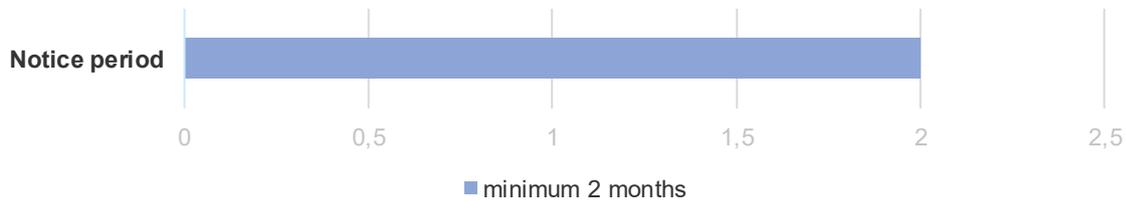
Employment relationship may be terminated with the Czech employee:

-  by agreement between the parties in writing
-  by notice of termination
 - the notice of termination shall be made in writing and delivered to the other party
 - the employee may give his employer notice of termination for any reason or without stating a reason
 - the employer must specify the reason based on a list of reasons provided by law
 - the Czech law prohibits giving notice to an employee during the protection period (while the female employee is pregnant or is on maternity or parental leave, the employee is unfit for work, the employee is released to exercise a public office, etc., given that other conditions are met) (note: even the protection period has its own conditions which need to be met. For example, an employee is not protected if his/her incapacity for work was caused by intoxication)
-  by immediate termination only for reasons specified in the Labour Code
-  by termination within a probationary period
-  on the expiry of agreed period in case of employment contract for a definite period
-  upon lapse of validity of a work permit of a foreign employee, or due to deportation or revocation of a residence permit
-  upon death of the employee

In some specific cases, an employee is entitled to severance pay upon termination of employment.

Notice period

Where notice of termination has been given, the employment relationship will come to an end upon the expiry of the notice period. The notice period must be the same for both the employer and the employee.



The notice period shall be at least **2 months** and can be extended only by agreement between the employer and the employee in writing. The notice period shall start to run on the first day of the calendar month following delivery of the notice.

The length of the notice period is regulated differently for agreements on work outside of an employment relationship. Unless agreed otherwise, the notice period for these agreements is 15 days and starts on the date on which the notice is delivered to the other party.



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SOCIAL CONTRIBUTIONS AND INCOME TAX

The employer is obliged to pay monthly contributions to social and health insurance and advances on the income tax.

Contributions paid by employers for each employee



Social security contribution: 24.8%* of gross earnings

* (from 1 February 2023, it is possible to apply a discount on the contribution of 5% for certain groups of employees, e.g., under 21 years of age, or those with shorter working hours who are over 55 years of age or caring for a child under 10 years of age, etc.)



Health insurance: 9% of gross earnings

Contributions paid by employee



Social security contribution: 6.5% of gross earnings



Health insurance: 4.5% of gross earnings

Personal income tax

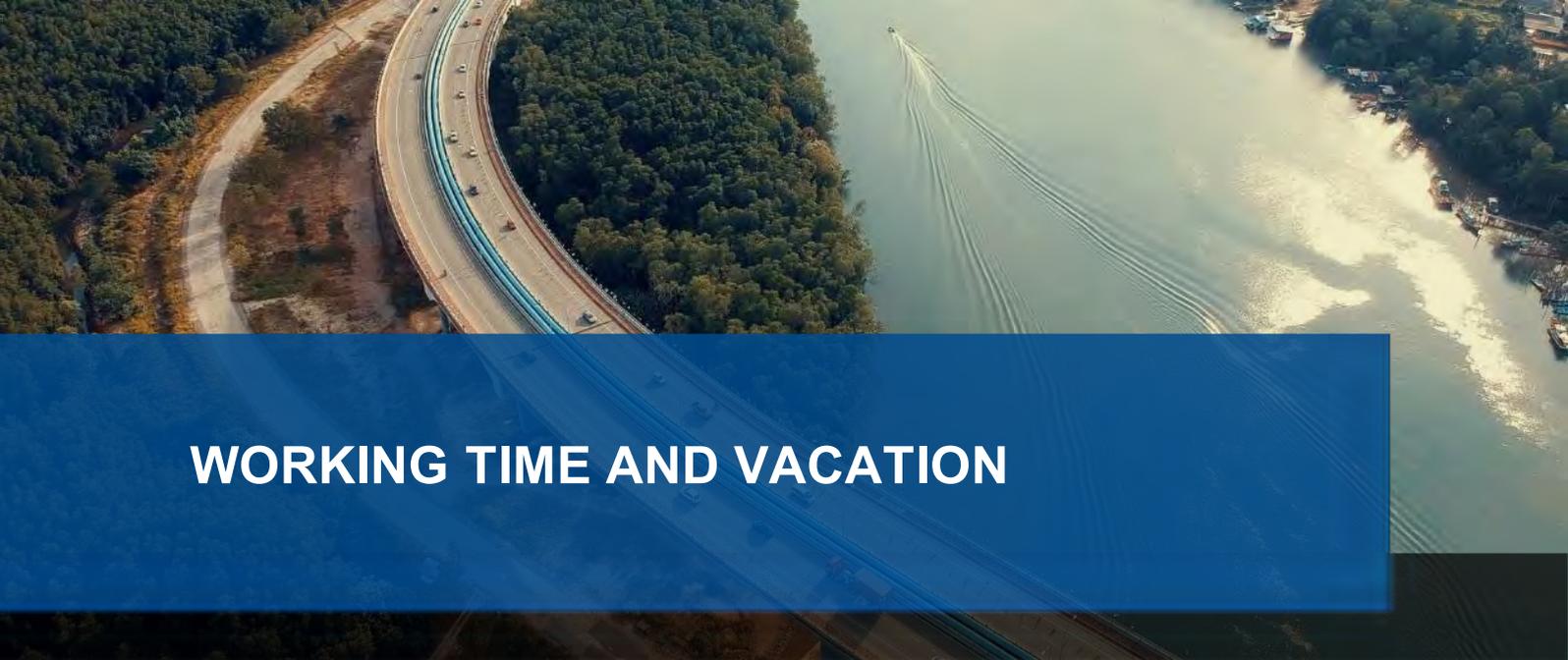
The personal income tax in the Czech Republic is paid by the employee at a **flat rate of 15%** applicable on a gross salary up to the annual income of 48x the average salary (i.e. CZK 1,935,552.00 for 2023).

Income exceeding this limit is taxed at a **higher flat rate of 23%**.

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WORKING TIME AND VACATION

Working time

40 hours/week

is the length of **standard weekly working hours**, except for some employees. Working hours are usually distributed over a five-day working week. Part-time work may be agreed between the employer and employee.

12 hours

is the **maximum length of a shift**. The employer shall distribute working hours and determine the start and end of shifts

25%

of the average earnings is the minimum **premium** that the employee is entitled to **for overtime work** in addition to the attained wage, or a compensatory time off

Besides an evenly distributed work time schedule, employers may also introduce uneven or flexible schedules, as well as a work time account. Specific requirements are indicated in the Czech Labour Code.



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Time off

Regarding the vacation and other circumstances under which the Czech employee can take time off, the main cases are:

Annual leave



The legislation governing annual leave has been significantly amended with effect as of 1 January 2021. The employee who performed work for the employer for 52 weeks in the extent of the weekly working hours (standard or shorter part-time working time) in one calendar year is entitled to annual leave. The basic statutory period of leave is **4 weeks**.

Proportional part of annual leave



The employee who worked for the employer in the extent of the weekly working hours for **at least 4 weeks**, is entitled to **1/52 of the leave entitlement for each fully worked weekly working time**.

Additional leave



The length of additional leave in the Czech Republic is 1 week and it is provided for specific groups of employees engaged in particularly hard work when an employee performs such work for the entire calendar year. In case that this type of work was not performed during the whole calendar year, a proportional part of the additional leave is provided (**1/52 of the yearly entitlement for each work week**).

Unpaid leave



Due to family circumstances or for other personal reasons the employee may be given a leave without pay, the duration of which is determined usually under the agreement between the employee and the employer. It is applicable upon request, but in certain cases prescribed by law. For example, the employer is obliged to provide unpaid leave when the employee moves or seeks another employment (both subject to further conditions). In some cases, the employee is even entitled to paid leave (e.g. medical examination, wedding, bereavement).

The employment agenda brings complex obligations. Take advantage of our:

- Labour law and employment support
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Avoid the risks of non-compliance

MOST COMMON EMPLOYEE BENEFITS

The most common benefits for employees in the Czech Republic are:

 bonuses in terms of financial rewards

 the option to work from home

 discounts on company products

 meal vouchers

 company car or transport allowance

 sports and recreation contributions

 professional trainings, language courses and personal development

 additional days off (extra holidays, study leave, sick days)

 flexible working hours

 company phone

 insurance contributions

 refreshment/beverages at workplace

Certain companies offer also temporary accommodation or housing allowances, recreation in the company's facilities or holiday allowances, or free ticket by companies operating regular public transportation.



Manage employee benefits effectively and online with our portal solution.

AGENCY EMPLOYMENT AND POSTING

Agency employment

An employment agency temporarily assigns its employee to perform work for a client on the basis of a temporary assignment agreement entered into by and between the agency and the client.



The agreement must be in writing. The employment agency assigns an employee to perform temporary work with the client on the basis of a written order.

The employment agency and the client are obliged to secure that the working and wage conditions for the temporarily assigned employee are not or would not be worse than those under which a comparable employee works or would work.



The time of temporary assignment to perform work for the same client **shall not exceed 12 consecutive calendar months**, although some exceptions apply.

Posting of employees and the necessity to carry an A1 certificate

In case an employee of an employer based in one of the EU member states is sent to work within the framework of the posting of employees in the territory of the Czech Republic, such an employment must comply with the European legislation, as well as that of the Czech Republic.

An A1 certificate is a form that states the country in which an employee is covered by social insurance. In principle, all employees are covered by social security in the country where they work and hence to prove this, employees must carry an A1 certificate.

Inspections in several EU countries are strict and may cause unpleasant situations to the employees and their employers if they do not have A1 certificates.



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<12 If the posting is short-term (i.e. up to 12 months), the employment must comply with the following Czech basic work conditions:

- maximum work periods and minimum rest periods
- remuneration, including overtime rates; this does not apply to supplementary occupational retirement pension schemes
- occupational safety and health
- minimum paid annual leave
- working conditions for pregnant employees, breastfeeding employees and employees up to the end of the ninth month after giving birth and minors
- equal treatment of male and female employees, ban on discrimination
- working conditions for agency employment
- conditions of employee accommodation
- allowances or reimbursement of expenditure to cover travel, board and lodging expenses for employees away from home for professional reasons.

>12 In case of long-term postings (i.e. exceeding 12 months), it is necessary to ensure that also any other local work conditions are applicable to the posted employee, with the exception of conditions governing the establishment, changes or termination of an employment relationship.

Local legislation is not applicable if the legislation of the posting country is more favourable to the employee, which is to be considered individually.



OVERVIEW OF APPLICABLE LEGISLATION

The main sources of the labour law are three acts:

- Act No. 262/2006 Coll., the Labour Code, as amended
- Act No. 2/1991 Coll., the Collective Bargaining Act, as amended
- Act. No. 435/2004 Coll., the Employment Act, as amended

However, the area of labour law is governed by other important regulations, such as:

- Act No. 309/2006 Coll., the Act Stipulating Further Requirements for Health and Safety at Work, as amended
- Act. No. 251/2005 Coll., the Labour Inspection Act, as amended
- Act. No. 73/2011 Coll., the Labour Office Act, as amended
- Act No. 187/2006 Coll., the Sickness Insurance Act, as amended
- Act No. 329/2011 Coll., on benefits for people with disabilities, as amended
- Act No. 589/1992 Coll., on social security insurance and state employment policy, as amended
- Act No. 48/1997 Coll., on public health insurance, as amended
- Act No. 592/1992 Coll., on premiums for general health insurance, as amended
- Act No. 326/1999 Coll., on the Residence of Foreigners in the Territory of the Czech Republic, as amended
- Act No. 118/2000 Coll., on protection of employees against the employer's insolvency, as amended

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