

# Tax Policy

# Basic Principles of Taxation

- Efficiency (no distortion)
- Administrative simplicity (low cost)
- Flexibility (adaptation)
- Political responsibility (transparentess)
- Fairness

# Tax system in the CR from 1993

## **Direct taxes**

- Personal income tax (PIT)
- Corporate income tax (CIT)
- Property (real estate) tax
- **Social security contributions (SSC)**

## **Indirect Taxes**

- Value added tax (VAT)
- Excise duty (ED)
- Ecological Taxation (electricity, natural gas and solid fuel)
- **Import duties**

# Changes after 1993

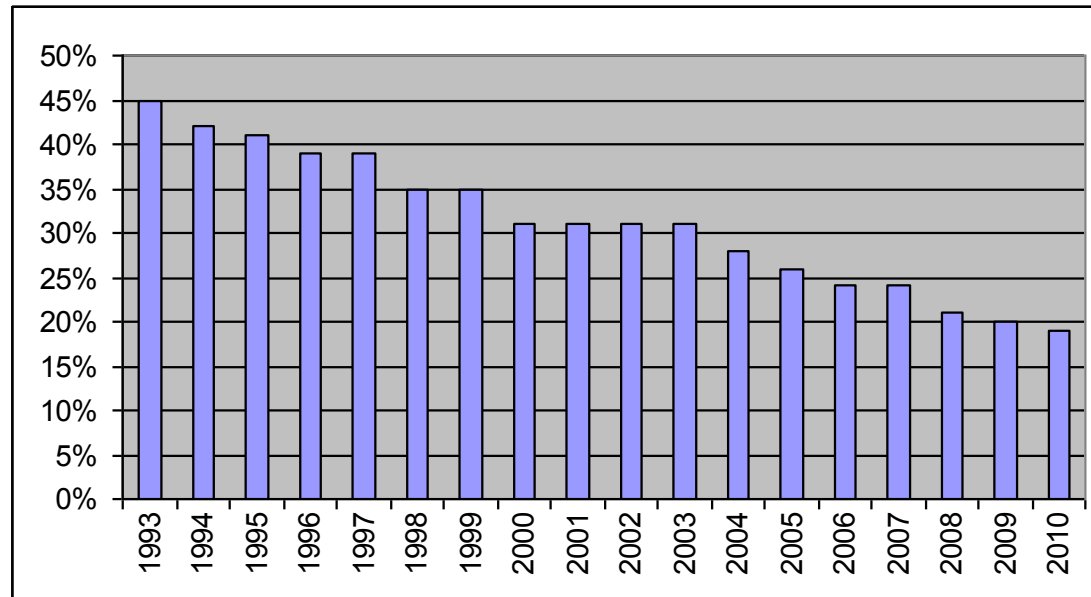
- Fast reform = simple reform
- World is developing
- Need of harmonization and koordination (especially at EU level)
- Changing of governments (and fiscal policies)

# Private Income Tax (PIT)

- Many amendments
- Decreasing of tax rates
  - 15, 20, 25, 32, 40, 47%
- Since 2010: 1 rate – 15%
  - (but since 2013: „solidarity“ tax: +7% for income over 100 000CZK/month)
- Erosion of the tax base (charity, blood donation etc...)

# Corporate Income Tax (CIT)

- Decreasing tax rates
- Coordination with EU, OECD
- Since 2010: tax rate 19%



# Value Added Tax (VAT)

- Main changes were done during 2004 – EU entry (harmonization)
- Moving commodities from lower rate to standard
- Decreasing of the registration threshold
- Changes in the tax rates

# Development of VAT rates

| Period                    | Standard rate | Reduced rate | Second reduced rate |
|---------------------------|---------------|--------------|---------------------|
| 1. 1. 1993 – 31. 12. 1994 | 23 %          | 5 %          | -                   |
| 1. 1. 1995 – 30. 4. 2004  | 22 %          | 5 %          | -                   |
| 1. 5. 2004 – 31. 12. 2007 | 19 %          | 5 %          | -                   |
| 1. 1. 2008 – 31. 12. 2009 | 19 %          | 9 %          | -                   |
| 1. 1. 2010 – 31. 12. 2011 | 20 %          | 10 %         | -                   |
| 1. 1. 2012 – 31. 12. 2012 | 20%           | 14%          | -                   |
| 1. 1. 2013 – 31. 12. 2014 | 21 %          | 15 %         | -                   |
| 1. 1. 2015 –              | 21 %          | 15 %         | 10%                 |



# Excise duty

- Increasing rates with the target of minimal EU rates (harmonization)
- Tax on cigarettes – two component's tax introduction
- Alcohol, fuel – already on European level
- Ecological tax - since 2008

# Social Security Contribution

- Compulsory
- Pension scheme – 28%
  - Employee – 6,5%
  - Employer – 21,5%
- Sickness insurance – 4,4% (Employer)
- Contribution to Employment policy 1,7% (Employer)

# Health insurance

- Compulsory
- Employee – 4,5%, Employer – 9%
- Low private payments for the health care (payment for medicaments etc.)

# Statistics

- Tax Database
- <http://www.oecd.org/ctp/tax-policy/tax-database.htm>

# Reading – OECD Library

- Economic Growth and the Role of Taxation-Theory
- Tax Administration 2015 (Comparative Information on OECD and Other Advanced and Emerging Economies)
- Taxing Wages 2015
- Revenue statistics 2014

- Thank you for your attention!