

Czech Republic

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Czech Republic 2022

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1. Gross wage earnings		316 765	472 783	789 548	316 765
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	0	0	0	0
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3 + 13)		316 765	472 783	789 548	316 765
5. Central government income tax liability (exclusive of tax credits)		47 515	70 917	118 432	47 515
6. Tax credits					
Basic credit					
Married or head of family					
Children					
Other		30 840	30 840	30 840	84 564
	Total	30 840	30 840	30 840	84 564
7. Central government income tax finally paid (5-6)		16 675	40 077	87 592	- 37 049
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		34 844	52 006	86 850	34 844
Taxable income					
	Total	34 844	52 006	86 850	34 844
10. Total payments to general government (7 + 8 + 9)		51 519	92 084	174 442	- 2 205
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	30 480
	Total	0	0	0	30 480
12. Take-home pay (1-10+11)		265 246	380 699	615 105	349 450
13. Employer's compulsory social security contributions		107 066	159 801	266 867	107 066
14. Average rates					
Income tax		5.3%	8.5%	11.1%	-11.7%
Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
Total payments less cash transfers		16.3%	19.5%	22.1%	-10.3%
Total tax wedge including employer's social security contributions		37.4%	39.8%	41.8%	17.5%
15. Marginal rates					
Total payments less cash transfers: Principal earner		26.0%	26.0%	26.0%	26.0%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		44.7%	44.7%	44.7%	44.7%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Czech Republic 2022

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
	Number of children	2	2	2	none
1. Gross wage earnings		472 783	789 548	945 566	789 548
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	0	0	0	0
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3 + 13)		472 783	789 548	945 566	789 548
5. Central government income tax liability (exclusive of tax credits)		70 917	118 432	141 835	118 432
6. Tax credits					
Basic credit					
Married or head of family					
Children					
Other		109 404	84 564	84 564	30 840
	Total	109 404	84 564	84 564	30 840
7. Central government income tax finally paid (5-6)		- 37 524	3 028	26 431	56 752
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		52 006	86 850	104 012	86 850
Taxable income					
	Total	52 006	86 850	104 012	86 850
10. Total payments to general government (7 + 8 + 9)		14 482	89 878	130 443	143 602
11. Cash transfers from general government					
For head of family					
For two children		30 480	0	0	0
	Total	30 480	0	0	0
12. Take-home pay (1-10+11)		488 781	699 669	815 123	645 945
13. Employer's compulsory social security contributions		159 801	266 867	319 601	266 867
14. Average rates					
Income tax		-7.9%	0.4%	2.8%	7.2%
Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
Total payments less cash transfers		-3.4%	11.4%	13.8%	18.2%
Total tax wedge including employer's social security contributions		22.7%	33.8%	35.6%	38.9%
15. Marginal rates					
Total payments less cash transfers: Principal earner		11.0%	26.0%	26.0%	26.0%
Total payments less cash transfers: Spouse		33.4%	26.0%	26.0%	26.0%
Total tax wedge: Principal earner		33.5%	44.7%	44.7%	44.7%
Total tax wedge: Spouse		50.2%	44.7%	44.7%	44.7%

The national currency is the Czech koruna (CZK). In 2022, CZK 23.64 were equal to USD 1. In that year, the average worker earned CZK 472 783 (Secretariat estimate).

1. Personal Income Tax System

1.1. Central government income taxes

1.1.1. Tax unit

- The tax unit is the individual.

1.1.2. Tax allowances and tax credits

Standard reliefs

- Relief for social and health security contributions. Employees' social security contributions (see Section 2.1.) are not deductible for income tax purposes.

Main non-standard tax reliefs applicable to an AW

- Charitable donations allowance: It is possible to deduct from the tax base the value of gratuitous performance provided to municipalities, regions, government branches, and legal entities defined in Income Tax Law that organise public collections for science and education, research and development purposes, culture, schools, healthcare, environmental, humanitarian or charitable purposes (more information in Income Tax Law). The provision of allowances is provided if the total value of gratuitous performance in the period of taxation exceeds 2 % of the tax base or amounts to at least CZK 1,000. A similar procedure shall apply for gratuitous performance to finance removing the consequences of a natural disaster occurring in the territory of the EU Member State or a State of the European Economic Area. In total, a maximum of 15% can be deducted from the tax base; this does not apply to the tax periods of the calendar years 2020, 2021 and 2022, for which a maximum of 30% of the tax base can be deducted in total. Furthermore, for the tax period of 2022 it is possible to deduct the value of gratuitous performance provided in order to support the State of Ukraine. As gratuitous performance for healthcare purposes, the value of one donation of blood or blood components from a donor who was not provided with financial compensation for the expenses connected with, shall be valued at a sum of CZK 3 000, the value of donation of an organ from a living donor shall be valued at a sum of CZK 20 000, and the value of one donation of hematopoietic cells, shall be valued at a sum of CZK 20 000.
- Interest payments: The tax base shall be reduced by the sum equal to the interest paid in the period of taxation on building society credit, interest on mortgage credit loaned by a bank, reduced by the State contribution granted under special legal regulations that is used to finance housing needs (more information in Income Tax Law). The total sum of interest by which the tax base is reduced on all credits of taxpayers in the same jointly managed household must not exceed CZK 150,000 (For mortgage loans originated before January 1, 2021 the total sum of interest which can be reduced is CZK 300 000 per a household.) When interest is only paid for part of the year, the deducted sum must not exceed one twelfth of such maximum amount for each month of paying interest.
- Supplementary pension scheme contributions: In a period of taxation, the tax base may be reduced by a contribution, in the maximum total amount of CZK 24 000, paid by a taxpayer to their: a) supplementary pension insurance with a State contribution, the sum that may be deducted in this manner equals the total amount of those parts of monthly contributions that, in individual calendar

months of the period of taxation, exceeded the sum from which the maximum State contribution is granted (CZK 12 000); b) pension insurance, the amount that may be deducted in this manner equals the total amount of contributions paid by the taxpayer for their pension insurance in the period of taxation; c) supplementary pension savings, the sum that may be deducted in this manner equals the total amount of those parts of monthly contributions that, in individual calendar months of the period of taxation, exceeded the sum from which the maximum State contribution is granted.

- Private life insurance premiums: The tax base for a period of taxation may be reduced by the premium paid by a taxpayer in the period of taxation for their private life insurance under an insurance contract that it was agreed that the insurance benefit (pension or lump-sum benefit) would not be paid earlier than after 60 calendar months from entering into the contract and, at the same time, not earlier than in the calendar year in the course of which the taxpayer reaches the age of 60 years. The maximum total sum that may be deducted for the period of taxation amounts to CZK 24 000 even if the taxpayer has several contracts entered into with several insurance companies.

Tax schedule

Since 2021, the tax base is determined on gross income. The tax is calculated from the tax base reduced by the non-taxable part of the tax base and by items deductible from the tax base (see 1.1.2.2. - Main non-standard tax reliefs), rounded down to whole hundreds of CZK.

As of 2021, the Czech Republic returns to progressive taxation, the tax rate amounts to

- 15% for the tax base up to 48-fold of an average salary, which represent the social security payment cap (the threshold for 2022 is CZK 1 867 728).
- 23% for the part of the tax base exceeding 48-fold of an average salary.

Tax credits

The calculated tax liability (see 1.1.2.3) shall be further reduced by tax credits.

- Basic tax credit of CZK 30 840 per taxpayer.
- Tax credit of CZK 24,840 for spouse living with a taxpayer in a jointly managed household, provided that such a spouse does not have their own income exceeding CZK 68 000 for the period of taxation.
- Credit of CZK 15 204 for first child, credit of CZK 22 320 for second child, credit of CZK 27 840 for third and each additional child (irrespective of the child's own income) living with a taxpayer in a common household on the territory of a Member State of the EU, Norway or Iceland, if the child satisfies one or more of the following criteria:
 - age below 18 year of age,
 - age below 26 year of age and receiving full-time education,
 - age below 26 year of age and physically or mentally disabled provided that the child is not in receipt of a state disability payment

If the child is a “ZTP-P” card holder (the child with a certain type of disabilities), the tax credit is doubled. The taxpayer can claim the tax credit in the form of tax reliefs or tax bonuses or their combination.
- Basic disability tax credit of CZK 2 520, if the taxpayer is granted a disability pension for a first or second degree disability under a special law.
- Extended disability tax credit of CZK 5 040 if the taxpayer is granted a disability pension for a third degree disability under a special law.

- Tax credit of CZK 16 140 for the holder of a card identifying them as a person with a particularly severe disability requiring a guide (ZTP/P).
- Student tax credit of CZK 4 020 for a taxpayer for the duration of their systematic preparation for a future occupation through study or prescribed training until reaching the age of 26 years or for the duration of full-time study in a doctoral study programme that provides university education until reaching the age of 28 years).
- Tax credit for child placement, the amount of tax credit corresponds to the amount of expenses demonstrably incurred by the taxpayer for placing a maintained child for the given period of taxation in a pre-school facility. For each maintained child the tax credit may be used in an amount not exceeding the minimum wage (for the year 2022: MW CZK 16 200).

The non-standard tax are not included in the tax equations underlying the Taxing Wages results.

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

The maximum annual earnings used to calculate social security contributions are 48 times the national average monthly wage. The maximum ceiling for social security contributions is CZK 1 867 728 for the year 2022. The maximum ceiling for health insurance has not existed since 2013.

2.1. Employees' contributions

Compulsory contributions of 11% of gross wages and salaries are paid by all employees into government operated schemes. The total is made up as follows (in %):

Health insurance	4.5
Social insurance	6.5

2.2. Employers' contributions

The total contribution for employers is 33.8% of gross earnings.

The contribution consists of the health insurance contribution (9% of gross wages and salaries) and social insurance (24.8 %).

3. Universal Cash Transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

Non-taxable child allowances are the basic income-tested benefit provided to a dependent child with the objective to contribute to the coverage of costs incurred in his upbringing and sustenance. Entitlement to the child allowance is bound with certain income criteria. The central government pays this allowance in

respect of each dependent child based on the family income level and provided that family's income does not exceed 3.4 times the relevant family's living minimum (LM) and simultaneously fulfils the minimum income condition of CZK 4 620/monthly/one of parents since 1 July 2022. Family income includes the earnings of both parents net of income tax and the employees' social security and health insurance contributions. Child allowances are provided at three levels depending on the age of the child and are paid as follows:

Family Income	up to 3.4 LM
Age of child	Total payment CZK per month
below 6 years of age	1 130
6–15 years	1 270
15–26 years	1 380

The monthly family's LM for the AW-type family with children can be calculated by summing the following amounts (in CZK) since 1 July 2022:

Living minimum	
Basic personal requirement	
Single	4 620
First person in household	4 250
Second and other persons who are not a dependent child	3 840
Child aged below 6	2 360
Child aged between 6 and 15	2 900
Child aged between 15 and 26	3 320
Household expenses	
One person household	4 620
Two person household	8 090
Three person household	9 510
Four person household	13 350
Five person household	16 670

The LM is required by law. In case that family income (income of persons assessed together) is not achieved, the amount of family's LM can be put in a request for state social support (housing benefit, family benefits, social assistance and other). The system applies the solidarity principle between the high-income families and low-income families, as well as between the childless families and those with children.

3.3. Additional transfers

Additional allowances (means-tested benefits in material need) are paid by the central government to low income families in adverse social and financial situation. The amount transferred is derived from the LM and varies according to total family income including family allowances and own efforts, opportunities and needs are taken into account. This allowance is not included in the computation.

4. Main Changes in Tax/Benefit Systems since 2022

List of main changes that have impact on the current computation of Taxing Wages:

- Since 2021: a reduction of the tax base of employees by about 25 % (abolition of the so-called super gross wage concept, so that only the employee's gross income is included in the tax base) and introduction of progressive taxation.
- Since 2022:
 - Further increase of the basic tax credit for the taxpayer from CZK 27 840 to CZK 30 840.

- Increase in the amount of the minimum wage for the year 2022: CZK 16 200 (reflects the increase in the price level).
- Increase of transfers for a dependent child (reflects the increase in the price level).
- Increase in the amount of the living minimum (reflects the increase in the price level).

4.1. Changes to labour taxation due to the COVID pandemic in 2020, 2021 and 2022

No changes

5. Memorandum Items

5.1. Identification of AW and valuation of earnings

The Ministry of Finance estimates the average earnings of the AW based on the data supplied by the Czech Statistical Office. The calculation of the average earnings is made by CZ-NACE division, which is compatible with ISIC classifications Ver. 4.

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.

2022 Parameter values

	Ave_earn	472 783	Secretariat's estimate
Income tax rate - base	tax_rate_base	0.15	
Income tax rate – second bracket	Tax_rate_secbracket	0.23	
Social security – social insurance	SSs_rate	0.065	
Social security – health insurance	SSh_rate	0.045	
Employers - social insurance	SSs_empr_rate	0.248	
Employers - health insurance	SSh_empr_rate	0.09	
Child Tax credit - first child	child_cr_1	15 204	
- second child	child_cr_2	22 320	
- third child	child_cr_3	27 840	
Tax credit for individuals	tax_cr_base	30 840	
Tax credit for spouse	tax_cr_spo	24 840	
Tax credit for spouse income ceiling	Tax_cr_spo_inc_ceil	68 000	
Living minimum (LM)			
	basic_adult	4 620	
	basic_household	8 090	
	basic_child	2 900	
	house_exp	1	4 620
		2	8 090
		3	9 510
		4	13 350
		5	16 670
Cash transfers	transf_1	1 270	
Social security, social insurance - ceiling	soc_sec_si_ceil	1 867 728	
Minimum Wage	tax_cr_preschool	16 200	

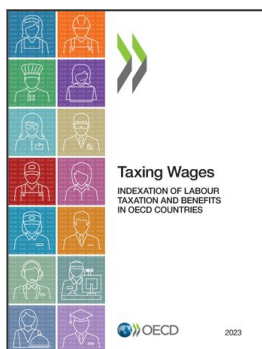
2021 Tax equations

The equations for the Czech system are on an individual basis. But the spouse tax credit 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.

		Variable name	Range	Equation
1.	Earnings	earn	B	
2 a	CG taxable income base	tax_inc_princ_base	B	IF(earn<soc_se_si_ceil;earn;IF(earn>soc_se_si_ceil;soc_sec_si_ceil))
2b	CG taxable income second bracket	Tax_inc_princ_sec	B	IF(earn>soc_se_si_ceil;earn-soc_se_si_ceil;0)
	CG tax before credits			
	CG tax before credits principal	CG_tax_excl_princ	B	Tax(tax_inc_princ_base, tax_rate_base)+Tax(tax_inc_princ_se,tax_rate_sec)
4.	Tax credits:			
	Tax credit for children	tax_cr_ch	P	If (number of children>3; (number of children - 3)*child_cr_3+child_cr_1+child_cr_2+child_cr_3; If (number of children>2;child_cr_1 +child_cr_2 + child_cr_3; If (number of children>1;child_cr_1+child_cr_2; If (number of children>0;child_cr_1; If (number of children=0;0))))))
	Tax preschool credit	Tax_cr_preschool	B	tax_cr_preschool*positive(children-1)
	Basic tax credit	tax_cr_bas	B	tax_cr_bas
	Tax credit for spouse	tax_cr_spouse	P	Married*tax_cr_spo
5.	CG tax			
	CG tax principal	CG_tax_princ	B	Max(CG_tax_excl_princ - tax_cr_bas_princ - tax_cr_spo-tax_cr_preschool , 0) - tax_cr_ch
6.	State and local taxes	local_tax	B	0
7.	Employees' social security	SSs SSh	B B	MIN(earn,soc_sec_si_ceil)*SSs_rate earn*SSh_rate
8.	Cash transfers			
	Net family income	net_inc	J	earn_total-CG_tax_total-SSC_total
9.	Living minimum (monthly)	LM	J	VLOOKUP((1+Married+Children);house_exp;2;FALSE)
10.	Total cash transfers	cash_trans	J	Children*IF(net_inc<=(3,4)*LM*12,' transf_1*12)
11.	Employer's social security	SSs_empr SSh_empr	B B	MIN(earn,soc_sec_sir_ceil)*SSs_empr_rate earn*SSh_empr_rate

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.



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