

December 2012

## Legislative Changes in Tax and Labour area valid from 1.1.2013

Dear client!

We would like to make you aware of relevant changes in the Social Security Act No. 461/2003, Health Care Insurance Act No. 580/2004 and in Labor Law No. 311/2011, coming into effect on 1.1.2013.

### **1. Amendments to insurance contributions resulting from agreements on work performed outside employment relationship**

**Resulting from agreements on work performed outside employment relationship (work performance agreement, agreement on work activity, agreement on temporary job of students),** there is only the accident insurance and guarantee insurance to be paid by employer until 31.12.2012.

**Valid from 1.1.2013, there will be new contributions levied upon the above stated agreements,** being sickness insurance, pension insurance, unemployment insurance and health insurance (with particular exceptions).

**New contributions do not refer to pupils until the end of the month** in which they reached 18th year of their life. This applies on condition that their monthly income from agreement on temporary job of students does not exceed EUR 66. These “employees” will still pay only the accident and guarantee insurance.

Particular parts of the social insurance apply also in dependence on the facts, whether such an “employer” is or is not entitled to an old-age pension or whether he/she is paid on regular or irregular basis.

Exceptions apply also to students, pensioners, recipients of disability pension, disability retirement pension and also retirement pensioners, who reached the retirement age.

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<sup>1</sup> *The present document is of a purely informative nature and is in no case a substitute for professional consultation. Do not hesitate to contact our office regarding the solution of specific cases.*

From 1.1.2013 the maximum assessment base for all contribution funds for social- and health care insurance will be unified to five times the average salary, being EUR 3930.

Taking into account the maximum assessment base, which will take effect on 1.1.2013, the contributions of employees working on agreement, who have regular income, will be as follows:

	Employee	Employer	Max. assessment base in EUR
Sickness insurance	1,40%	1,40%	3930
Old-age insurance	4,00%	14,00%	3930
Disability insurance	3,00%	3,00%	3930
Unemployment insurance	1,00%	1,00%	3930
Guarantee insurance	-	0,25%	3930
Accident insurance	-	0,80%	without limitation
Reserve fund	-	4,75%	3930
Health care insurance	4,00%	10,00%	3930
total	13,40%	35,20%	

The more detailed list of contributions is to be found in the attachment to this document.

## 2. Amendments to Labour Law

The amendments to Labor Law will take effect on 1.1.2013 and will involve particularly following changes:

### 2.1. Employment relationship on a fixed-term basis

An employment contract on a fixed-term basis can be arranged for a **maximum of 2 years** (before- 3 years). A prolongation of such a contract is possible only twice during a 2 year's period (before- three times).

### 2.2. Period of notice and severance payment

**The possibility of concurrence** of notice period and severance pay is renewing

Upon termination of a contract by an employer **due to:**

- liquidation or relocation of a company or its part,
- redundancy of an employee,
- the fact that, according to medical opinion, employee has lost the ability to perform the hitherto existing employment activity in the long term,

an employer will be granted, besides the hitherto fixed period of notice, also the **right to obtain a severance payment**.

The amount of the severance payment will depend on the number of executed years and will be calculated as follows:

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- at least **in amount of one average monthly earnings**, given the employment relationship lasted **between 2 and 5 years**,
- at least **in amount of twofold of average monthly earnings**, given the employment relationship lasted **between 5 and 10 years**,
- at least **in amount of three average monthly earnings**, given the employment relationship lasted **between 10 and 12 years**,
- at least **in amount of four average monthly earnings**, given the employment relationship lasted **at least 20 years**.

In case of a termination **by mutual agreement** resulting from the above stated reasons, an employee will be granted besides the hitherto fixed period of notice, also the right to obtain a severance payment. The amount of the severance payment will depend on the number of executed years and will be calculated as follows:

- at least **in amount of one average monthly earnings**, given the employment relationship lasted **less than 2 years**,
- at least **in amount of twofold of average monthly earnings**, given the employment relationship lasted **between 2 and 5 years**,
- at least **in amount of three average monthly earnings**, given the employment relationship lasted **between 5 and 10 years**,
- at least **in amount of four average monthly earnings**, given the employment relationship lasted **between 10 and 20 years**,
- at least **in amount of five average monthly earnings**, given the employment relationship lasted **at least 20 years**.

### 2.3. Working time and overtime

The overtime may be directed or, according to the new amendments also arranged, only in cases of urgent increase in amount of work or for public reasons.

**Managers may perform overtime** (upon agreement) of **maximum 400 hours** annually (hitherto max. 550 hours).

**The definition of night work** will be changed, being newly a work executed **between 10 p.m. and 6 a.m.**

The deadline for using the overtime will be shortened to 4 months following the month, when the overtime arose (hitherto 12 months).

### 2.4. Consumption of holiday

**Provided an employer does not fix the consumption of holidays** by the latest on **30 June of the following year**, an employee will be **allowed to determine the consumption on his/her own** (employer must be informed about the consumption at least 30 days ahead).

### 2.5. Agreements on work performed outside employment relationship

According to amendments an employer will be allowed to conclude an **agreement on executing of work by a natural person**, who is either a pupil or a full-time university student, who has not yet reached an age of 26. On a basis of such an agreement, the work

may be executed in a range of 20 hours per week (in average) with no regard to the weekly working time determined by an employer.

There are following clauses of Labor Code applying to this agreement:

If such an employee is absent at work (e.g. due to temporary inability to work owing to illness or accident, medical examination or treatment etc.), and this absence happened during the working time determined by an employer, the employer is obliged to excuse this absence. However, an employee will not obtain any remuneration for this period of time.

## 2.6. Temporary provisions

This Amendment to Labour Code will effect also labour relations, which came into effect before 1.1.2013. The legal actions and the claims resulting from these actions, which took effect before 1.1.2013, will be assessed according to the legislative valid until 31.12.2012.

The employment relationships of limited term, which were concluded before 1.1.2013, will be terminated after the expiry of agreed period.

## 3. **Amendments regarding pensions and selected social grants**

### 3.1. Amendments affecting the recipients of early retirement pension

Recipients of early retirement pension, who work upon work agreement, will be obligatorily insured for their pension as employees. Therefore a pensioner, who receives an early retirement pension and at the same time works upon a work agreement, will lose the right to obtain a pension. The recipients of early retirement pension will be, under certain circumstances, allowed to work upon work agreement by the latest 28.2.2013, without losing the right to obtain the pension. However, from 1.1.2013, the new system of levies must be adhered.

### 3.2. Sickness benefit

Despite of the five-fold increase in the maximum assessment base for the calculation of sickness insurance, the maximum assessment base for sickness benefit being 1,5 times the average salary, remains valid. However, there is no limitation in the daily assessment base concerning the calculation of the compensation amount, which shall be paid to the employee during the first 10 days of his/her incapacity to work.

### 3.3. Unemployment benefit

After 1.1.2013, the unemployment benefit will be calculated from, at most, the two-fold of average salary, although the maximum assessment base for the calculation of unemployment insurance was increased to five-fold of average salary.

Shall you have any questions do not hesitate to contact us.

Your AUDITOR Team  
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Status	NP	PvN	IP	St + RFS	GP	UP	ZP	Insurance of employee in total %	Insurance of employer in total %
Employees - in employment relationship	x	x	x	x	x	x	x	13,4	35,2
Agreement on temporary job of students - pupils, less than 18 years, income less than EUR 66					x	x			1,05
Agreement on temporary job of students - pupils, less than 18 years, income over EUR 66 and other students			x	x	x	x		7	22,8
Work agreements - old-age pensioners and retirement pensioners (policemen, soldiers) - after reaching pension age				x	x	x		4	19,8
Work agreements - disabled pensioners and disabled retirement pensioners (policemen, soldiers)			x	x	x	x		7	22,8
Work agreements with regular income - receivers of early retirement	x			x	x	x	x	9,4	31,2
Work agreements with irregular income - receivers of early retirement				x	x	x	x	8	29,8
Work agreements with irregular income - others			x	x	x	x	x	11	32,8
Work agreements with regular income - others	x	x	x	x	x	x	x	13,4	35,2

	Employee %	Employer %	Max. assessment base
NP = sickness benefit	1,4	1,4	3 930,00
ST = old-age insurance	4	14	3 930,00
IP = disability insurance	3	3	3 930,00
PvN = unemployment insurance	1	1	3 930,00
UP = accident insurance		0,8	
GP = guarantee insurance		0,25	3 930,00
RFS = reserve fund of solidarity		4,75	3 930,00
ZP = health care insurance	4	10	3 930,00
	13,4 %	35,20%	

#### General exceptions

The **obligatory unemployment insurance** does not refer to persons, who receive old-age pension, early retirement pension, disability pension due to decrease in ability to work of over 70% or receive disability pension and reached retirement age.

**Disability insurance** does not refer to persons, who receive old-age pension or early retirement pension and persons, who receive retirement pension (policemen, soldiers) and reached retirement age.