

Czech Republic

Czech Republic		2004			
		The tax/benefit position of single persons			
Wage level (per cent of APW)		67	100	167	67
Number of children		none	none	none	2
1. Gross wage earnings		142382	213573	355955	142382
2. Standard tax allowances					
Basic allowance		38040	38040	38040	38040
Married or head of family		0	0	0	0
Dependent children		0	0	0	51120
Deduction for social security contributions and income taxes		17798	26697	44494	17798
Work-related expenses					
Other					
	Total	55838	64737	82534	106958
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		86544	148836	273421	35424
5. Central government income tax liability (exclusive of tax credits)		12982	24307	51975	5314
6. Tax credits					
Basic credit					
Married or head of family					
Children					
Other					
	Total	0	0	0	0
7. Central government income tax finally paid (5-6)		12982	24307	51975	5314
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		17798	26697	44494	17798
Taxable income					
	Total	17798	26697	44494	17798
10. Total payments to general government (7 + 8 + 9)		30779	51004	96470	23111
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	36239
	Total	0	0	0	36239
12. Take-home pay (1-10+11)		111603	162569	259485	155510
13. Employers' compulsory social security contributions		49834	74751	124584	49834
14. Average rates					
Income tax		9.1%	11.4%	14.6%	3.7%
Employees' social security contributions		12.5%	12.5%	12.5%	12.5%
Total payments less cash transfers		21.6%	23.9%	27.1%	-9.2%
Total tax wedge including employer's social security contributions		41.9%	43.6%	46.0%	19.1%
15. Marginal rates					
Total payments less cash transfers: Principal earner		25.6%	30.0%	34.4%	47.1%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		44.9%	48.1%	51.4%	60.8%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Czech Republic		2004			
The tax/benefit position of married couples					
	Wage level (per cent of APW)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1. Gross wage earnings		213573	284764	355955	284764
2. Standard tax allowances					
Basic allowance		38040	76080	76080	76080
Married or head of family		21720	0	0	0
Dependent children		51120	51120	51120	0
Deduction for social security contributions and income taxes		26697	35596	44494	35596
Work-related expenses					
Other					
	Total	137577	162796	171694	111676
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		75996	121969	184261	173089
5. Central government income tax liability (exclusive of tax credits)		11399	18295	27639	27945
6. Tax credits					
Basic credit					
Married or head of family					
Children					
Other					
	Total	0	0	0	0
7. Central government income tax finally paid (5-6)		11399	18295	27639	27945
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		26697	35596	44494	35596
Taxable income					
	Total	26697	35596	44494	35596
10. Total payments to general government (7 + 8 + 9)		38096	53891	72133	63541
11. Cash transfers from general government					
For head of family					
For two children		27690	15000	7512	0
	Total	27690	15000	7512	0
12. Take-home pay (1-10+11)		203167	245873	291334	221223
13. Employers' compulsory social security contributions		74751	99667	124584	99667
14. Average rates					
Income tax		5.3%	6.4%	7.8%	9.8%
Employees' social security contributions		12.5%	12.5%	12.5%	12.5%
Total payments less cash transfers		4.9%	13.7%	18.2%	22.3%
Total tax wedge including employer's social security contributions		29.5%	36.0%	39.4%	42.5%
15. Marginal rates					
Total payments less cash transfers: Principal earner		42.9%	25.6%	25.6%	30.0%
Total payments less cash transfers: Spouse		40.0%	25.6%	25.6%	25.6%
Total tax wedge: Principal earner		57.7%	44.9%	44.9%	48.1%
Total tax wedge: Spouse		55.6%	44.9%	44.9%	44.9%

The national currency is the koruny (CZK). In 2003 CZK 25.9503 was equal to USD 1 (average of eleven months of daily exchange rates). In that year, the Average Production Worker earned CZK 213 573 (Secretariat estimate).

1. Personal income tax system

1.1. Central government income taxes

1.11. Tax unit

The tax unit is the individual.

1.12. Tax allowances and tax credits

1.121. Standard reliefs

- *Basic relief*: CZK 38 040 allowance for all individuals.
- *Marital status relief*: An additional allowance of CZK 21 720 is given in respect of a spouse living in a common household if that spouse earns no more than CZK 38 040.
- *Relief for children*: One spouse may claim an allowance of CZK 25 560 per child for children of the household (Irrespective of the child's own income) who satisfy one or more of the following criteria:
 - ❖ aged below 18;
 - ❖ aged below 26 and receiving full-time education;
 - ❖ aged below 26 and physically or mentally disabled provided that the child is not in receipt of a state disability payment.
- *Relief for social and health security contributions*: Employees' social security contributions (see Section 2.1) are deductible for income tax purposes.

1.122. Main non-standard tax reliefs applicable to an APW

- *Charitable donations allowance*: A tax allowance of up to 10 per cent of taxable income is available for donations made to municipalities or legal entities for financing of social, health, cultural, humanitarian, religious, ecological and sport activities. The minimum limit for donations is the lesser of 2 per cent of taxable income or CZK 1 000.
- *Interest payments*: Taxpayer may claim an allowance of up to CZK 300 000 for mortgage interest payments or other interest payments related to purchase or improvement of housing. If more than one individual living in the same household applies for this allowance, the sum of their annual deductions is subject to the above-mentioned ceiling, i.e. CZK 300 000.
- *Supplementary pension scheme contributions*: Taxpayers who are members of a registered supplementary private pension scheme are entitled to deduct individually paid (i.e. paid by employee) annual contributions to a registered pension scheme reduced by CZK 6 000 from the earned income. The maximum allowance is CZK 12 000 a year.

- *Private life insurance premiums:* Taxpayer may claim an allowance of up to CZK 12 000 for premiums paid according to a contract between taxpayer and an insurance company if the benefit (lump sum or recurrent pension) is paid out 60 months after the signature of the contract and in the year in which the taxpayer reaches the age of 60.

1.123. Tax schedule

The tax schedule is as follows:

Taxable income (CZK)	Tax at the lower limit (CZK)	Tax rate on taxable income in excess of the lower limit (%)
0-109 200	0	15
109 200-218 400	16 380	20
218 400-331 200	38 220	25
Over 331 200	66 420	32

1.2. State and local income tax

There are no regional or local income taxes.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. Employees' contributions

Compulsory contributions of 12.5 per cent of gross wages and salaries (with no limit) are paid by all employees into government operated schemes. The total is made up as follows (in %):

Health insurance	4.5
Social insurance	8.0
Sickness	1.1
Retirement	6.5
Unemployment	0.4

2.2. Employers' contributions

The total contribution for employers is 35 per cent of gross earnings (with no limit).

The contribution consists of the health insurance contribution (9 per cent of gross wages and salaries) and social insurance (26 per cent).

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

Non-taxable family allowances are paid as follows:

Family income	Up to 1.1 MLS	1.1 MLS-1.8 MLS	1.8 MLS-3.0 MLS
Age of child	Total payment CZK per month		
Below 6	541	474	237
6-10	605	530	265
10-15	714	625	313
15-26	784	686	343

The central government pays an allowance in respect of each dependent child based on the family income level and provided that family income does not exceed three times the relevant minimum living standard (MLS). The limits of family income bands are defined as multiples of the MLS. Family income includes the earnings of both parents net of income tax and the employees' social security and health insurance contributions. The monthly MLS for the APW-type family with children can be calculated by summing the following amounts (in CZK):

Basic personal requirement	
Adult	2 320
Child aged below 6	1 690
Child aged between 6 and 10	1 890
Child aged between 10 and 15	2 230
Child aged between 15 and 26	2 450
Household expenses	
One person household	1 780
Two person household	2 320
Three or four person household	2 880
Five and more person household	3 230

3.3. Additional transfers

3.31. Transfers related to social status

A family is entitled to a social allowance if there is at least one child in the family and the net monthly income of the family is below 1.6 MLS. The transfer is calculated based on the following formula:

$$\text{child's basic personal requirement} - \frac{\text{child's basic personal requirement} * \text{net family income}}{\text{MLS} * 1.6}$$

If the net family income is below MLS, MLS is to be used in this formula instead of the net family income. The central government pays this allowance monthly.

3.32. Municipal allowances

An additional allowance is paid by local government to low income families. The amount transferred varies according to the budget capacity and is provided if total family income including family allowances is less than the MLS. This allowance is not included in the computation.

4. Main changes in tax/benefit systems since 2003

The tax allowance for children was increased from 23 520 CZK to 25 560 CZK.

5. Memorandum items

5.1. Identification of APW and valuation of earnings

The average earnings of the APW are estimated by the Ministry of Finance on the basis of employer survey data provided by the Czech Statistical Office.

5.2. Employers' contributions to private pension, health and related schemes

There are supplementary private pension schemes only, but employers' contributions vary. Relevant information is not available.

2004 Parameter values

	Ave_earn	213 573	National estimate
Basic allowance	basic_al	38 040	
Spouse	spouse_al	21 720	
Child	child_al	25 560	
Income tax schedule	tax_sch	0.15	109 200
		0.2	218 400
		0.25	331 200
		0.32	
Social security contributions	SSC_rate	0.125	
Employers	SSC_empr	0.35	
Minimum living standard (MLS)			
	basic_adult	2 320	
	basic_child	2 230	
	house_exp	1	1 780
		2	2 320
		3	2 880
		4	2 880
		5	3 230
Cash transfers	transf_1	714	
	transf_2	625	
	transf_3	313	

2004 Tax equations

The equations for the Czech system are mostly on an individual basis. But the spouse allowance is relevant only to the calculation for the principal earner and cash transfers are calculated only once. This is shown by the Range indicator in the table below.

The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:			
Basic	basic_allce	B	basic_al
Spouse	spouse_allce	P	IF(earn_spouse>basic_al, 0, Married*spouse_al)
Children	ch_al	P	Children*child_al
Total	tax_al	B	basic_allce+spouse_allce+ch_al+SSC
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Positive(earn-tax_al)
5. CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6. Tax credits	tax_cr	B	0
7. CG tax	CG_tax	B	CG_tax_excl
8. State and local taxes	local_tax	B	0
9. Employees' soc security	SSC	B	earn*SSC
11. Cash transfers			
Net family income	net_inc	J	earn_total-CG_tax_total-SSC_total
Minimum living standard (montly)	MLS	J	(1+Married)*basic_adult+Children*basic_child+ VLOOKUP((1+Married+Children), house_exp, 2, FALSE)
Total cash transfers	cash_trans	J	Children*IF(net_inc<=(1.1)*MLS*12, transf_1*12, IF(net_inc<=(1.8)*MLS*12, transf_2*12, IF(net_inc<=(3)*MLS*12, transf_3*12, 0))+Children*12*IF(net_inc<MLS*12, basic_child*(0.6/1.6), IF(net_inc<1.6*MLS*12, basic_child*(1- net_inc/(1.6*MLS*12)), 0))
13. Employer's soc security	SSC_empr	B	earn*SSC_empr

Key to range of equation:

B calculated separately for both principal earner and spouse.

P calculated for principal only (value taken as 0 for spouse calculation).

J calculated once only on a joint basis.

Table of Contents

Part I

Basic Methodology and Main Results

1. Basic methodology	12
2. Review of results for 2004	12
3. Results for 2003	23
4. Historical trends	25
<i>Special Feature.</i> Broadening the Definition of the Average Worker	33

Part II

Comparative Tables and Charts

1. Tax Burdens, 2004 (Tables)	44
II.1. Income tax, by family-type and wage level (as % of gross wage), 2004	44
II.2. Employee contributions, by family-type and wage level (as % of gross wage), 2004	45
II.3. Income tax plus employee contributions, by family-type and wage level (as % of gross wage), 2004	46
II.4. Income tax plus employee contributions less cash benefits, by family-type and wage level (as % of gross wage), 2004	47
II.5. Income tax plus employee and employer contributions less cash benefits, by family-type and wage level (as % of labour costs), 2004	48
II.6. Marginal rate of income tax plus employee contributions less cash benefits, by family-type and wage level (as % of gross wage), 2004	49
II.7. Marginal rate of income tax plus employee and employer contributions less cash benefits, by family-type and wage level (as % of labour costs), 2004	50
II.8. Increase in net income after 1% increase in gross wage, by family-type and wage level (%), 2004	51
II.9. Increase in net income after 1% increase in labour costs, by family-type and wage level (%), 2004	52
II.10. Annual gross wage and net income, by family-type and wage level (in US dollars), 2004	53
II.11. Annual labour costs and net income, by family-type and wage level (in US dollars), 2004	55

2. Tax Burdens, 2003 (Tables)	57
II.12. Income tax, by family-type and wage level (as % of gross wage), 2003.....	57
II.13. Employee contributions, by family-type and wage level (as % of gross wage), 2003	58
II.14. Income tax plus employee contributions, by family-type and wage level (as % of gross wage), 2003	59
II.15. Income tax plus employee contributions less cash benefits, by family-type and wage level (as % of gross wage), 2003.....	60
II.16. Income tax plus employee and employer contributions, less cash benefits, by family-type and wage level (as % of labour costs), 2003.....	61
II.17. Marginal rate of income tax plus employee contributions less cash benefits, by family-type and wage level (as % of gross wage), 2003.....	62
II.18. Marginal rate of income tax plus employee and employer contributions less cash benefits, by family-type and wage level (as % of labour costs), 2003.....	63
II.19. Increase in net income after 1% increase in gross wage, by family-type and wage level (%), 2003	64
II.20. Increase in net income after 1% increase in labour costs, by family-type and wage level (%), 2003	65
II.21. Annual gross wage and net income, by family-type and wage level (in US dollars), 2003	66
II.22. Annual labour costs and net income, by family-type and wage level (in US dollars), 2003	68
3. Tax Burdens, 2003 (Charts)	70
II.1. Income tax, by family-type (as % of gross wage), 2004	70
II.2. Employee contributions, by family-type (as % of gross wage), 2004	71
II.3. Income tax plus employee contributions less cash benefits, by family-type (as % of gross wage), 2004	72
II.4. Income tax plus employee and employer contributions less cash benefits, by family-type (as % of labour costs), 2004	73
II.5. Marginal rate of income tax plus employee contributions less cash benefits, by family-type (as % of gross wage), 2004	74
II.6. Marginal rate of income tax plus employee and employer contributions less cash benefits, by family-type (as % of labour costs), 2004.....	75

Part III

Historical Trends, 1979-2004

III.1a. Evolution of the tax burden, 1996-2004. Single persons without children at 67% of average earnings. Income tax as a % of gross earnings	78
III.1b. Evolution of the tax burden, 1996-2004. Single persons without children at 67% of average earnings. Income tax plus employee contributions less cash benefits as a % of gross earnings.....	79
III.1c. Evolution of the tax burden, 1996-2004. Single persons without children at 67% of average earnings. Income tax plus employee and employer contributions less cash benefits as a % of gross earnings	80

III.2a. Evolution of the tax burden, 1996-2004. Single persons without children at 100% of average earnings. Income tax as a % of gross earnings	81
III.2b. Evolution of the tax burden, 1996-2004. Single persons without children at 100% of average earnings. Income tax plus employee contributions less cash benefits as a % of gross earnings.	82
III.2c. Evolution of the tax burden, 1996-2004. Single persons without children at 100% of average earnings. Income tax plus employee and employer contributions less cash benefits as a % of gross earnings	83
III.3a. Evolution of the tax burden, 1996-2004. Single persons without children at 167% of average earnings. Income tax as a % of gross earnings	84
III.3b. Evolution of the tax burden, 1996-2004. Single persons without children at 167% of average earnings. Income tax plus employee contributions less cash benefits as a % of gross earnings.	85
III.3c. Evolution of the tax burden, 1996-2004. Single persons without children at 167% of average earnings. Income tax plus employee and employer contributions less cash benefits as a % of gross earnings	86
III.4a. Evolution of the tax burden, 1996-2004. Single parent with two children at 67% of average earnings. Income tax as a % of gross earnings	87
III.4b. Evolution of the tax burden, 1996-2004. Single parent with two children at 67% of average earnings. Income tax plus employee contributions less cash benefits as a % of gross earnings.	88
III.4c. Evolution of the tax burden, 1996-2004. Single parent with two children at 67% of average earnings. Income tax plus employee and employer contributions less cash benefits as a % of gross earnings	89
III.5a. Evolution of the tax burden, 1996-2004. One-earner married couple with two children at 100% of average earnings. Income tax as a % of gross earnings	90
III.5b. Evolution of the tax burden, 1996-2004. One-earner married couple with two children at 100% of average earnings. Income tax plus employee contributions less cash benefits as a % of gross earnings	91
III.5c. Evolution of the tax burden, 1996-2004. One-earner married couple with two children at 100% of average earnings. Income tax plus employee and employer contributions less cash benefits as a % of gross earnings.	92
III.6a. Evolution of the tax burden, 1996-2004. Two-earner married couple, one at 100% average earnings and the other at 33%. Income tax as a % of gross earnings	93
III.6b. Evolution of the tax burden, 1996-2004. Two-earner married couple, one at 100% average earnings and the other at 33%. Income tax plus employee contributions less cash benefits as a % of gross earnings	94
III.6c. Evolution of the tax burden, 1996-2004. Two-earner married couple, one at 100% average earnings and the other at 33%. Income tax plus employee and employer contributions less cash benefits as a % of gross earnings.	95
III.7a. Evolution of the tax burden, 1996-2004. Two-earner married couple, one at 100% average earnings and the other at 67%. Income tax as a % of gross earnings	96

III.7b. Evolution of the tax burden, 1996-2004. Two-earner married couple, one at 100% average earnings and the other at 67%. Income tax plus employee contributions less cash benefits as a % of gross earnings	97
III.7c. Evolution of the tax burden, 1996-2004. Two-earner married couple, one at 100% average earnings and the other at 67%. Income tax plus employee and employer contributions less cash benefits as a % of gross earnings.	98
III.8a. Evolution of the tax burden, 1996-2004. Two-earner married couple, one at 100% average earnings and the other at 33%, with no children. Income tax as a % of gross earnings	99
III.8b. Evolution of the tax burden, 1996-2004. Two-earner married couple, one at 100% average earnings and the other at 33%, with no children. Income tax plus employee contributions less cash benefits as a % of gross earnings.	100
III.8c. Evolution of the tax burden, 1996-2004. Two-earner married couple, one at 100% average earnings and the other at 33%, with no children. Income tax plus employee and employer contributions less cash benefits as a % of gross earnings.	101
III.9. Income tax (in % of gross wage), 1979-2004, single persons without children . . .	102
III.10. Income tax plus employee contributions (in % of gross wage), 1979-2004, single persons without children.	103
III.11. Income tax plus employee and employer contributions (as % of labour costs), 1979-2004, single persons without children	104
III.12. Income tax (as % of gross wage), 1979-2004, one-earner family with two children	105
III.13. Income tax plus employee contributions less cash benefits (as % of gross wage), 1979-2004, one-earner family with two children	106
III.14. Income tax plus employee and employer contributions less cash benefits (as % of labour costs), 1979-2004, one-earner family with two children	107

Part IV

Country Details, 2004

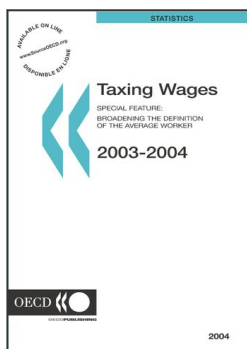
Australia (2004-2005 Income Tax Year)	111
Austria	125
Belgium (French only)	137
Canada	147
Czech Republic	163
Denmark	173
Finland	183
France (French only)	191
Germany	205
Greece	215
Hungary	225
Iceland	235
Ireland	245
Italy	255

Japan	267
Korea	279
Luxembourg (French only)	289
Mexico	299
Netherlands	309
New Zealand (2004-2005 Income Tax Year)	321
Norway	329
Poland	339
Portugal (French only)	349
Slovak Republic	361
Spain	371
Sweden	381
Switzerland (French only)	391
Turkey	405
United Kingdom (2004-2005 Income Tax Year)	413
United States	421

Part V

Methodology and Limitations

Methodology	433
1. Introduction	434
2. Calculation of gross wage earnings	434
3. Estimating gross wage earnings in 2004	439
4. Coverage of taxes and benefits	440
5. Taxpayer characteristics	441
6. Calculation of personal income taxes	442
7. State and local income taxes	443
8. Social security contributions	448
9. Payroll taxes	448
10. Church tax	449
11. Family cash benefits from general government	449
12. Non-wastable tax credits	450
Limitations	453
1. General limitations	454
2. Some specific limitations on the income tax calculation	454
3. Limitations to time-series comparisons	455
4. Limitations to marginal rates	456
A Note on the Tax Equations	459
 Annex A. Overall Tax Levels and Tax Structures in OECD Member Countries, 1990-2002	463
Annex B. Source of Earnings Data	466
Annex C. Exchange Rates and Purchasing Power Parities of National Currencies, 2004	467



From:
Taxing Wages 2004

Access the complete publication at:
https://doi.org/10.1787/tax_wages-2004-en

Please cite this chapter as:

OECD (2006), "Czech Republic", in *Taxing Wages 2004*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/tax_wages-2004-10-en

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.