

EUROMOD

COUNTRY REPORT



CZECH REPUBLIC (CZ)

2011 – 2015

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EUROMOD is a tax-benefit microsimulation model for the European Union (EU) that enables researchers and policy analysts to calculate, in a comparable manner, the effects of taxes and benefits on household incomes and work incentives for the population of each country and for the EU as a whole.

EUROMOD has been enlarged to cover 28 Member States and is updated to recent policy systems using data from the European Union Statistics on Income and Living Conditions (EU-SILC) as the input database, supported by DG-EMPL of the European Commission.

This report documents the work done in one annual update for Czech Republic. This work was carried out by the EUROMOD core developer team, based mainly in ISER at the University of Essex, in collaboration with a national team.

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The results presented in this report are derived using EUROMOD version G3.0 EUROMOD is continually being improved and the results presented here may not match those that would be obtained with later versions of EUROMOD.

For more information, see: <https://www.euromod.ac.uk>

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The seven-year Programme targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-28, EFTA-EEA and EU candidate and pre-candidate countries.

PROGRESS mission is to strengthen the EU contribution in support of Member States' commitment. PROGRESS is instrumental in providing analysis and policy advice on PROGRESS policy areas; monitoring and reporting on the implementation of EU legislation and policies in PROGRESS policy areas; promoting policy transfer, learning and support among Member States on EU objectives and priorities; and relaying the views of the stakeholders and society at large.

For more information see: <http://ec.europa.eu/progress>

The information contained in this publication does not necessarily reflect the position or opinion of the European Commission.

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1. BASIC INFORMATION

1.1 Basic information about the tax-benefit system

- The tax-benefit system is unified. There are no exceptions.
- The tax system can be generally changed in January each year. Main benefit changes happen at the same time, but may also be implemented in June.
- Retirement age is different depending on age of the person, for women it also depends on the number of raised children. The pension age has been increasing by two months for men and four months for women for each year since 1996 until the end of 2012 when it reached the maximum of 68 years for all persons born in 1983. The retirement age for persons born after 1983 will be further increased by 2 months per year of birth.
- Minimum school leaving age is 15; a dependent child is classified as a child that has not yet finished compulsory schooling and until 26 if he or she is training for future employment; or, alternatively, if the child cannot train for future employment because of injury, long-term illness or if the child is not able to work.
- The income tax system is an individual system; however (in 2005-2007) married couples with at least one child all living in the same household could choose to fill out a joint tax return.
- The means-tested benefit system assesses entitlement according to benefit unit income. The benefit unit is the nuclear family - the couple (cohabiting or married) or single adult plus any dependent children.

1.2 Social Benefits

Social benefits can be broken down into the following categories:

1.2.1 Social insurance benefits

Unemployment benefit is short term benefit, which is available for unemployed individuals actively searching for a job.

Sickness benefits create the sickness insurance system which is intended for people in remunerative work, for whom it provides security through financial sickness insurance benefits in cases of so-called short-term social events (temporary inability to work due to an illness, injury or quarantine, caring for a family member, pregnancy and maternity or caring for a child).

Pension system contains five types of pensions: old-age pensions, full invalidity pensions, part-invalidity pensions, widow or widower pensions, and orphan pensions.

Disablement Benefit (*nemocenské dávky*): this benefit is paid for all days that a person is disabled, but not more than for one year (or at most two years if the person is disabled due to work injury). The amount of the benefit is calculated from the daily benefit base.

Benefit for Treatment of a Family Member (*ošetřovné*): this benefit is for treatment of a family member for a person caring for an ill child under ten, or caring for a person over ten if required. The person undergoing treatment must live in the same household as the benefit recipient. The benefit is paid for at most nine days, or at most 16 days if the person caring for a child younger than 10 lives alone with the child in the household.

Maternity and Pregnancy Benefit (*vyrovnávací příspěvek v těhotenství a v mateřství*): is paid to women working at a less well-paid position because of her pregnancy or maternity. The benefit is provided from the day she leaves a better-paid position until at most nine months after the birth of her child. The net benefit base is the same as that of disablement benefit for the period after two weeks of illness. The amount of the benefit is calculated as the difference between the net benefit base before and after moving to a less well-paid position.

Maternity Allowance (*peněžitá pomoci v mateřství*): is available for women who give birth to children and who have paid health insurance for at least 270 days in the prior two years. Eligible entrepreneurs must have paid sickness insurance for at least 270 days in the last year before the birth. The woman must not have a paid position and may not run her own business. The maternity allowance is paid for maximum of 28 weeks.

Social insurance benefits are not simulated in Euromod because of lack of relevant data, the exception is unemployment benefit that can be partially simulated under a number of assumptions.

1.2.2 State social support

- Means-tested
 - **Child allowance:** is basic long-term benefit provided to families with dependent children.
 - **Social allowance:** aims to help families with low incomes to cover the costs of their children's needs. Social allowance only available for families with disabled children since 2011 and abandoned since 2012.
 - **Housing benefit:** should help households to cover the costs of housing.
- Non-means tested
 - **Parental allowance:** aimed at parents who care in person and on a daily basis for a child up to four years old.
 - **Foster care benefits:** for dependent children placed in foster care. The child continues to be entitled to this allowance even after reaching adulthood, up to a maximum of 26 years of age, provided that they remain a dependent child and live under the same roof as their former foster parent(s).
 - **Funeral grant:** is available to a person arranging a funeral.
 - **Birth grant:** is available to any mother who gives birth to one or more children.

1.2.3 Social assistance

Social necessity benefits: serve as a last resort. When a net household income including any state social support benefits is less than the family-level MLS, the household is entitled to social necessity benefit.

Social care benefits are one-off allowances usually paid to disabled people for specific purposes. For example, these benefits may include specific amounts for homecare services, spa services, increased cost of diabetic food, wheelchair purchase, increased cost for blind or otherwise disabled persons, for reconstruction of houses needed for disabled access, etc.

The system is organized around a key parameter — the so-called minimum living standard (MLS).

- *Not strictly benefits*

There are no benefits of this type in the Czech Republic.

1.3 Social contributions

The social contributions in the Czech Republic can be divided into two parts:

Social insurance and state employment policy contributions consist of pension insurance, contributions for the state employment policy and sickness insurance. The participation in this system is compulsory for all persons, who have income from work and business (in this case is sickness insurance voluntary).

Contribution for public health insurance is administrated by special public bodies – health insurance companies. The participation in this system is compulsory for all persons. The contribution of persons, who cannot have income from work and business, is paid by the state budget.

1.4 Taxes

The current Czech taxation system was introduced in 1992. While direct taxes include income tax and real estate tax, indirect taxation consists of value added tax (VAT), excise taxes, road tax, estate tax, beneficiary tax and the tax on the transfer of real estate.

Income Tax (*daň z příjmu*) is paid by corporations and individuals. The corporate income tax is 19% of gross profit. Personal income tax is paid by any person who has residence or lives in the Czech Republic for at least 183 days in a year. Taxable income includes all income earned in the Czech Republic and abroad. The tax rate is flat and equal to 15%. The second tax bracket with the additional tax rate (+ 7 %) was introduced since 2013, but it is relevant just for the income, which is taxed by social security contribution.

Real Estate Tax (*daň z nemovitosti*) has two parts: Land tax and Building tax. The tax is paid by the owner of land or building but the rates are very low.

Value Added Tax - VAT (*daň z přidané hodnoty*) is levied on the supply of goods, real estate transfers, services provided in the Czech Republic and imported goods from outside the European Union (EU). A typical VAT taxpayer is an entrepreneur or a company with headquarters or outlet in the Czech Republic if their turnover was higher than 1,000,000 CZK in the last 12 months or if they are registered as a voluntary taxpayer. VAT taxpayers may claim a return on the tax paid to other VAT taxpayers if the goods are used as inputs for production. The difference between VAT on sold goods and services and VAT on inputs is termed VAT tax duty. If the tax duty is negative, VAT taxpayers receive a refund. The standard VAT rate is 21% with, first preferential rate of 15% and second preferential rate of 10 %.¹ The last is levied on books, medical goods and food for small children.

Excise Tax (*spotřební daň*) is levied on mineral oil, alcohol, beer, wine, tobacco and tobacco goods. The tax is levied on goods made in or imported to the EU.

Road Tax (*silniční daň*) is paid by entrepreneurs for each vehicle used for business purposes and for all vehicles above 12 tons irrespective of use, except vehicles designated for agricultural purposes.

¹ The VAT rates (standard / preferential) increased in the last years a lot, the rates were 19% / 5% till 2007, 19% / 9% in 2008 and 2009, 20% / 10% in 2010 and 2011, 20% / 14% in 2012 and 2013, 21%/15 % in 2014 and 21%/15%/10% since 2015.

2. SIMULATION OF TAXES AND BENEFITS IN EUROMOD

2.1 Scope of simulation

Simulation of benefits in EUROMOD

	Variable name(s)	Treatment in Euromod					Why not fully simulated?
		2011	2012	2013	2014	2015	
Sickness Benefits	bhl	I	I	I	I	I	The amount of benefit depends on the previous income and length of sickness.
Passive employment policy benefits	bun_s	PS	PS	PS	PS	PS	The amount of benefit depends on the previous earning stream for a period of time, and on time spent in previous employment, and on length of past periods of unemployment.
Child Allowance	bch00_s	S	S	S	S	S	Not simulated in 2011 due to lack of information on disability status among children. Benefit cancelled in 2012.
Social Allowance	bchmt_s	-	-	-	-	-	
Foster Care benefits	bfafp	I	I	I	I	I	Eligibility taken from data
Housing Benefit	bho_s	S	S	S	S	S	
Parental Allowance	bfapl_s	PS	PS	PS	PS	PS	
Birth grant	bchba_s	S	S	S	S	S	
Allowance for Living	bsa00_s	S	S	S	S	S	
Supplement for Housing	bsaho_s	S	S	S	S	S	
Total social assistance	bsa_s	S	S	S	S	S	
Income tax bonus	tinrf_s	S	S	S	S	S	
Education related allowances	bed	I	I	I	I	I	
Other Social Benefits	bfaot	I	I	I	I	I	
Old age pension	poa	I	I	I	I	I	Amount depends on unobserved working histories
Disability pension	pdi	I	I	I	I	I	Amount depends on unobserved working histories and disability level
Survivors pension	psu	I	I	I	I	I	Amount depends on unobserved working histories

Notes: “-”: policy did not exist in that year; “E”: *excluded* from the model as it is neither included in the micro-data nor simulated; “I”: *included* in the micro-data but not simulated; “PS” *partially simulated* as some of its relevant rules are not simulated; “S” *simulated* although some minor or very specific rules may not be simulated.

Simulation of taxes and social contributions in EUROMOD

	Variable name(s)	Treatment in Euromod					Why not fully simulated?
		2011	2012	2013	2014	2015	
Income tax final liability	tin00_s	S	S	S	S	S	
Separate tax scheme liability	tinpx_s	S	S	S	S	S	
Propety tax	tpr	I	I	I	I	I	Information on property value unobserved
Employees ssc	tscee_s	S	S	S	S	S	Includes all components of ils_sicee
Employer’s ssc	tscer_s	S	S	S	S	S	Includes all components of ils_sicer
Entrepreneurs ssc	tscse_s	S	S	S	S	S	Includes all components of ils_sicse
State funded public health insurance contributions	tschlgv_s	S	S	S	S	S	

Notes: “-” policy did not exist in that year; “E” policy is *excluded* from the model’s scope as it is neither included in the microdata nor simulated by Euromod; “PS” policy is *partially simulated* as some of its relevant rules are not simulated; “S” policy is *simulated* although some minor or very specific rules may not be simulated.

- ***Structural changes between 2010 and 2011***

Social allowance only available for families with disabled children. This element is not modelled due to lack of information on disability status among children.

- ***Structural changes between 2011 and 2012***

Social allowance is cancelled.

- ***Structural changes between 2012 and 2013***

No changes.

- ***Structural changes between 2013 and 2014***

No changes.

- ***Structural changes between 2014 and 2015***

No changes.

2.2 Order of simulation and interdependencies

Employee and employer social and health contributions as well as income tax are simulated first as they are deductible from the income tax taxable income. Social benefits are simulated after income tax as they are tax exempt and, when means-tested, the income tests are based on net income. The order of simulate of benefits takes into account the “cumulative nature” of their

income tests. The income test of Social Allowance and Housing Benefit are the same as the Child Allowance plus this benefit. As for Social Assistance, its income test is the same as the previous plus Social Allowance and Housing Benefit.

Simulated policies & order of simulation

▶ SetDefault_cz	on	on	on	on	on	DEF: DEFAULT VALUES
▶ uprate_cz	on	on	on	on	on	DEF: UPDATING FACTORS
▶ DefCons_cz	on	on	on	on	on	DEF: define constants
▶ ildef_cz	on	on	on	on	on	DEF: INCOME CONCEPTS
▶ tudef_cz	on	on	on	on	on	DEF: ASSESSMENT UNITS
▶ yem_cz	off	off	off	off	off	SWITCH: minimum wage
▶ neg_cz	on	on	on	on	on	SWITCH: recode negative income to zero
▶ cer_cz	on	on	on	on	on	SIC: employer social and health insurance contributions
▶ cee_cz	on	on	on	on	on	SIC: employee social and health insurance contributions
▶ cse_cz	on	on	on	on	on	SIC: self employed social and health insurance contributions
▶ tin_cz	on	on	on	on	on	TAX: income tax
▶ bun_cz	on	on	on	on	on	BEN: unemployment benefit: PART SIMULATED (to fully simulate switch currently "toggle" functions to "on")
▶ cot_cz	on	on	on	on	on	"SIC: state funded public health insurance contributions (students, pensioners, children, etc.)"
▶ bfapl_cz	on	on	on	on	on	BEN: parental allowance
▶ bch00_cz	on	on	on	on	on	BEN: child allowance
▶ bchmt_cz	off	n/a	n/a	n/a	n/a	BEN: social allowance
▶ bchba_cz	on	on	on	on	on	BEN: birth grant
▶ bho_cz	on	on	on	on	on	BEN: housing benefit
▶ bsa_cz	on	on	on	on	on	BEN: social assistance (social necessity benefit / Allowance for Living)
▶ output_std_cz	on	on	on	on	on	DEF: STANDARD OUTPUT INDIVIDUAL LEVEL
▶ output_std_hh_cz	off	off	off	off	off	DEF: STANDARD OUTPUT HOUSEHOLD LEVEL

2.3 Policy switches

There are two standard switches included into the spine (see above):

- **neg_cz**: switched ON by default
 - recodes negative income to zero; currently this policy only recodes negative self-employment income to zero, initial value stored in *i_yse0*
- **yem_cz**: switched OFF by default
 - if hourly wage is lower than hourly minimum wage recalculate in accordance to the minimum wage, leaving hours of work as recorded in the data; if ON overwrites *yem*.

2.4 Social benefits

Main reference amounts used for calculating social benefits or income testing are discussed below.

- **Minimum Living Standard (MLS)**

The system is organized around a key parameter — the so-called minimum living standard (MLS). This amount is calculated at the personal level, and is intended to reflect the cost of living. Most types of benefits are then defined as given percentages of the family-level MLS.

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The construction of MLS has one element. Amounts of MLS are different for single person, first adult in family, another adult in family and for children (three categories according to age).

<i>MLS (in CZK per month)</i>	<i>2009-2011</i>	<i>2012-2015</i>
Single	3,126	3,410
First person in household	2,880	3,140
Second and other persons who are not a dependent child	2,600	2,830
Subsistence Minimum (CZK)	2,020	2,200
Dependent child aged		
○ under 6 years	1,600	1,740
○ 6 - 15 years	1,960	2,140
○ 15 - 26 years	2,250	2,450

- **Minimum self-employment income for income test of social benefits**

If person in the family has the income from business as the main income, its contribution to the income for the purpose of testing eligibility for social benefits cannot be lower than 50 % of average wage in previous year.

- **Average & minimum wage**

	2011	2012	2013	2014	2015
Average wage:					
in previous year	23,800	24,200	25,000	25,000	N/A
in Q1-3of previous year	23,324	23,726	24,409	24,622	25,179
Minimum wage:	8,000	8,000	8,000/8,500*	8,500	9,200

* Since 1 august 2013

** Economy-wide average wage in the first three quarters of the preceding year

2.4.1 Social Insurance

2.4.1.1 Unemployment Benefits (bun_cz)

Unemployment benefits are available for individuals actively searching for a job who were employed for at least 12 months in the previous three years and who are not receiving an old-age pension, full invalidity pension or sickness benefits. The employment record required to be eligible for unemployment benefits includes the time taken preparing a partially disabled person for a job, military or civil service, custody of a child less than three years old or a disabled child up to the age of 18, custody of disabled person above 80 or partially disabled relatives above 80, and the time of receiving disablement benefit.

The benefit entitlement for people less than 50 years is 5 months; from 50 to 55 years are 8 months and over 55 years, 11 months. *Note: duration of the benefit is taken from the data in simulations due to incomplete information.*

The basis for calculating unemployment benefit includes income net of social insurance contributions and income tax, i.e. the average net monthly wage in the previous job, or the net profit from previous entrepreneurial activity. The amount of benefit is in the first 2 months equal 65% of the average net wage in the last employment, next 2 months it is 50% and for the remaining time it is 45%. The maximum amount of unemployment benefit is 58% of the economy-wide average wage in the first three quarters of the preceding year (see table above). If a person is involved in the retraining program, the maximum value would be increased to 65% of the economy-wide average wage in the first three quarters of the preceding year. The minimum amount (which is applied, if it is not possible to prove the amount of previous income) is for the first two months 15% of the average wage in the first three quarters of the preceding year, for next two months it is 12 % and for the rest of the period it is 11 %. *Note: minimum threshold is not implemented in EUROMOD due to data constraints.*

In case of voluntary withdrawal from the work, the coefficient for calculation of unemployment benefit is reduced to 45%. *Note: This element is not simulated in EUROMOD due to lack of information on reasons for withdrawal from work and incidence.*

- **Changes in 2012**

A person is entitled to unemployment benefit if he or she was employed for at least 12 months during the last two years.

In case of voluntary withdrawal from the work, entitlement to unemployment benefit begins after 6 months. *Note: This element is not simulated in EUROMOD due to lack of information on reasons for withdrawal from work and incidence.*

- **Changes in 2013**

No changes.

- **Changes in 2014**

No changes.

- **Changes in 2015**

No changes.

2.4.2 State Social Support

All benefits provided through the state social support are not taxable and may be divided between means-tested and non-means-tested benefits. General net household income for the purpose of testing eligibility for the state social support is defined as taxable income for the purpose of income taxation, stipends, housing supplements from employers, bonuses, alimony, sickness benefits, unemployment benefits, income from abroad and pensions. Net profit from entrepreneurial activity is included if it is greater than zero and its contribution to the income for the purpose of testing eligibility for social benefits cannot be lower than 50 % of average wage in previous year. On the other hand, general net household income does not include any debts.

A family is defined for the purpose of state social support (except housing benefit for which all persons of the same domicile address are considered in the same unit of assessment) as a person, dependent children, parents of dependent children, spouses or partners, dependent children of dependent children (if they are not married, widowed or divorced) if they live with the person in the same household and meet the cost of living together. If a dependent child is under 18, the condition of meeting the costs of living together is not required. If a dependent child is over 18 and under 26 and is training for future employment, the condition of meeting the costs together is not required if the child has the same domicile address as her parents. A spouse is considered to be a unit member.

A dependent child for the purpose of state social support is classified as a child that has not yet finished compulsory schooling and until 26 if he or she is training for future employment (i.e., is in education); or, alternatively, if the child cannot train for future employment because of injury, long-term illness or if the child is not able to work. A child between the end of compulsory schooling and 18 is also dependent if registered at a district labour office and not receiving unemployment benefit. A child receiving a full invalidity pension is not considered a dependent child.

2.4.2.1 Child Allowance (bch00_s)

Child allowance is a benefit provided to families with dependent children with an income of less than 2.4 times the family’s living minimum. The net household income which is tested for the purpose of child allowance is the general net household income plus foster care benefit and parental allowance. The relevant period for the income test is the calendar year prior to the year when the income is tested.

The allowance, per child, is provided on three levels, depending on the age of the child:

Age of the dependent child	Amount of monthly child allowance per child in CZK
Up to 6 years of age	500
From 6 – 15 years	610
From 15 – 26 years	700

- *Changes in 2012*

No changes.

- *Changes in 2013*

No changes.

- *Changes in 2014*

No changes.

- *Changes in 2015*

No changes.

2.4.2.2 Social Allowance (bchmt_cz)

A social allowance is available to families with at least one dependent child if their net income was less than $2 \times MLS$ in the previous quarter. Net household income for the purpose of the income test is the net household income relevant for a child allowance test plus the child allowance. The relevant time span for the income test is the previous calendar quarter.

The amount of the allowance is determined as

$$SocialAllowance = \sum Children's\ MLS - \frac{\sum Children's\ MLS \times \max\{NetIncome, TotalMLS\}}{TotalMLS \times 2}$$

A social allowance is available only to families with disabled children. The children’s part of MLS is increased by multiplying the allowance by 2.7 if the child is disabled, 2.4 if the child is partially disabled and 1.2 if the child is persistently ill and 1.1 if children are born within three years. The household part of MLS can be multiplied by 1.4 if both or just one parent are disabled and 1.1 if one of the parents is disabled. If several conditions are fulfilled, the social allowance is then the sum of the basic allowance and the sum of allowances calculated as allowances with particular conditions, minus the basic allowance.

Note: The Social allowance is not modelled in EUROMOD, because there are not relevant data about the disability of the children.

- *Changes in 2012*

The benefit was cancelled.

- *Changes in 2013*

No changes.

- *Changes in 2014*

No changes.

- *Changes in 2015*

No changes.

2.4.2.3 Housing Benefit (bho_cz)

The household is entitled to this benefit if its housing costs are higher than 30% (35% in Prague) of the net household income, while the housing costs are at most the normative costs. The normative costs are declared by the Ministry of Labour and Social Affairs, reflecting the number of persons in the household, the number of inhabitants in the municipality, and the type of housing (rental and other). The amount of the housing benefit is equal to the difference between the normative costs and 30% (35% in Prague) of the net household income. If the net household income is lower than the MLS, the household is entitled to the benefit if its housing costs are higher than 30% (35% in Prague) of the MLS. The amount of the benefit is 30% (35% in Prague) of the MLS.

Monthly normative costs (CZK)

Normative costs of housing in rental housing (CZK / month)					
Number of persons in family	Prague	Number of persons in family			
		Above 100,000	50,000 – 99,999	10,000 – 49,999	below 10,000
1	6,363	5,117	4,863	4,406	4,293
2	9,183	7,478	7,130	6,505	6,350
3	12,557	10,328	9,872	9,056	8,852
4 and more	15,744	13,055	12,506	11,521	11,276

Normative costs of co-operative housing and owner housing					
Number of persons in family	Prague	Number of inhabitants in the municipality			
		Above 100,000	50,000 – 99,999	10,000 – 49,999	below 10,000
1	3,723	3,723	3,723	3,723	3,723
2	5,584	5,584	5,584	5,584	5,584
3	7,818	7,818	7,818	7,818	7,818
4 and more	9,950	9,950	9,950	9,950	9,950

- *Changes in 2012*

New monthly normative costs (CZK)

Normative costs of housing in rental housing (CZK / month)					
Number of persons in family	Prague	Number of persons in family			
		Above 100,000	50,000 – 99,999	10,000 – 49,999	below 10,000
1	7,068	5,616	5,352	4,563	4,379
2	10,144	8,157	7,796	6,715	6,464
3	13,813	11,214	10,742	9,330	9,001
4 and more	17,269	14,135	13,565	11,862	11,466

Normative costs of co-operative housing and owner housing					
Number of persons in family	Number of inhabitants in the municipality				
	Prague	Above 100,000	50,000 – 99,999	10,000 – 49,999	below 10,000
1	4,053	4,053	4,053	4,053	4,053
2	6,042	6,042	6,042	6,042	6,042
3	8,421	8,421	8,421	8,421	8,421
4 and more	10,699	10,699	10,699	10,699	10,699

- *Changes in 2013*

New monthly normative costs (CZK)

Normative costs of housing in rental housing (CZK / month)					
Number of persons in family	Number of persons in family				
	Prague	Above 100,000	50,000 – 99,999	10,000 – 49,999	below 10,000
1	7,489	5,964	5,687	4,858	4,665
2	10,750	8,663	8,284	7,150	6,886
3	14,637	11,908	11,412	9,929	9,584
4 and more	18,307	15,017	14,419	12,631	12,214

Normative costs of co-operative housing and owner housing					
Number of persons in family	Number of inhabitants in the municipality				
	Prague	Above 100,000	50,000 – 99,999	10,000 – 49,999	below 10,000
1	4,396	4,396	4,396	4,396	4,396
2	6,557	6,557	6,557	6,557	6,557
3	9,131	9,131	9,131	9,131	9,131
4 and more	11,615	11,615	11,615	11,615	11,615

- *Changes in 2014*

New monthly normative costs (CZK)

Normative costs of housing in rental housing (CZK / month)					
Number of persons in family	Number of persons in family				
	Prague	Above 100,000	50,000 – 99,999	10,000 – 49,999	below 10,000
1	7,711	6,156	5,873	5,028	4,809
2	11,081	8,952	8,566	7,409	7,110
3	15,096	12,312	11,807	10,294	9,903
4 and more	18,899	15,542	14,932	13,108	12,636

Normative costs of co-operative housing and owner housing					
Number of persons in family	Number of inhabitants in the municipality				
	Prague	Above 100,000	50,000 – 99,999	10,000 – 49,999	below 10,000
1	4,448	4,448	4,448	4,448	4,448
2	6,644	6,644	6,644	6,644	6,644
3	9,263	9,263	9,263	9,263	9,263
4 and more	11,792	11,792	11,792	11,792	11,792

- *Changes in 2015*

New monthly normative costs (CZK)

Normative costs of housing in rental housing (CZK / month)					
Number of persons in family	Number of persons in family				
	Prague	Above 100,000	50,000 – 99,999	10,000 – 49,999	below 10,000
1	7,623	6,052	5,767	4,913	4,730
2	10,957	8,807	8,417	7,249	6,998
3	14,903	12,092	11,581	10,053	9,726
4 and more	18,674	15,283	14,668	12,825	12,430

Normative costs of co-operative housing and owner housing					
Number of persons in family	Number of inhabitants in the municipality				
	Prague	Above 100,000	50,000 – 99,999	10,000 – 49,999	below 10,000
1	4,409	4,409	4,409	4,409	4,409
2	6,588	6,588	6,588	6,588	6,588
3	9,159	9,159	9,159	9,159	9,159
4 and more	11,676	11,676	11,676	11,676	11,676

2.4.2.4 Parental Allowance (bfapl_cz)

Parental allowance is available for a parent who cares in person and on a daily basis for a child up to four years old (or up to seven years old when the child is disabled). If the person receives maternity benefit or sickness benefit associated with childbearing, the amount of these benefits is subtracted from the parental allowance. It is a non-means-tested benefit.

Note: due to lack of information in the data about parents who care in person for children, EUROMOD simulations take eligibility from the data (i.e., only those reporting parental allowance in the data are eligible for this benefit).

The parent can select the period of support and also the amount of the allowance, as follows:

- faster draw-down of parental allowance – after maternity benefit (hereinafter referred to as MB) at the increased rate (11,400 CZK) until the child is 24 months old; only parents

- who are entitled to MB of at least 380 CZK per calendar day may request this form of draw down;
- standard draw-down – after MB at the basic rate (7,600 CZK) until the child is 36 months old; only parents who are entitled to MB may request this form of draw down;
- slower draw-down – after MB or from the birth of the child (if the parent is not entitled to MB) at the basic rate (7,600 CZK) until the child is 21 months old and after it at the reduced rate (3,800 CZK) until the child is 48 months old.

In the case of disabled children, the parent is entitled to parental allowance at the basic rate (7,600 CZK) until the child is 7 years of age, from the day on which the child is diagnosed as a child suffering from a long-term disability or a severe long-term disability, regardless of the form of draw-down that had been previously selected (prior to the diagnosis of the child's state of health). If the child draws care allowance (according to Act on Social Services), the parent is entitled to half-pay parental allowance. If the child diagnosed as a child suffering from a long-term disability or a severe long-term disability does not draw care allowance, the parent is entitled to parental allowance at the lower rate (3,000 CZK) from 7 to 10 years of the child's age.

A parent is entitled to parental allowance provided:

- a child under the age of 3 years attends a creche or other facility for pre-school children for a maximum of 5 calendar days in a month;
- a child over the age of 3 years attends a kindergarten or similar facility for pre-school children for no more than 4 hours a day or a maximum of 5 calendar days in a month;
- the child attends a remedial care centre, creche, kindergarten or similar facility for disabled pre-school children for no more than 4 hours a day;
- a child of a disabled parent attends a creche, kindergarten or similar facility for pre-school children for no more than 4 hours a day;
- a child diagnosed as a child suffering from a long-term disability or a severe long-term disability attends a creche, kindergarten or similar facility for pre-school children for no more than 6 hours a day or performs compulsory education.

The parent's income is not tested; the parent may carry out an occupational activity without losing their entitlement to parental allowance. However, during the period of this occupational activity, the parent must ensure that the child is in the care of another adult.

Note: due to lack of information in the data about the parents choices of period of support and amount of the allowance, EUROMOD simulations assume that all parents opt for the "standard draw-down" allowance.

- **Changes in 2012**

Parental allowance is provided until the total amount of 220,000 CZK is drawn, maximum up to 4 years of child's age.

A parent may select the amount of parental allowance and thus the period of its drawing under the condition that at least one parent in a family is a person participating in sickness insurance. The maximum value of the allowance is 11,500 CZK per month for a period of 19 months; the minimum value is 7,600 CZK per month for the first 9 months and then 4,600 CZK until the fourth year of the child.

Note: Most people in the Czech Republic fulfil the conditions for selecting dose level. Due to limitation of data we assume that everyone choose to receive benefits for 36 months, which means a monthly benefit in the amount of 6.111 CZK.

- **Changes in 2013**

No changes.

- **Changes in 2014**

No changes.

- **Changes in 2015**

No changes.

2.4.2.5 Birth Grant (bchba_cz)

Families are entitled to the birth grant provided the family income (defined in the same way as net household income for child allowance) in the calendar quarter prior to the birth of the first child does not exceed 2.4 times the family's living minimum. The birth grant amounts to 13,000 CZK for the first live-born child. If another live-born child/children is/are born together with the first live-born child the total birth grant is 19,500 CZK. The benefit is paid only in the case of the birth of the first child.

Note: Income test modelled on current years' income. Means-tested incomes defined in the same way as in case of child allowance, but parental allowances are excluded from the income test (as income should refer to the calendar quarter before the birth of the first child). Assumption made that observed siblings in the family are all sibling

- **Changes in 2012**

No changes.

- **Changes in 2013**

No changes.

- **Changes in 2014**

No changes.

- **Changes in 2015**

Birth grant is relevant as well for the second child. In this case the amount is 10,000 CZK. Families are entitled to the birth grant provided the family income (defined in the same way as net household income for child allowance) in the calendar quarter prior to the birth of the first child does not exceed 2.7 times the family's living minimum.

2.4.3 Social Assistance

2.4.3.1 Social Assistance Benefits (Benefits of Material Needs – bsa_s)

Social necessity benefit serves as a last resort. A family and a dependent child are defined in the same way as for state social support, with the exception of housing benefit. The condition that the household must meet the costs of living together is always tested here. A temporary period spent outside the household for the purposes of work or training for future employment is allowed.

The net household income for the purpose of testing eligibility for the benefits is defined as 70% of work and other taxable income (net income) + 80 % of unemployment benefits and sickness benefits + 100 % of other income (e.g. pensions) but without tax bonus and housing benefit.

New benefits of social assistance are:

- Allowance for Living
- Supplement for Housing
- Extraordinary Immediate Assistance

Allowance for Living (bsa00_s)

Persons or families are entitled to an allowance for living if the income of these persons or families is less than the amount of living when “reasonable” housing costs have been deducted. Amount of living is equal (in “standard” situation) to the sum of MLS.

The amount of the allowance for living is set as the difference between the amount of living of a person or family and the income of that person or family, less reasonable housing costs. (Reasonable housing costs are the cost of housing to a maximum of 30%, in Prague 35%, of the income of the person or family).

Supplement for Housing (bsaho_s)

It is targeted at households whose net household income, including housing benefit and social assistance benefit and after paying housing costs (at most the normative costs), is still lower than the MLS. Their income is then topped up to the MLS on the assumption that the individual actively seeks a job.

Extraordinary immediate assistance

This is provided to persons who find themselves in situations that have to be resolved immediately. The Act addresses five situations that justify this benefit:

1. Where persons do not meet the conditions of material need but, due to a lack of funds, suffer from a serious threat to their health. The benefit tops up a person’s income so that it is level with the existence minimum (or the subsistence minimum in cases of dependent children).
2. Where persons are victims of a serious extraordinary event (a natural disaster, storms and gales, ecological disaster, fire, etc.) The maximum amount of the benefit is fifteen times the individual’s subsistence minimum.
3. Where persons do not have enough resources to cover essential one-off expenditure connected, in particular, with the payment of an administrative fee for duplicate copies of personal documents or in cases of monetary loss. The maximum amount of the benefit is the amount of this one-off expenditure.
4. Where persons do not have enough resources to acquire or repair basic furniture or durables or to cover justified costs relating to the education or special interests of dependent children. The amount of the benefit may be a maximum of the specific expense, but the sum of benefits granted must not exceed ten times the individual’s subsistence minimum in one calendar year.
5. Where persons are at risk of social exclusion. This concerns, for example, the situation of persons who have been released from custody or from prison, who have left an orphanage or foster care on reaching adulthood, or who have completed treatment for an addiction. A benefit of up to 1,000 CZK may be granted. The benefit may be awarded repeatedly, but the sum of benefits granted in one calendar year may not exceed four times the individual’s subsistence minimum.

Note: due to lack of information in the data about this type of circumstances, EUROMOD simulations don’t include Extraordinary immediate assistance.

Since 2009 a new element was added to calculation of Total minimum living standard for social assistance. If an adult person is without work more than 6 months, the minimum living standard for social assistance is just subsistence minimum and not Subsistence minimum + 0.5*(minimum living standard - Subsistence minimum). It is not relevant for pensioners, sick persons and people, who are participating on the public work.

- *Changes in 2012*

No changes.

- *Changes in 2013*

No changes.

- *Changes in 2014*

No changes.

- *Changes in 2015*

Two changes in the construction of Supplement for Housing have been implemented. Persons of the same domicile address are considered in the same unit of assessment. If the persons live in lodging house the maximum amount of housing costs is 75 % of normative costs.

2.5 Social contributions

The social contributions in the Czech Republic can be divided into two parts:

- Social insurance and state employment policy contributions consist of pension insurance, contributions for the state employment policy and sickness insurance.
- Contributions for public health insurance

2.5.1 Employee social contributions

Social insurance and state employment policy contributions

The contributory base for employee is the gross wage plus any bonuses, standby-duty remuneration, etc. of the employee, but not income which is not subject to income taxation, income from occasional work, compensations, rewards for increased productivity, etc.

Contributions for Public Health Insurance

The contributory base is the same as in Social insurance and state employment policy contributions. But there is a minimum contributory base, which is equal to minimum wage (it is not applied, if the person uses the minimum contributory base as self employed). For those who do not have permanent income such as students, pensioners, children, the state pay minimum insurance, therefore the minimum contributory base is not relevant in these cases. A maximum contributory base was introduced in 2008. Information on the contribution rates and maximum contribution bases is provided below.

Contribution rates in 2011-2015:

	<i>Employee</i>	<i>Employer (per employee)</i>	<i>Entrepreneur</i>
Social Insurance	6.5%	25.0%	29.2%
Of which: Pension	6.5%	21.5%	28.0%
Unemployment	n/a	1.2%	1.2%
Sickness	n/a	2.3%	2.3%*
Health Insurance	4.5%	9.0%	13.5%
Total	11.0%	34.0%	44.1%

Note: * paid on a voluntary basis.

Maximum contribution bases in 2009-2013 (in CZK per year):

<i>Max base for:</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
Public Health Insurance contributions	1 781 280	1 809 864	-	-	-
Soc. insurance and state employment policy		1 206 576	1 242 432	1 245 216	1 277 238

contributions

* Applied for both for income from employment and business activities. If the person has both types of income (job and business), the contribution bases are summed.

- ***Other changes in 2012***

A maximum annual contributory base was introduced in different amounts for Social insurance and state employment policy contributions and Contributions for Public Health Insurance.

- ***Other changes in 2013***

A maximum contributory base was cancelled in the case of Contributions for Public Health Insurance.

- ***Other changes in 2014***

No changes.

- ***Other changes in 2015***

No changes.

2.5.2 Employer social contributions

Social insurance and state employment policy contributions

Contributory base is the same as in the case of employee. Information on the contribution rates and maximum bases provided in section 2.5.1.

Contributions for Public Health Insurance

Contributory base is the same as in the case of employee. Information on the contribution rates and maximum bases provided in section 2.5.1.

- ***Changes in 2012***

A maximum contributory base was introduced in different amounts for Social insurance and state employment policy contributions and Contributions for Public Health Insurance (see section 2.5.1).

- ***Changes in 2013***

A maximum contributory base was cancelled in the case of Contributions for Public Health Insurance. New amount for Social insurance and state employment policy contribution base (see section 2.5.1).

New part of the pension insurance was introduced. The person can apply to the second pillar and start paying insurance for pension savings (pojistné na důchodové spoření). The rate is 5 %. If the person is registered to the second pillar, the rate of pension insurance (paid by employee or self-employed) reduced by 3 percentage points. *Note: the new part of pension not modelled in 2013 due to lack of information on enrolment and scope.*

- ***Changes in 2014***

New amount for Social insurance and state employment policy contribution base (see section 2.5.1).

- *Changes in 2015*

New amount for Social insurance and state employment policy contribution base (see section 2.5.1).

2.5.3 Self-employed social contributions

Social insurance and state employment policy contributions

Entrepreneurs pay pension insurance and contributions for the state employment policy, while sickness insurance is paid on a voluntary basis. For entrepreneurs it is important, if the business activity is the main source of income or not. In 2011 the business activity is the main source of income, if the monthly income from wages and salaries is lower than 2,000 CZK. In 2012 this amount was increased to 2,500 CZK. Income from business activity is minor source of income as well, if the person is student (and the age is lower or equal to 26) or pensioner. If the person has both types of income (job and business), the contribution bases are summed.

a) If income from business activity is the main source of income

- For entrepreneurs, the base is 50 % of net income (gross income minus costs) in the last year, but not more than the maximum contribution base (see table in section 2.5.1).
- There is an annual minimum contribution base of (in CZK per year):

<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
74 220	75 420	77 652	77 832	79 836

b) If income from business activity is the minor source of income

- If the year gross income minus costs is lower than 56,532 CZK, there is no obligation to pay social insurance. In other cases the participation in the social insurance is compulsory and the contribution base is 50% of net income in the last year, but not more than the maximum contribution base (see table in section 2.5.1).
- There is not obligation to pay social insurance if the annual gross income minus costs is lower than (in CZK per year):

<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
59 374	60 329	62 122	62 261	63 865

Contributions for public health insurance

For entrepreneurs, the base is 50% of net income in the last year, but not more than the maximum contribution base (see table in section 2.5.1).

If the income from business activity is the main source of income, the annual contribution base cannot be lower than (in CZK per year):

<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
148 440	150 822	155 304	155 652	159 666

If the person has both types of income (job and business), the contribution bases are summed.

The maximum contribution bases for both types of contributions are updated annually and are the same as in case of employees. See table in Section 2.5.1 for details.

- *Other changes in 2012*

The business activity is the main source of income, if the month income from wages and salaries is lower than 2,500 CZK per month.

- ***Other changes in 2013***

A maximum contributory base was cancelled for Contributions for public health insurance.

- ***Other changes in 2014***

No changes.

- ***Other changes in 2015***

No changes.

2.5.4 Credited insurance contributions (cot_cz)

For those who do not have permanent income such as students, pensioners, children, unemployed registered at the labour offices the state pays minimum insurance to health insurance companies. State minimum insurance is calculated as a multiple of the contributory base for state-insured and rate 13.5%. The value of the contributory base is determined by government decree. These amounts (per month) were: 2011-10/2013 CZK 5.355, 11/2013-6/2014 CZK 5.829, since 7/2014 CZK 6.259.

2.6 Personal income tax

2.6.1 Tax unit

Personal income tax is paid by any person who has residence or lives in the Czech Republic for at least 183 days in a year. Taxable income includes all income earned in the Czech Republic and abroad. If a person lives in the Czech Republic for the purpose of study or recuperation or less than 183 days in a year, the taxable income is only the income from the Czech Republic.

- ***Changes in 2012***

No changes

- ***Changes in 2013***

No changes

- ***Changes in 2014***

No changes

- ***Changes in 2015***

No changes

2.6.2 Exemptions

The tax base does not include income from selling one's own house or flat if a person has lived there for at least two years before the transfer, and if the house or flat was not used for business purposes, or if the time between buying and selling the house or flat was more than five years². Nor does it include loans and drafts, income from property insurance, sickness benefits, state social support, social assistance, unemployment benefit, income from public health insurance,

²Furthermore, the tax base does not include income from selling chattels with the exception of personal vehicles, ships and aeroplanes, provided that the time between buying and selling these items was less than one year.

the amount of pensions lower than 36 * minimum wage per year, maintenance paid to soldiers, stipends, donations from the state budget, tax bonuses, benefactions, alimony, travel expenses paid by employers, meals or beverages provided by employers, complementary pension insurance with the state support paid by employers up to 5% of the gross wage, interest income from savings for building purposes or purchase of a house for which state support is provided, gift income not exceeding 500 CZK, winnings in state lotteries, income from appreciation of currency, and income taxed according to a separate tax scheme.

If annual taxable income from employment, business and rental exceeds 840 000 CZK, the total value of pensions has to be taxed.

- **Changes in 2012**

No changes.

- **Changes in 2013**

The change in the taxation of pension: if the pensions are lower than 36 * minimum wage per year, they are not taxed.

- **Changes in 2014**

No changes.

- **Changes in 2015**

The following changes have been introduced: if annual taxable income from employment, business and rental exceeds 840 000 CZK, the total value of pensions has to be taxed.

2.6.3 Tax allowances

Taxpayers may deduct the following allowances from their tax base (in CZK per year):

- *Gifts to charitable organisations* may be deducted if the amount of the gift is at least 2% of the tax base or 1,000, and if the charity is recognised by the state. The taxpayer may deduct at most 10% of the tax base.
- *Interest* used for mortgage repayments.
- *Complementary pension insurance with state support*. The total deductible amount is the sum of all payments to complementary pension funds less 6,000. The amount deducted may not exceed 12,000.
- *Private life insurance*. The maximum total deductible amount is 12,000. The taxpayer must be insured for at least five years, and must be under 60. The minimum amount of insurance premium is 40,000 if the duration of insurance is between 5 and 15 years, and 70,000 if the duration is more than 15 years.
- *Labour union fees*. The taxpayer may deduct fees paid to labour unions. The maximum amount is either 1.5% of the taxable income or 3,000.

The taxpayer deducts 1/12 of the amount for each month during which the conditions listed above are met. In the case of personal exemption, the taxpayer deducts the whole amount if the conditions are met at least on the last day of the year.

- **Changes in 2012**

No changes

- **Changes in 2013**

Complementary pension insurance with state support: the total deductible amount is the sum of all payments to complementary pension funds less 12,000 CZK per year. The amount deducted may not exceed 12,000.

- **Changes in 2014**

Gifts to charitable organisations may be deducted if the amount of the gift is at least 2% of the tax base or 1,000, and if the charity is recognised by the state. The taxpayer may deduct at most 15% of the tax base.

- **Changes in 2015**

No changes.

2.6.4 Tax base

The tax base for personal income tax is divided into five partial tax bases:

1. super gross wages and salaries (since 2008);
2. income from business activities including income from agriculture, forestry and fishery; income from copyright;
3. capital income including dividends, interest, revenues from expiration of contract of complementary pension insurance with state support; income from life insurance (minus premium paid); income from options and forwards;
4. rental income;
5. and other income.

Wages and Salaries

If the amount of wages and salaries is less than 5,000 CZK per month and the character of the job is occasional, it is taxed by a separate tax rate (15 %).

Since 2008 the social and health insurance contribution paid by employer is a part of the partial tax base of “Wages and salaries”.

Note: due to lack of information in the data about occasional jobs, EUROMOD simulations don't include this special rate for low wages and salaries.

Income from business activities

Entrepreneurs may account for losses in order to reduce their profit, but only in the case of the same activity. For entrepreneurs, taxable income is also net of costs (social and health insurance contribution is not tax deductible item). Instead of deducting the amount of actual costs, a taxpayer may replace it by 80% of revenues from agriculture, forestry, fishery and craft, 60 % of revenues of non-craft activities, 40% of revenues of copyright or 30% of rental revenues.

If the entrepreneur's spouse helps the entrepreneur with his or her business, the taxable income from this partnership is divided such that the partner may have taxable income of at most 50% or 540,000 CZK per year (or 45,000 CZK for each month of the business partnership) of the total taxable income of the married couple. If more persons live with an entrepreneur in the same household and help him or her with his business, the taxable income is then divided so that the entrepreneur's partners may have at most 30% or 180,000 CZK per year (or 15,000 per month) of total taxable income. If a child in the household is a business partner, the parents are not eligible for a tax allowance per child or for a tax bonus per child. Children in compulsory schooling may not be made partners.

Honorariums of less than 7,000 CZK per month are taxed at a separate tax rate (15 %).

Note: due to lack of information in the data we taxed this type of income as a part of the tax base that is taxed at a progressive rate.

Capital income

Almost all incomes are taxes by the separate tax rate (15 %).

Rental income

The taxable income is net of costs.

Other income

Other income includes income from occasional activities exceeding 20,000 CZK per year, income from the transfer of own real estate (with exemptions described below), nourishments, pensions exceeding 36 * minimum wage per year, winnings in lotteries exceeding 10,000 CZK.

The total tax base is the sum of the five partial tax bases mentioned above. The total tax base cannot be lower than the partial tax base "wages and salaries".

- *Changes in 2012*

No changes.

- *Changes in 2013*

No changes.

- *Changes in 2014*

Honorariums of less than 10,000 CZK per month are taxed at a separate tax rate (15 %).

Income from occasional activities exceeding 30,000 CZK per year is not taxed.

- *Changes in 2015*

No changes.

2.6.5 Tax schedule

Just one rate – 15 %.

- *Changes in 2012*

No changes.

- *Changes in 2013*

New additional tax rate was introduced. If the income from Wages and Salaries and from business activities exceeds the maximum contributory base for social insurance and state employment policy contributions, the income, which is above this amount, is taxed by addition tax rate 7 %. If the income from business activities is below 0 (loss), for this purpose is calculated as 0.

- *Changes in 2014*

No changes.

- *Changes in 2015*

No changes.

2.6.6 Tax credits

2.6.6.1 "Standard" tax credits:

- *Personal tax credit* for each taxpayer (in CZK per year):

<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
23,640	24,840	24,840	24,840	24,840

- *Spouse tax credit* (24,840 CZK) applies if a spouse lives with the taxpayer in the same household and does not have a yearly income higher than 68,000 CZK. The income of the spouse tested for this purpose is generally in gross terms. It does not include disability pension, state social support, social care benefits, state support for complementary pension insurance, state support for savings for building purposes, or stipends. The tax credit doubles (49,680 CZK) if the spouse is disabled.
- *Disability tax credit* is divided into 3 levels: 1) Disability 1st level – tax credit 2,510 CZK per year; 2) Disability 2nd level – tax credit 2,510 CZK per year and 3) disability 3rd level tax credit 5,040 CZK per year.
- *Student tax credit* (4,020 CZK) may be applied if the taxpayer is less than 26 and is an undergraduate student, or when he/she is a graduate student and is less than 28.

Note: When modelling Disability tax credit partial disability is assumed for all recipients due to lack of information on disability level.

- ***Other changes in 2012***

No changes.

- ***Other changes in 2013***

No changes.

- ***Other changes in 2014***

The tax credit compensating the cost of placing a child in kindergarten has been introduced. Its amount depends on the payment for kindergarten. Maximum amount of this credit is equal to minimum wage.

- ***Other changes in 2015***

No changes.

2.6.6.2 Refundable child tax credit

Persons, who care for dependent children, may deduct (after the use of standard credits) from their income tax a tax credit per child. A child or children must live in the same household as the parents (or may alternatively be temporarily placed in institutions for the purpose of study or preparation for future work). Persons are eligible for an allowance for each month in which the conditions are met. The amount of the tax credit is (in CZK per child per year):

<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
11,604	13,404	13,404	13,404	13,404 *
				15,804**
				17,004***

* first child, ** second child, *** third and other children

If the tax duty is lower than the tax credit, the difference is called a tax bonus and is paid to the taxpayer, while the taxpayer's tax duty is then zero. The tax bonus is paid just in the case that the taxable income of the person is higher than 6 times the minimum wage per year. The maximum amount of tax bonus is 52 200 CZK per year. If the tax duty is higher than the tax credit, the taxpayer pays the difference between the two. Only one parent can claim the refundable child tax credit.

A dependent child for the purposes of tax allowance or bonuses is defined as an own child, adopted child, child in foster care, children of one's spouse and grandchildren if they are younger than 18, or younger than 26 if not receiving full invalidity pension and currently preparing for future employment. A child who cannot prepare for future employment because of injury, long-term illness or disability that prevents work is also considered a dependent.

- ***Other changes in 2012***

The maximum amount of tax bonus is changed to 60,300 CZK per year

- ***Other changes in 2013***

If taxpayer uses expenses, which are calculated as a % of income (possible in the case of income from business activities and rental income), and these types of income represent more than 50 % of the tax base, it is not possible to apply refundable child tax credit and spouse tax credit.

Note: It is not modelled in EUROMOD as no information available on the share of expenses applied to income from business activities and rental income.

- ***Other changes in 2014***

No changes.

- ***Other changes in 2015***

Higher tax credits for the second and third children were introduced (see table above).

3. DATA³

3.1 General description

EUROMOD database description

EUROMOD database	CZ_2012_a2
Original name	EU-SILC and Životní podmínky (SILC) 2012
Provider	Eurostat and Czech Statistical office
Year of collection	2012
Period of collection	Feb 25 – May 13, 2012
Income reference period	Year 2011
Sampling	Two stage random sampling
Unit of assessment	HH[1]
Coverage	Private households[2]
Sample size	20,238 IND 10 331 HH
Response rate	84,9%

Notes:

[1] One person living alone or a group of people living at the same apartment (address) **and** sharing expenditures (housekeeping concept). If more than one household was found in a dwelling unit, all HH in selected dwellings were included as eligible for the survey.

[2] households living at private residential addresses

SILC survey is a survey introduced in the Czech Republic following Eurostat guidelines and it added to already existing surveys, namely quarterly rotating panel of Labour Force Survey (VŠPS) and annual Household Budget Surveys. First survey was done in 2006 (SILC 2005).

The SILC survey is regarded as a multipurpose source. Data have been used for several official and unofficial income distribution analyses and for tax/benefit modelling. SILC is the only suitable survey available for EUROMOD purposes thanks to its annual frequency and information on both labour statuses and incomes.

The survey was carried out in all regions of the Czech Republic. The interviewers visited 7 112 dwellings whose questionnaires were completed in the previous year, 184 dwellings where a sample person from the previous wave moved to and 3 600 newly selected dwellings.

The sample was obtained by applying a two-stage probability sampling scheme to each of the 14 administrative regions (NUTS3 regions) independently. The total number of dwellings selected in each region was proportional to the region's size. At the first sampling stage small geographical areas (CEUs - census enumeration units or districts) were selected by probability sampling. These CEUs served as a basis for the second-stage selection (a sample of 10 dwellings was drawn from each CEU).

Before selecting the sample of dwellings, the sampling frame had to be adjusted to enable incorporation of small census enumeration units into the sampling process to reach the required full geographical coverage of the national territory. Small CEUs (with less than 20 inhabited dwellings) were merged with adjacent CEUs and the resulting larger CEUs entered the first stage of sampling. Therefore, in some cases, the 10 chosen dwellings could belong to two or more (in exceptional cases) CEUs.

³ Information provided in this section has been provided by the CSO, accompanying the national version of the SILC 2012 database. Internet: <https://www.czso.cz/csu/czso/household-income-and-living-conditions-2012-7t6rt98jse>

The CZSO's regional fieldwork units (each covering one of the 14 NUTS3 administrative regions) received the list of selected dwellings (addresses + identification numbers of flats in apartment buildings). Before the actual fieldwork, the regional fieldwork units' staff carried out the identification of the selected dwellings and filled in the contact names on the list of selected dwellings for interviewers.

The sampling unit is a dwelling. During the first-wave visit all households and all the persons who have the dwelling as their main place of residence are surveyed. This rule also applies to foreign nationals and subtenants. During the waves 2-4 only those households are surveyed which include a panel person (those surveyed in the 1st wave). Panel persons who moved from the original households are followed up. At their new address, all persons who are members of the same household as the panel person are surveyed.

Methods of acquiring data were carried out by dual scheme. A part of the selected households was still interviewed using paper questionnaires (PAPI); a part was interviewed with an electronic questionnaire (CAPI).

Data collection lasted from February 25 to April 29 (PAPI) or to May 13 (CAPI) 2012. Collection of data was coordinated by workers from regional departments responsible for fieldwork. Workers from regional departments also conducted methodical training of fieldworkers.

The primary database used for the Euromod is the Eurostat UDB SILC for the Czech Republic. Since some variables are needed in greater disaggregation, these are added from the SILC database provided directly by the CSO (it contains variables defined differently from the Eurostat UDB). In particular, following variables are being used from the Czech SILC database (Czech acronyms in brackets)⁴:

- dmp (vel) – population size of residential unit to account for different housing allowance;
- bch00 (pbydl) – Housing Allowance (příspěvek na bydlení) – child allowances;
- bchmt (socp) – Social Allowance (sociální příspěvek + zaopatřovací příspěvek till 2004) reported at household level;
- bfapl (rodp) - Parental Allowances (rodičovský příspěvek);
- bfafp (pestp) - Foster Care Benefits (dávky pěstounské péče);
- bfaot (ostdav) - Other Social Benefits including Birth and Funeral Grant (ostatní dávky SSP = porodné a pohřebné);
- tin (dan) – Income Tax at personal level (daň z příjmů fyzických osob);
- tsc (pojis) - Health and social insurance contribution of employee at individual level (zdravotní a sociální pojistné odvody zaměstnance);
- cz_pensiontype (dduch) - Czech system types of pensions (druh důchodu);
- cz_pensiont (duch) - Total amount received in pension benefits according to Czech types in cz_pensiontype (důchod).

Size of the household - number of household members on the date of the interview, including persons temporarily away if the period of actual or foreseen absence is shorter than 6 months and the person has no other private address. For persons studying away from home, the period of absence may be longer than 6 months, provided that the person has no private address and retains financial ties to other household members. Persons with a period of absence longer than 6 months, persons without financial ties to the household and persons temporarily present at the time of the interview who have their private address elsewhere are excluded.

⁴ Variables are reported at household level if not stated otherwise.

Sample quality and weights

- *Non-response*

The fieldwork revealed that among the total of 10 896 dwellings in the sample there were 622 (5,7 %) dwellings either unoccupied, or the address did not exist or the survey was not possible, e.g. because the households had moved. Since substitution for the ineligible units is not allowed, the survey was conducted in 10 274 dwellings and 10 331 households (there was more than one household in some of the dwellings). The overview of the survey response is presented in the following table:

	Households			Response rate (%)		
	Total	1st wave	2nd-4th wave	Total	1st wave	2nd-4th wave
Response, total	8 773	1 983	6 790	84,9	60,5	96,3
Non-response, total	1 558	1 295	263	15,1	39,5	3,7
refusals (unwillingness to give information)	1 228	1 018	210	78,8	78,6	79,8
household not contacted, temporarily absent	207	178	29	13,3	13,7	11,0
household unable to respond (health limitation)	75	58	17	4,8	4,5	6,5
other reasons (linguistic etc.)	48	41	7	3,1	3,2	2,7

Refusals also include situations when the household did not refuse the survey as such, but did not agree to provide the information on income to an extent that would qualify the household as successfully interviewed. The definition of successfully interviewed household allowed missing income data for only one person that is not the household's head.

The category comprising non-contacts or those temporarily absent covers situations when the interviewer was not able to contact the selected household, despite having made the prescribed minimum number of attempts at personal contact. The overview of the survey response in the CR and its regions is showed in the following table:

Region (NUTS3)	Total			1st wave			2nd-4th wave		
	HHs in survey	response		HHs in survey	response		HHs in survey	response	
		count	%		count	%		count	%
Hl. m. Praha	1 168	922	78,9	448	240	53,6	720	682	94,7
Stredocesky	1 186	1 029	86,8	374	244	65,2	812	785	96,7
Jihocesky	693	628	90,6	204	149	73,0	489	479	98,0
Plzensky	558	486	87,1	173	105	60,7	385	381	99,0
Karlovarsky	244	193	79,1	88	44	50,0	156	149	95,5
Ustecky	815	690	84,7	255	156	61,2	560	534	95,4
Liberecky	415	346	83,4	135	78	57,8	280	268	95,7

Region (NUTS3)	Total			1st wave			2nd-4th wave		
	HHs in survey	response		HHs in survey	response		HHs in survey	response	
		count	%		count	%		count	%
Kralovehradecky	553	467	84,4	172	102	59,3	381	365	95,8
Pardubicky	477	410	86,0	147	94	63,9	330	316	95,8
Vysocina	541	471	87,1	161	104	64,6	380	367	96,6
Jihomoravsky	1 116	892	79,9	368	193	52,4	748	699	93,4
Olomoucky	640	551	86,1	196	127	64,8	444	424	95,5
Zlinsky	583	526	90,2	171	117	68,4	412	409	99,3
Moravskoslezsky	1 342	1 162	86,6	386	230	59,6	956	932	97,5
CZ total	10 331	8 773	84,9	3 278	1 983	60,5	7 053	6 790	96,3

Participation in the sample survey is voluntary; unlike the population census, households were not obliged to provide any information. A selected household has to be informed about the content of the survey and about the fact that their participation in the survey is voluntary. Whether to respond or not is left to the household's own deliberation. The main reasons for refusal are privacy reasons (objections against giving personal information and fear of abuse of personal data), fear of contact with interviewers as strangers. There is a considerable group of persons, who as a matter of principle strictly refuse to give any information.

- **Weights**

When compared with the data from other statistics and registers, selected characteristics of our sample showed that a phenomenon typical of household surveys had occurred - high level of non-response (in a rotational panel influenced by a prior response) had biased the proportions in the final data file from which results are obtained. The deformation of demographic characteristics and social structure of the sample did not allow us to use simple techniques of grossing up (post-stratification). To reach a sufficient level of bias elimination, which is the necessary pre-condition for obtaining good estimates, it was necessary to use more sophisticated methods.

In practice, the well-tried iteration method of weight calibration was utilized, which minimizes the difference between the known and the grossed up values of selected characteristics. Although it is a panel survey comprising data of four practically independent samples (waves 1-4), a simple calibration method was utilized which did not distinguish the waves but worked with all households together.

At the same time and according to the Eurostat's recommendations the standard system of integrated weights was used in the survey, i.e. a single set of grossing-up coefficients that was subsequently used to produce results for both households and individuals.

As the basis for calculations the following calibration variables were used:

- Number of inhabited dwellings in each NUTS3 region, subdivided into family houses (detached and semi-detached houses) and apartments, based on the 2001 Census and 2011 Census continuously updated from administrative sources of construction authorities
- Population characteristics:
 - Population totals in each NUTS3 region (from demographic statistics)
 - Economic activity characteristics in each NUTS3 region:

- Number of pensioners (excl. pensions for orphans) - based on the administrative data from the Ministry of Labour, Social Affairs and the Czech Social Security Administration and reduced the pensioners living out of the dwellings based on the 2011 Census
- Number of unemployed - registered unemployment from the administrative source of the Ministry of Labour and Social Affairs, corrected for unregistered unemployment using the Labour Force Survey data and for unemployment of the homeless and persons living in institutions or collective accommodation establishments (based on the 2011 Census)
- Number of self-employed - estimate based on the Labour Force Survey and on the administrative data from the Czech Social Security Administration
- Number of children aged 0-15 - from demographic statistics
- Demographic characteristics at the national level (based on the demographic statistics):
 - Age groups (0-15, 16-24, 25-34, 35-44, 45-54, 55-64, 65-74, 75+); Sex
- Municipality size (less than 2 000 inhabitants, 2 000-9 999, 10 000-49 999, 50 000 or more inhabitants)

The target population of the survey was persons living in private households, therefore the data from demographic statistics was adjusted by subtracting institutionalized population (from social security administrative data and Ministry of Justice) and the persons living outside dwellings as based on the 2011 Census.

As the sampling unit is the dwelling, all weight coefficients were calculated for dwellings and subsequently assigned to all persons and households in them (integrated weights).

The method described above deals with non-response successfully, i.e. it corrects the bias due to the specific composition of households that did not respond. First of all, it improves demographic and social structure but, as a by-product, it also eliminates deformation of income indicators related to these structures.

Another source of bias, which needs to be taken into account, stems from the method of interviewing. Data on income obtained during face-to-face interviews with household members has the tendency to underestimate certain income sources or data on some income components can be completely missing (item non-response). Not to reduce the size of the processed dataset the missing income was imputed using correct statistical methods.

In *Living Conditions 2012* the interviewer failed to obtain income information for one person in an otherwise successfully interviewed household only in 14 cases. The missing income of such individuals was replaced with income of another randomly selected person with the same characteristics, i.e. a simple hot-deck method was applied.

Underestimation of income is a natural consequence of the fact that respondents either tend to state lower than actual values or simply do not recall having had certain irregular or small incomes at all. It is, more or less, a non-sampling error, affected substantially by the incomes themselves and by their source. The possibilities to eliminate this underestimation are limited. In the presented survey, only such adjustments were made where there was a sufficiently reliable external statistical source or where the conjectures could be based on legislation.

If respondents stated income from employment as net, then the net income showed a significant tendency to be undervalued. This situation could arise when the employer deducts a certain amount from wages of the employee (e.g. alimonies or pension schemes contributions). This undervaluation was adequately compensated for. The compensation was based on other information used for computation of the gross amount. The level of gross income from employment was compared with the statistics of average wages broken down into sectors of activity and, for those who were revisited and who stayed in their former jobs, with the data obtained for 2010 (*Living Conditions 2011*). The undervaluation of gross income was not as

significant as in the case of net income. In some cases gross income was reported as net. In the clear cases appropriate corrections were applied. In the case of income from self-employment, there was no need for corrections.

In the case of social benefits for which there is legal entitlement (parental leave, child birth benefit, death grant provided to families of the deceased, to some extent also maternity leave), a check on their receipt by eligible households was applied and amounts provided were corrected according to the amounts set by the legislation. With old age benefits (pensions from the social security system) the tendency to underestimation is negligible but as there were falls in this kind of income without any outward reason, the amounts were corrected according to the last year's values. In addition, the pension valorization as of 1 January 2011 was taken into account.

It was not possible to correct the underestimation of sickness benefits (omissions related to short-term illnesses could not be identified in the existing data), means-tested social benefits whose claims depend on the previous income (prior to the income reference period), capital income, or income in kind and inter-household transfers.

The comparison of the aggregated income from this survey with the household sector aggregates of the national accounts (even after subtraction of items which are not covered by household income surveys) is problematic. Concerning its aggregated value the income obtained by direct questioning in households will always be lower. More important fact for evaluation of their credibility is that the trend in the development of household income follows trends in the national accounts. From this viewpoint, the presented results of *Living Conditions 2012* are reliable and, as to their time series, consistent. They are fully comparable with similar statistics produced in the EU states.

Descriptive Statistics of the Grossing-up weight

Number	2005	2007	2008	2010	2012
Mean	569.94	442.07	379.86	486.59	508.59
Median	520.55	396.13	337.54	446.56	469.51
Maximum	2600	3475	2875	1846	1695
Minimum	100	100	100	129	144
Max/Min	26.00	34.75	28.75	14.3	11.77
Decile 1	312.38	243.51	204.16	143.06	289.65
Decile 9	874.80	683.29	599.44	755.93	758.36
Dec 9 / Dec1	2.80	2.81	2.94	5.28	2.61

- ***Item non-response and under-reporting***

Another source of bias, which needs to be taken into account, stems from the method of interviewing. Data on income obtained during face-to-face interviews with household members has the tendency to underestimate certain income sources or data on some income components can be completely missing (item non-response). Not to reduce the size of the processed dataset the missing income was imputed using correct statistical methods.

In *Living Conditions 2012* the interviewer failed to obtain income information for one person in an otherwise successfully interviewed household only in 14 cases. The missing income of such individuals was replaced with income of another randomly selected person with the same characteristics, i.e. a simple hot-deck method was applied.

Underestimation of income is a natural consequence of the fact that respondents either tend to state lower than actual values or simply do not recall having had certain irregular or small incomes at all. It is, more or less, a non-sampling error, affected substantially by the incomes themselves and by their source. The possibilities to eliminate this underestimation are limited. In the presented survey, only such adjustments were made where there was a sufficiently reliable external statistical source or where the conjectures could be based on legislation.

If respondents stated income from employment as net, then the net income showed a significant tendency to be undervalued. This situation could arise when the employer deducts a certain amount from wages of the employee (e.g. alimonies or pension schemes contributions). This undervaluation was adequately compensated for. The compensation was based on other information used for computation of the gross amount. The level of gross income from employment was compared with the statistics of average wages broken down into sectors of activity and, for those who were revisited and who stayed in their former jobs, with the data obtained for 2010 (*Living Conditions 2011*). The undervaluation of gross income was not as significant as in the case of net income. In some cases gross income was reported as net. In the clear cases appropriate corrections were applied. In the case of income from self-employment, there was no need for corrections.

In the case of social benefits for which there is legal entitlement (parental leave, child birth benefit, death grant provided to families of the deceased, to some extent also maternity leave), a check on their receipt by eligible households was applied and amounts provided were corrected according to the amounts set by the legislation. With old age benefits (pensions from the social security system) the tendency to underestimation is negligible but as there were falls in this kind of income without any outward reason, the amounts were corrected according to the last year's values. In addition, the pension valorization as of 1 January 2011 was taken into account.

It was not possible to correct the underestimation of sickness benefits (omissions related to short-term illnesses could not be identified in the existing data), means-tested social benefits whose claims depend on the previous income (prior to the income reference period), capital income, or income in kind and inter-household transfers.

The comparison of the aggregated income from this survey with the household sector aggregates of the national accounts (even after subtraction of items which are not covered by household income surveys) is problematic. Concerning its aggregated value the income obtained by direct questioning in households will always be lower. More important fact for evaluation of their credibility is that the trend in the development of household income follows trends in the national accounts. From this viewpoint, the presented results of *Living Conditions 2012* are reliable and, as to their time series, consistent. They are fully comparable with similar statistics produced in the EU states.

3.2 Data adjustment

The developing team did not adjust the original data obtained from the CSO since all the necessary adjustments were done already by the CSO and the developing team does not have information detailed enough to inspect or even revise adjustments by the CSO which are described above.

3.3 Imputations and assumptions

3.3.1 Time period

The data contain the results for households and individuals aged 16 and older. The definition of household is based on the sharing of expenditures concept, in line with the definition of Paragraph 115 of the Civil Code - based on the declaration of the persons in the dwelling that they permanently live together and pool their finances to cover their needs. As the 16 year olds those persons were regarded who had reached this age by 31 December 2011. Reference periods:

- Demographic variables - age: 31 December 2011; marital status, education, housing, financial situation: the date of the interview.

- Work activity was collected for each month of 2011 as well as currently. Work activity figures are gathered by self-definition of the respondent (respondents themselves choose among different types of activity the one that fits them the most). Its value primarily depends on the respondent's main occupation and on the time spent in it. Subsequently, other data related to the respondent's work activity (status at work, profession) were collected as of the date of the interview. Parallel activities were surveyed (second job, study), together with data on receipt of pensions and parental benefits.
- Economic activity was not collected but derived from the monthly/yearly data (if monthly data was the basis, the activity with the highest incidence was coded as the yearly value). For those who completed their education in 2011 the latter half of the year was considered.
- Income data (both monetary and in kind): calendar year 2011.
- Subjective questions focused on housing and financial problems: the date of the interview.
- Health problems: last six or twelve months.
- Housing, consumer durables, financial and social situation of household: the date of the interview, unless the question specifically refers to some other period.
- Module questions: the date of the interview.

3.3.2 Gross incomes

Incomes related to household as a whole were collected at the household level. There were social benefits targeted at households, rental income and value of goods produced directly by the household through either private or professional activities.

Incomes collected at individual level: income from employment (main job, secondary jobs) incl. other income related to them (remunerations, shares, bonuses), income from contracts, income from self-employment, sickness benefits, old-age benefits, unemployment benefits, social benefits attributable at individual level (such as parental benefit or disability benefits) and other incomes (capital income, insurance claims).

Income from employment (both main job and possible secondary jobs) was collected both either gross of tax and social insurance or net, incomes from contracts only gross. Self-employed persons could choose from several ways to record the result of their enterprise. They could state the gross profit/loss according to their tax declaration, they could give the sum which served as the yearly basis for calculating their monthly health and social security contributions or could make their own estimate of their gross or net profit/loss. Family members co-operating in private enterprise run by another member of the family stated only proportionate part of the income from the business.

Rental income was collected either gross or net, based on what information respondents were able to provide. All other kinds of income were collected net and subsequently appropriate rules of the tax system were applied to estimate the gross amounts. In addition, the information was collected on claimed tax deductibles to enable calculation of taxes and social insurance contributions. Sum of individual net incomes then forms the main national indicator – net money income of the household.

Besides this national indicator of household income, it was necessary to construct an internationally comparable household income indicator, which is based on Eurostat methodology for EU-SILC surveys. This indicator is called disposable household income. The difference between these two definitions of the household income is in inclusion/exclusion of certain components of income (received lump sum and irregular inter-household transfers, non-cash employment income, regular taxes on wealth).

Household income in kind consists of consumption of food, products and services originating from the household's own production activity (for example food or domestic animals from own farm, value of food from own restaurant, value of timber from own forest) and of perquisites provided by employers (company car, company-paid or co-financed meals and other non-cash paid services). The CZK value of own-production in kinds was calculated from reported amounts using the average price of the given commodity. The amount of CZK 3000 was added to income in kind of an employee for each month of using a company car. The financial contribution of the employer to the employee's meals was calculated using the number of meals, their actual price and the subsidized price that the employee paid for them.

Selected income components:

- Income from employment was defined in line with the national tax law. It includes income from employment based on a contract or similar arrangement between employer and employee. It also includes incomes of owners of the incorporated business from work for their company, income of members of statutory boards and other governing bodies of corporations, remuneration based on holding of elected public posts, income of apprentices in vocational schooling for their work undertaken as a part of their practical training and income from flexible short-term contracts under special regime set in the Labour Code.
- Income from self-employment includes also income from farming activities, if these are conducted as a business activity, income from independent professional practices (lawyers, doctors) and income from intangible assets (copyrights, royalties).

Income from main employment includes income of employees from their main job. For multiple coincident jobs, the declaration of the main job was left to the respondent.

Income from secondary employment includes salaries from secondary jobs, conducted besides the main job or self-employment activity of the respondent and income from flexible short-term contracts under special regime set in the Labour Code.

Income from secondary self-employment activity is analogous to the secondary employment income. It includes income from secondary self-employment activity undertaken in addition to the main job of the respondent (where respondent declared employment contract as his/her main job).

- Social income is in principle net. Gross amounts were included for cases of pensions above the tax-exempt limit. In these cases, tax was applied to the amount above this limit (CZK 288 thousand). Gross amounts were included also for pensioner that their total gross income was above CZK 840 thousand. In these cases, whole pension was taxed.

Sickness benefits include all sorts of benefits from the social sickness insurance, i.e. maternity leave benefit, reduced employment income compensation in pregnancy and motherhood, income support for persons caring for household member in need of short-term care (mostly care for children during their illness). Since 2009 sickness benefits include work inability compensation paid by the employer.

Other social support benefits include social benefits for foster parents taking care of adopted children, birth and death grants.

Other social benefits include certain benefits connected to the termination of employment in selected professions, various other social benefits like benefit for persons providing long-term homecare for their relative in need, support for care in spas and other social benefits for families with children, old and disabled citizens, which are mostly administered by the municipal authorities.

Social exclusion allowances include regular and lump sum monetary benefits that help the household pay their food and housing bills, or contribute to satisfy their basic needs.

Social income from abroad although the benefactor is not the government of the Czech Republic went under respective rubrics and was mixed with the Czech government's help (pensions and child benefits).

▪ **Other income**

Income from capital contains interest from savings, bonds and various forms of deposits, dividends from shares, profits from incorporated businesses, income from investments abroad.

- Other income includes income from occasional property rentals, life and material insurance, sale of own-produced goods, income from organisations not elsewhere classified (scholarships and pocket money of apprentices, grants from charity and non-governmental organisations), lottery winnings, prizes, pay for occasional not contracted jobs, regular inter-household transfers (alimonies and the like).
- Household costs: In the case of more than one household in one dwelling unit, the costs were divided according to their actual contribution to their financing. When the household reported its housing costs only in one item as the rent paid for accommodation, the partial amounts were estimated based on the data from households, which provided the detailed information on their housing costs. Estimates were modelled by regression models taking into account the type of dwelling (family houses vs. other), type of rent (market rent vs. regulated rent contracts), number of household members and usual local level of housing costs (municipality, census enumeration unit).

3.3.3 Disaggregation of harmonized variables

Disaggregation is applied for family benefits *bfa* (derived from *hy050g*) such as $bfa = bfapl + bfafp + bfaot + bch00 + bchmt$ which represent national specific variables (Czech name in brackets: Parental Allowances (rodicovsky prispevek) + Foster Care Benefits (Davky pestounske pece) + Other Social Benefits (Porodne a Pohrebne = Birth and Funeral Grant) + Child Allowances (Pridavky na deti) + Social Allowances (Socialni priplatek).

Variable *cz_pensions* is derived from CZ SILC data variable Pensions (Duchody) which does not differentiate between 6 types of pensions. Variable *cz_pensiontype* is added providing coded information on pension type.

Social insurance variable *tscee* is created from CZ SILC variable (Zdravotni a socialni pojisteni) containing information on social and health insurance contributions paid by individuals (employees or self-employed) together. CZ SILC does not provide information on social and health insurance contributions paid by employers.

Variable *tin* (Personal Income Tax) is obtained from the CZ SILC variable (Dan z prijmu).

3.4 Updating

To account for any time inconsistencies between the input dataset and the policy year, updating factors are used. Each monetary variable (i.e. each income component) is updated so as to account for changes in the non-simulated variables that have taken place between the year of the data and the year of the simulated tax-benefit system. Updating factors are generally based on changes in the average value of an income component between the year of the data and the policy year. For detailed information about the construction of each updating factor as well as the sources that have been used, see Table 3.4.

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As a rule, updating factors are provided both for simulated and non-simulated income components present in the input dataset. Note, however, that in the case of simulated variables, the actual simulated amounts are used in the baseline rather than the updated original variables in the dataset. Updating factors for simulated variables are provided so as to facilitate the use of the model in cases when the user wishes to turn off the simulation of a particular variable.

Table 3.4 Raw indices for deriving EUROMOD uprating factors

Index	Constant name	Values of the raw indices											Source	Income components uprated by the index
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015		
Main child benefit (přidavek na dítě)	\$upr_bch00	515	523	511	585	578	607	603	600	599	601	601	Czech Statistical Office (https://www.czso.cz/csu/czso/vybrane-udaje-o-socialnim-zabezpeceni-za-rok-2013-ext11embis); 2014 - based on statistics for the first half of the year (same source); 2015 - assume uprating factor of 1 (no change in policy rules, no indexation)	bch00
Means-tested child benefit (socialní příspěvek)	\$upr_bchmt	1,199	1,235	1,594	1,593	1,681	1,741	2,537	3,095	x	x	x	Czech Statistical Office (https://www.czso.cz/csu/czso/vybrane-udaje-o-socialnim-zabezpeceni-za-rok-2013-ext11embis); 2014 - based on statistics for the first half of the year (same source)	bchmt
Foster parent benefit (pestounská péče celkem)	\$upr_bfafp	2,800	3,430	3,931	3,968	4,000	4,012	4,152	4,980	7,883	7,898	7,898	Czech Statistical Office (https://www.czso.cz/csu/czso/vybrane-udaje-o-socialnim-zabezpeceni-za-rok-2013-ext11embis); 2014 - based on statistics for the first half of the year (same source); 2015 - assume uprating factor of 1 (no change in policy rules, no indexation)	bfapt
Other family benefits (porodné a pohřebné)	\$upr_bfaot	6,885	10,036	11,719	9,429	9,138	9,139	9,127	9,021	8,984	9,002	9,002	Czech Statistical Office (https://www.czso.cz/csu/czso/vybrane-udaje-o-socialnim-zabezpeceni-za-rok-2013-ext11embis); 2014 - based on statistics for the first half of the year (same source); 2015 - assume uprating factor of 1 (no change in policy rules, no indexation)	bfaot
Parental leave benefit (rodicovský příspěvek)	\$upr_bfapl	3,596	3,673	7,054	6,594	6,578	6,854	6,608	6,765	6,866	6,861	6,861	Czech Statistical Office (https://www.czso.cz/csu/czso/vybrane-udaje-o-socialnim-zabezpeceni-za-rok-2013-ext11embis); 2014 - based on statistics for the first half of the year (same source); 2015 - assume uprating factor of 1 (no change in policy rules, no indexation)	bfapl

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Housing benefit (príspevek na bydleni)	\$upr_bho	774	813	1,134	1,573	2,016	2,456	2,746	2,946	3,188	3,335	3,335	Czech Statistical Office (https://www.czso.cz/csu/czso/vybrane-udaje-o-socialnim-zabezpeceni-za-rok-2013-extl1embis); 2014 - based on statistics for the first half of the year (same source); 2015 - assume uprating factor of 1 (no change in policy rules, no indexation)	bho
Unemployment benefit	\$upr_bun	4,034	4,312	4,940	5,065	5,739	5,629	5,476	5,720	6,136	5,690	5,816	Ministry of Labour and Social Affairs (http://portal.mpsv.cz/sz/stat/nz/qrt); 2015 - assume uprating factor equal to lagged wage growth	bun
Harmonised CPI (index 2005=100)	\$upr_cpi	100.0	102.1	105.1	111.7	112.4	113.7	116.2	120.3	121.9	122.4	122.8	Eurostat (http://ec.europa.eu/eurostat/data/database); 2015 - Ministry of Finance forecast (http://www.mfcr.cz/cs/verejny-sektor/prognozy/makroekonomicka-predikce)	afc, bch, bed, bfa, bhl, bsa, kfb, kivho, tpr, xmp, xpp, tscse, yds, yiy, yot, ypp, ypr, yprrt, ypt, yse
Disability pension	\$upr_pdi	6,499	6,833	7,251	8,005	8,251	8,018	8,152	8,120	8,094	8,029	8,173	Czech Social Security Administration (http://www.cssz.cz/cz/o-cssz/informace/statistiky/duchodova-statistika/); 2015 - annual indexation (1.8% for 2015)	pdi
Old-age pension	\$upr_poa	7,744	8,187	8,747	9,638	10,045	10,123	10,552	10,778	10,970	11,075	11,274	Czech Social Security Administration (http://www.cssz.cz/cz/o-cssz/informace/statistiky/duchodova-statistika/); 2015 - annual indexation (1.8% for 2015)	poa
Survivor pension	\$upr_psu	8,011	8,526	9,141	10,044	10,448	10,517	10,983	11,214	11,409	11,529	11,737	Czech Social Security Administration (http://www.cssz.cz/cz/o-cssz/informace/statistiky/duchodova-statistika/); 2015 - annual indexation (1.8% for 2015)	psu
Housing costs	\$upr_xhc	18,336	20,157	20,652	22,333	24,623	25,194	26,326	26,230	26,874	26,984	27,072	Czech Statistical Office (https://www.czso.cz/csu/vykazy/rodinne_ucty); 2014 and 2015: assume uprating factor equal to the harmonised CPI	xhc, xhcmomi, xhcot
Housing costs,	\$upr_xhcert	18,336	20,157	20,652	22,333	24,623	25,194	26,326	26,230	26,874	26,658	27,138	Czech Statistical Office	xhcert

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rent														(https://www.czso.cz/csu/vykazy/rodimne_ucty); 2014 and 2015: assume uprating factor equal to the harmonised CPI	
Employment income	\$supr_yem	18,344	19,546	20,957	22,592	23,344	23,797	24,436	25,101	25,128	25,686	26,457	Czech Statistical Office (https://www.czso.cz/csu/czso/ci/prumerne-mzdy-4-ctvrtleti-2014-truea9fbwn); 2015 - Ministry of Finance forecast (http://www.mfcr.cz/cs/verejny-sektor/prognozy/makroekonomicka-predikce)	tad, tin, tis, tispy, tscee, tscer, yem, yivwg	
Previous employment income	\$supr_yempv	17,466	18,344	19,546	20,957	22,592	23,344	23,797	24,436	25,101	25,128	25,686	Calculated based on \$supr_yem lagged by 1 year	yempv, ysepv	

4. VALIDATION

4.1 Aggregate Validation

EUROMOD results are validated against external benchmarks. Detailed comparisons of the number of people receiving a given income component and total yearly amounts are shown in Annex 2. Both market incomes and non-simulated taxes and benefits in the input dataset as well as simulated taxes and benefits are validated against external official data. The main discrepancies between EUROMOD results and external benchmarks are discussed in the following subsections. Factors that may explain the observed differences are also discussed.

4.1.1 Components of disposable income

This subsection outlines the differences in the definition of disposable income in EUROMOD and EU-SILC 2012. The major components of disposable income are the same in both sources: original incomes (+); benefits (+), taxes (-), employee social insurance contributions (-); and self-employed social insurance contributions (-). However, at the level of individual components there the following differences (Table 4.1):

- EU-SILC 2012 includes (imputed) annual value of (using) a company car, while EUROMOD definition of disposable income excludes this type of income;
- pensions from individual private plans are included in the disposable income concept in EUROMOD, while they are excluded in EU-SILC 2012;
- Disposable income in EU-SILC 2012 includes repayments/receipts on tax adjustment, while EUROMOD does not.

Apart from differences in the definition, the size of disposable income in EU-SILC and EUROMOD can differ for a given household as simulated income components in EUROMOD can differ for a number of reasons from their observed counterparts in EU-SILC dataset.

Table 4.1 Components of disposable income

	EUROMOD	EU-SILC 2012
	ils_dispy	HY020
Employee cash or near cash income	+	+
Employer's social insurance contribution	0	0
Company car	0	+
Contributions to individual private pension plans	0	0
Cash benefits or losses from self-employment	+	+
Pension from individual private plans	+	0
<i>Unemployment benefits</i>	+	+
<i>Old-age benefits</i>	+	+
<i>Survivor' benefits</i>	+	+
Sickness benefits	+	+
Disability benefits	+	+
Education-related allowances	+	+
Income from rental of a property or land	+	+
<i>Family/children related allowances</i>	+ ¹	+
Social exclusion not elsewhere classified	+	+
Housing allowances	+	+
Regular inter-household cash transfer received	+	+
Interests, dividends, etc.	+	+
Income received by people aged under 16	+	+
Regular taxes on wealth	-	-
<i>Regular inter-household cash transfer paid</i>	- ³	-
<i>Tax on income and social contributions</i>	-	-
<i>Repayments/receipts for tax adjustment</i>	0	+

Notes: ¹ includes income tax bonus; ² Maintenance payments

4.1.2 Validation of incomes inputted into the simulation

4.1.2.1 Original income

Note: Please see Annex I for tables.

Tables A1.1 and A1.2 show, respectively, the number of recipients and the total amount of different sources or original income available in EUROMOD's input data. These incomes are used by the model but are not simulated.

Due to rounding differences the average amount of income sources in EUROMOD's input database might be slightly different from those in the original EU-SILC. The number of recipients is different in case of those income sources that are reported in the EU-SILC at the household level and which were assigned to particular individuals in the EUROMOD input data, such as investment and property income.

As commented in section 3, EUROMOD input data are adjusted for each policy year by updating factors that take into account average changes of each income source. Therefore, the number of recipients/payers of each income/benefit/tax is held constant in the EUROMOD input data.

4.1.2.2 Disability, old-age, survivor and sickness benefits

Note: Please see Annex I for tables.

Tables A1.3 and A1.4 show the number of recipients and total amount of pensions and benefits that are not simulated by EUROMOD, but which are used for the calculation of disposable income as they are reported in the input database.

- Pensions: in aggregate terms, pensions seem to be well represented in the EU-SILC and EUROMOD input data. Significant difference appears only in the number of disability pensioners (and to a lesser extent in the total amount of disability pensions paid). The reason might be the change in eligibility conditions for disability pensions (and in the amount of these pensions) that took place in 2010. In general, the system of disability pensions was made less generous in 2010, and it seems that while the aggregate statistics indeed showed a decrease in both number of recipients and the amount of disability pensions, the amounts from SILC does not really show a decrease of such a big extent (the data are from 2011, and thus might not yet show the full impact of the reform).

In terms of pension amounts, there seem to be a small problem with survivor's pensions which are slightly underestimated.

- Sickness benefits: sickness benefits depend on previous wages of the employee and they appear in the total monthly pay-check sum and are not well recognised and not remembered by employees. It explains why the amount of sickness benefits is largely underreported in the SILC data.

4.1.3 Validation of outputted (simulated) incomes

4.1.3.1 Unemployment, Family, Housing and Social assistance benefits

Note: Please see Annex I for tables.

Tables A1.5 and A1.6 show the number of recipients and the amount of social benefits simulated by EUROMOD:

- Unemployment benefit: methods counting the number of recipients in EUROMOD and in external statistics are not strictly comparable. In particular, the number of recipients is largely overestimated in EUROMOD. There is almost twice as many unemployment benefit recipients in 2011 in EUROMOD as compared to what external statistics report, and the situation is even worse for the following years when the unemployment in the economy started decreasing, but EUROMOD does not account for that. The main reason might be the fact that EUROMOD numbers are based on all individuals who reported receiving unemployment benefit sometime in 2011, while the external statistics show the number of individuals collecting unemployment benefits in a given month of 2011, averaged over all months. The comparison of total expenditures on unemployment benefits shows much better results. With the exception of 2011, aggregate amounts in EUROMOD match quite well the external statistics.
- Child allowance: again, the number of recipients in EUROMOD is not strictly comparable to the external sources as units of analysis are different. EUROMOD simulations match quite well the external statistics for the number of recipients, but the aggregate amounts are overestimated, especially for 2012 and 2013. The reason is that the actual number of recipients is decreasing (as we can see from the external statistics), which is not captured by EUROMOD data from 2011.
- Parental allowances: results are stable and slightly overestimated.
- Birth grant: the number of recipients and overall amount is substantially underestimated in comparison to the external statistics. This is a flat rate benefit for newborn children and the number of newborns is underestimated in the SILC data. In 2015, the benefit became available also for the second child in the family (before 2015, it was only for the first child), that is why we see such a big jump in the simulated values in 2015.

- Social assistance: simulations slightly overestimate the number of recipients and the aggregate expenditure for 2011. This is probably caused by a non-take up of social benefits, which is especially high for social assistance and housing benefits in the Czech Republic. In 2012 and 2013, the amounts and numbers of recipients are no longer overestimated, because number of recipients increased substantially in the external statistics in these years (this was caused by a cut in other benefits, such as disability pensions and social allowance), and the EUROMOD figures from 2011 cannot capture this development.
- Housing benefit: number of recipients is largely overestimated in EUROMOD compared to external statistics, probably because of low take-up rate. Note that a similar problem has been found using the Czech national tax-benefit microsimulation model⁵. However, the aggregate amounts match the external statistics very well for 2011, and are slightly underestimated in 2012 and 2013. The reason for the underestimation after 2011 is the increase in the number of recipients in external statistics caused by the cut in other benefits, such as disability pensions and social allowance (people tend to switch to other benefits, when their benefit is cut).

4.1.3.2 Taxes and Social insurance contributions

Note: Please see Annex I for tables.

EUROMOD predicts very well the number of taxpayers, but underestimates the total amount of taxes and contributions compared with external statistics. The problem is probably due to substantial decrease in unemployment rate implying more people paying taxes than what is captured by the SILC data. Tables A1.7 and A1.8 show the number of contributions and amounts of social insurance contributions and taxes simulated by EUROMOD:

- Employee and employer contributions: according to results, the number of people paying contributions and taxes simulated by EUROMOD fits external statistics very well.
- Self-employed contributions: EUROMOD slightly overestimates the number of the self-employed paying social contributions, but the main discrepancy between EUROMOD and external statistics is in the amount of social contributions by the self-employed, which is clearly underestimated in EUROMOD. This may be caused by the fact that the self-employed may in some cases participate in social and health contributions voluntarily (or pay higher amount than the minimum one required), which is not accounted for by the model.
- Income tax: Number of taxpayers paying income tax is underestimated by EUROMOD. The reason is that EUROMOD calculates the number of taxpayers as the number of individuals paying *positive* income tax, while in the external statistics the number of taxpayers is the number of employees or self-employed individuals, no matter whether they pay positive or zero taxes (there are no data on number of people paying *positive* income taxes). And the number of taxpayers paying zero taxes is quite substantial because of generous tax credits and tax deductibles. The amount of income tax collected corresponds to external statistics much better.
- Property tax is underreported in EUROMOD for all years. Our interpretation is that individuals underreport their incomes and property taxes in SILC, which was confirmed by our previous research and by the results obtained using the national microsimulation model.

⁵ See Dušek, L., Kalíšková, K., and Münich, D. (2013). Distribution of Average, Marginal, and Participation Tax Rates among Czech Taxpayers: Results from a TAXBEN Model. *Czech Journal of Economics and Finance*, 63(6), 474-504.

4.2 Income distribution

4.2.1 Income inequality

Note: Please see Annex I for tables.

Figure A1.1 compares the distribution of disposable income between EU-SILC and EUROMOD. Larger differences appear in case of households at the top of income distribution. Underestimation of top incomes is probably due to incomplete reflection of all possible tax base deductions due to lack of necessary information in the SILC data.

Table A1.9 provides the following indicators of income distribution: mean and median equivalised income⁶ by gender, income quintile ratio, and Gini coefficient. Results are presented for three different “sources”: own calculations using EUROMOD baseline output, own calculations based on the original EU-SILC microdata, and statistics published by Eurostat based on the EU-SILC data (“External statistics”).

According to results, the mean and median equivalised disposable income in EUROMOD are slightly higher than in the original EU-SILC data among men and lower among women. There are three possible reasons explaining the difference: a) inclusion of different sources in the definition of household disposable income, b) changes in the sample and in the weighting of observations, and c) changes in the amounts of some income sources (particularly taxes and benefits) due to their simulation in EUROMOD.

However, EUROMOD simulations are quite close to Eurostat statistics, with mean and median income being slightly overestimated in 2011 and slightly underestimated in the following years.

Income inequality is slightly lower in EUROMOD when measured by the income quintile ratio and the Gini coefficient. This is consistent with results obtained in other countries. In case of Czech Republic, the higher number of recipients of housing benefit (which is mostly received by lower income families) is likely to be one of the factors reducing income inequality in EUROMOD simulations.

4.2.2 At-risk-of-poverty rates

Note: Please see Annex I for tables.

Table A1.10 provides at-risk-of-poverty rates using poverty lines based on 40, 50, 60 and 70% of the median equivalised disposable income⁷. As in case of income inequality indicators, results are presented for three different “sources”: (i) own calculations using EUROMOD baseline output, (ii) own calculations based on the original EU-SILC microdata, and (iii) statistics published by Eurostat based on the EU-SILC data.

According to results, at-risk-of-poverty rates are slightly lower in EUROMOD (compared to both calculations based on EU-SILC data and external statistics from Eurostat), particularly when using lower poverty lines (40 and 50% of the median). As already suggested above, it is possible that the overestimation of housing benefits (given a very high non-take-up of this benefit in reality) contributes to this difference.

Table A1.10 shows the at-risk-of-poverty rates (using 60% of the median equivalised disposable income as poverty line) by age groups as well. In line with previous results, at-risk-of-poverty rates calculated using EUROMOD are lower than using the original data from the EU-SILC with one exemption: individuals aged 50-64 years. The EUROMOD simulated at-risk-of-poverty rate is underestimated the most among children aged 0-17 and the elderly aged 65+.

⁶ Using the OECD modified equivalence scale.

⁷ Using the OECD modified equivalence scale.

4.3 Summary of “health warnings”

This final section summarises the main findings concerning special aspects of the Czech part of EUROMOD or its database that should be borne in mind when planning appropriate uses of the model and when interpreting results.

The SILC sample is relatively small. Care should be taken in interpreting results for small population sub-groups.

The weights do not control for differential non-response according to any dimension.

There is underreporting by people with higher incomes and those with higher share of self-employment income and incomes from investment. Incomes of the self-employed are in principle not very reliable figures since some portion of accounting expenditure made by the self-employed effectively covers common living expenditures.

Sickness insurance benefits are substantially underreported in SILC since people do not recognize them easily in their pay checks. Information in SILC does not allow for well-informed simulations of these benefits.

Some segments of the population are not sufficiently represented in the SILC sample (minorities, foreigners, homeless people).

Some values of some observations have been imputed already by the Statistical Office and cannot be disentangled from the released data.

5. REFERENCES

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ANNEX 1: MACRO VALIDATION TABLES

Table A1.1: Original income by sources: number of recipients (in thousands)

	EUROMOD Simulation					External statistics				Ratio				EU-SILC 2011	
	2011	2012	2013	2014	2015	2011	2012	2013	2014 [#]	2011	2012	2013	2014	2011	ratio
Original income	5,628	5,629	5,629	5,629	5,629	0	0	0	0	0%	0%				
Employment	4,145	4,145	4,145	4,145	4,145	4,230	4,255	4,296	4,326	98%	97%	96%	96%	4,145	100%
Self-employment	980	980	980	980	980	813	809	785	783	121%	121%	125%	125%	980	100%
Investment	1,057	1,057	1,057	1,057	1,057									634	167%
Property	377	377	377	377	377									223	169%
Private pension	54	54	54	54	54									54	100%
Private transfers	398	398	398	398	398									398	100%
In-kind income															
Fringe benefits	2,530	2,530	2,530	2,530	2,530									2,530	100%
Imputed housing	5,670	5,670	5,670	5,670	5,670									3,667	155%

Notes:

(s) stands for simulated tax or benefit.

External statistics for 2015 are not available.

Sources: EUROMOD results based on simulations, own calculations using EU-SILC 2012 and official statistics from section 1.

Table A1.2: Original income by sources: overall amount (in millions of CZK)

	EUROMOD Simulation					External statistics				Ratio				EU-SILC	
	2011	2012	2013	2014	2015	2011	2012	2013	2014 [#]	2011	2012	2013	2014	2011	ratio
Original income	1,307,885	1,345,581	1,350,327	1,375,363	1,409,285									1,377,029	98%
Employment	1,047,265	1,075,766	1,076,923	1,100,837	1,133,862	1,236,160	1,267,565	1,272,947	1,297,505	85%	85%	85%	85%	1,102,631	98%
Self-employment	236,802	245,157	248,418	249,437	250,252	128,165	123,833	125,055	126,127	185%	198%	199%	198%	249,321	98%
Investment	10,806	11,188	11,337	11,383	11,420									11,378	98%
Property	7,919	8,198	8,307	8,341	8,369									8,337	98%
Private pension	2,040	2,112	2,140	2,149	2,156									2,148	98%
Private transfers	16,792	17,385	17,616	17,688	17,746									17,680	98%
In-kind income															
Fringe benefits	31,947	33,074	33,514	33,651	33,761									33,635	98%
Imputed housing	10,964	11,351	11,502	11,549	11,587									11,544	98%

Notes:

(s) stands for simulated tax or benefit.

External statistics for 2015 are not available.

Sources: EUROMOD results based on simulations, own calculations using EU-SILC 2012 and official statistics from section 1.

Table A1.3: Disability, old-age, survivor and sickness benefits: number of recipients (in thousands)

	EUROMOD Simulation					External statistics				Ratio				EU-SILC	
	2011	2012	2013	2014	2015	2011	2012	2013	2014 [#]	2011	2012	2013	2014	2011	ratio
Pensions	2,900	2,900	2,900	2,900	2,900	2,873	2,866	2,858		101%	101%	101%		2,900	100%
Old-age	2,357	2,357	2,357	2,357	2,357	2,340	2,341	2,340		101%	101%	101%		2,357	100%
Old-age pension	2,357	2,357	2,357	2,357	2,357										
Disability	567	567	567	567	567	445	439	433		127%	129%	131%		567	100%
Disability pension	567	567	567	567	567										
Survivor's	740	740	740	740	740	716	714	709		103%	104%	104%		740	100%
Survivor's pension	740	740	740	740	740										
Sickness	462	462	462	462	462	1,269	1,227	1,331		36%	38%	35%		462	100%

Table A1.4: Disability, old-age, survivor and sickness benefits: overall amount (in millions of CZK)

	EUROMOD Simulation					External statistics				Ratio				EU-SILC	
	2011	2012	2013	2014	2015	2011	2012	2013	2014 [#]	2011	2012	2013	2014	2011	ratio
Pensions	367,777	374,343	379,926	382,690	389,578	359,234	367,864	372,335		102%	102%	102%		387,221	97%
Old-age	292,262	298,521	303,839	306,747	312,269	284,614	295,140	300,574		103%	101%	101%		307,713	97%
Old-age pension	292,262	298,521	303,839	306,747	312,269										
Disability	51,323	51,121	50,956	50,547	51,456	47,451	45,476	44,500		108%	112%	115%		54,036	95%
Disability pension	51,323	51,121	50,956	50,547	51,456										
Survivor's	24,193	24,700	25,131	25,396	25,853	27,169	27,247	27,261		89%	91%	92%		25,472	97%
Survivor's pension	24,193	24,700	25,131	25,396	25,853										
Sickness	14,120	14,619	14,813	14,874	14,922	21,505	19,377	20,143		66%	75%	74%		14,867	98%

Notes:

(s) stands for simulated tax or benefit.

External statistics for 2015 are not available.

Sources: EUROMOD results based on simulations, own calculations using EU-SILC 2012 and official statistics from section 1.

Table A1.5: Unemployment, Family, Housing and Social assistance benefits: number of recipients (in thousands)

	EUROMOD Simulation					External statistics				Ratio				EU-SILC	
	2011	2012	2013	2014	2015	2011	2012	2013	2014 [#]	2011	2012	2013	2014	2011	ratio
Unemployment	257	257	257	257	257	132	104	118	116	194%	246%	218%	222%	257	100%
Family	835	877	874	867	853									570	154%
(s) Child Allowance	493	553	549	540	521	484	464	460	444	102%	119%	119%	122%		
(s) Social Allowance	8	8	8	8	8										
Foster Care benefits	376	376	376	376	376	323	307	294		116%	123%	128%			
(s) Parental Allowance	21	21	21	21	21										
(s) Birth Grant	3	3	3	3	14	22	11	11	11	16%	32%	32%	32%		
Social assistance	130	152	150	146	141	101	116	150		128%	130%	100%		82	186%
(s) Regular Social Assistance Benefits	130	152	150	146	141	101	116	150		128%	130%	100%			
(s) Supplement for Housing	115	130	129	126	120	26	41	65		439%	315%	199%			
(s) Housing Benefit	386	374	405	389	387	0	163	193	219	0%	230%	210%	177%		

Notes:

(s) stands for simulated tax or benefit.

External statistics for 2015 are not available.

Sources: EUROMOD results based on simulations, own calculations using EU-SILC 2012 and official statistics from section 1.

Table A1.6: Unemployment, Family, Housing and Social assistance benefits: overall amount (in millions of CZK)

	EUROMOD Simulation					External statistics				Ratio				EU-SILC	
	2011	2012	2013	2014	2015	2011	2012	2013	2014 [#]	2011	2012	2013	2014	2011	ratio
Unemployment	8,190	8,403	8,686	8,657	8,833	10,349	8,760	9,675		79%	96%	90%		6,967	121%
Family	41,369	35,678	36,369	36,235	36,091	31,343	29,788	30,387		132%	120%	120%		31,816	112%
(s) Child Allowance	5,678	6,489	6,422	6,283	6,036	3,496	3,338	3,335		162%	194%	193%			
(s) Social Allowance	1,086	1,303	2,062	2,066	2,066	1,066	1,242	2,524		102%	105%	82%			
Foster Care benefits	34,279	27,563	27,563	27,563	27,563	25,693	25,007	24,380		133%	110%	113%			
(s) Parental Allowance	278	275	274	275	275										
(s) Birth Grant	48	48	48	48	151	292	144	148		16%	33%	32%			
Social assistance	6,420	7,585	7,608	7,544	7,422	4,982	7,751	10,510		129%	98%	72%		3,189	238%
(s) Regular Social Assistance Benefits	4,264	5,151	5,134	5,089	5,026	3,820	5,910	7,464		112%	87%	69%			
(s) Supplement for Housing	2,156	2,435	2,474	2,456	2,397	850	1,673	2,814		254%	146%	88%			
(s) Housing Benefit	4,943	4,978	5,584	5,472	5,842	4,625	5,745	7,417		107%	87%	75%			

Notes:

(s) stands for simulated tax or benefit.

External statistics for 2014 and 2015 are not available.

Sources: EUROMOD results based on simulations, own calculations using EU-SILC 2012 and official statistics from section 1.

Table A1.7: Taxes and social insurance contributions: number of payments (in thousands)

	EUROMOD Simulation					External statistics				Ratio				EU-SILC	
	2011	2012	2013	2014	2015	2011	2012	2013	2014 [#]	2011	2012	2013	2014	2011	ratio
(s) Income tax + contributions	5,125	5,125	5,125	5,125	5,125	5,150	5,120	5,061	5,097	100%	100%	101%	101%	2,946	174%
Social contributions															
(s) Employer	4,145	4,145	4,145	4,145	4,145	4,293	4,284	4,276	4,329	97%	97%	97%	96%		
(s) Employees	4,145	4,145	4,145	4,145	4,145	4,293	4,284	4,276	4,329	97%	97%	97%	96%		
(s) Self-employed	980	980	980	980	980	857	836	785	768	114%	117%	125%	128%		
(s) Income tax	4,146	4,093	4,382	4,129	4,152	4,872	4,890	4,937	4,974	85%	84%	89%	83%		
(s) Taxable income	5,135	5,135	5,135	5,132	5,130	4,872	4,890	4,937	4,974	105%	105%	104%	103%		
Property tax	2,982	2,982	2,982	2,982	2,982	3,864	3,890	3,987	3,744	77%	77%	75%	80%	2,982	100%

Notes:

(s) stands for simulated tax or benefit.

[#] External statistics for 2015 are not available.

Sources: EUROMOD results based on simulations, own calculations using EU-SILC 2012 and official statistics from section 1.

Table A1.8: Taxes and social insurance contributions: overall amount (in millions of CZK)

	EUROMOD Simulation					External statistics				Ratio				EU-SILC	
	2011	2012	2013	2014	2015	2011	2012	2013	2014 [#]	2011	2012	2013	2014	2011	ratio
(s) Income tax + contributions	290,359	293,744	305,475	304,787	314,406	338,878	342,049	349,415		86%	86%	87%		258,343	114%
Social contributions															
(s) Employer	355,108	363,148	363,994	371,948	383,076	372,760	377,830	382,500		95%	96%	95%			
(s) Employees	116,860	119,504	119,811	122,605	126,516	120,400	121,900	123,400		97%	98%	97%			
(s) Self-employed	58,311	59,643	60,725	60,938	61,486	96,166	97,100	97,200		61%	61%	62%			
(s) Income tax	115,188	114,598	124,939	121,243	126,404	122,312	123,049	128,815	131,995	94%	93%	97%	92%		
(s) Taxable income	1,648,970	1,694,233	1,699,032	1,731,762	1,777,378										
Property tax	2,947	3,051	3,092	3,105	3,115	8,568	9,541	9,847	9,910	34%	32%	31%	31%	3,103	98%

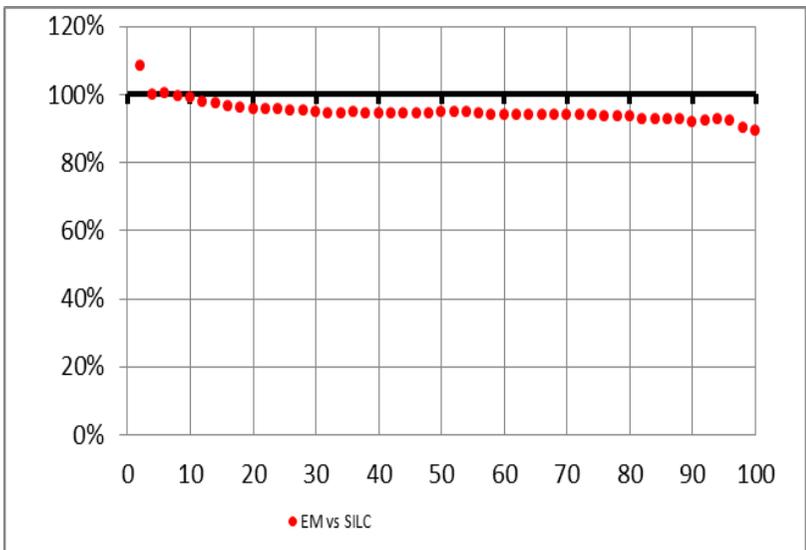
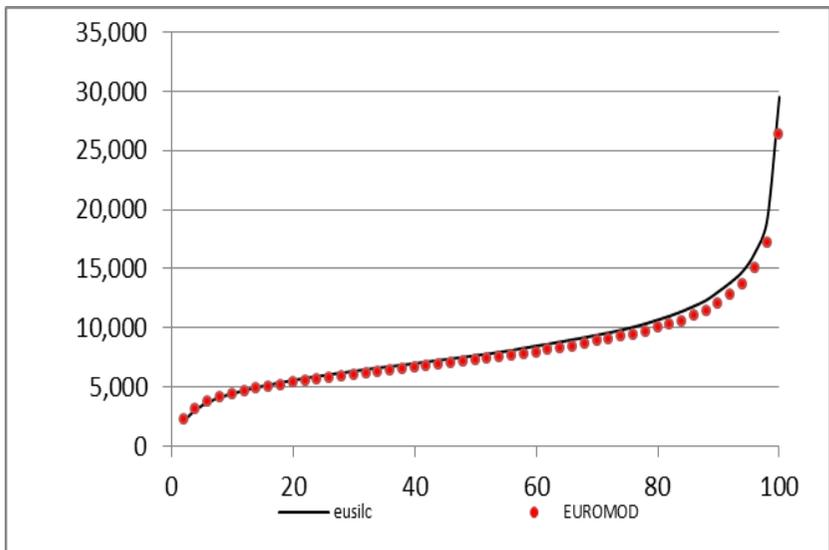
Notes:

(s) stands for simulated tax or benefit.

[#] External statistics for 2015 are not available.

Sources: EUROMOD results based on simulations, own calculations using EU-SILC 2012 and official statistics from section 1.

Figure A1.1: Distribution of equivalised disposable income: EUROMOD and EU-SILC 2012



Distribution of equivalised disposable income in EUROMOD and EU-SILC by percentile

Distribution of difference between EUROMOD and EU-SILC equivalised disposable income by percentile

Sources: EUROMOD results based on simulations and on own calculations using EU-SILC 2012.

Table A1.9: Income inequality

	EUROMOD Simulation		2013	2014	2015	External statistics			Ratio			EU-SILC 2011	ratio
	2011	2012				2011	2012	2013	2011	2012	2013		
Mean income (equivalised)													
total population	8,661	8,436	8,384	8,538	8,718	8,440	8,765	8,695	103%	96%	96%	8,685	97%
Males	8,861	8,634	8,579	8,736	8,921	8,637	8,990	8,919	103%	96%	96%	8,473	102%
Females	8,468	8,247	8,197	8,349	8,523	8,249	8,550	8,478	103%	96%	97%	8,906	93%
Median income (equivalised)													
total population	7,815	7,576	7,542	7,684	7,838	7,451	7,791	7,694	105%	97%	98%	7,743	98%
Males	8,027	7,778	7,735	7,874	8,034	7,644	8,024	7,930	105%	97%	98%	7,545	103%
Females	7,593	7,357	7,338	7,455	7,609	7,274	7,581	7,493	104%	97%	98%	7,964	92%
Income quantile ratio (S80/S20)	3.29	3.30	3.27	3.31	3.33	3.50	3.50	3.40	94%	94%	96%	4	93%
Gini Coefficient	23.79	23.91	23.68	23.91	23.99	25.20	24.90	24.60	94%	96%	96%	25	96%

Notes:

Sources: EUROMOD results are based on simulations. Own calculations are using EU-SILC 2012 and official statistics from Eurostat's website http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/data/database

Table A1.10: At-risk-of-poverty rates: using different poverty lines

	EUROMOD Simulation					External statistics			Ratio			EU-SILC	
	2011	2012	2013	2014	2015	2011	2012	2013	2011	2012	2013	2011	ratio
40% median HDI													
Total	2.50	2.26	2.24	2.53	2.64	2.80	2.70	2.30	89%	84%	97%	2.93	77%
Males	2.59	2.34	2.33	2.63	2.75	2.70	2.60	2.20	96%	90%	106%	2.80	84%
Females	2.42	2.18	2.15	2.44	2.53	2.90	2.80	2.40	83%	78%	90%	3.05	71%
50% median HDI													0%
Total	4.75	4.75	4.73	4.74	4.92	5.10	5.10	4.30	93%	93%	110%	5.61	85%
Males	4.67	4.67	4.69	4.68	4.88	4.90	4.80	4.10	95%	97%	114%	5.29	88%
Females	4.84	4.83	4.77	4.79	4.96	5.30	5.40	4.40	91%	89%	108%	5.91	82%
60% median HDI													0%
Total	8.98	9.00	8.93	9.22	9.28	9.80	9.60	8.60	92%	94%	104%	10.34	87%
Males	8.40	8.42	8.55	8.72	8.64	8.90	8.70	7.70	94%	97%	111%	9.49	89%
Females	9.53	9.55	9.29	9.70	9.89	10.60	10.50	9.40	90%	91%	99%	11.15	86%
70% median HDI													0%
Total	16.38	16.09	15.89	16.34	16.34	16.60	16.60	15.80	99%	97%	101%	17.30	93%
Males	14.43	14.30	14.31	14.58	14.52	14.60	14.40	13.60	99%	99%	105%	15.06	95%
Females	18.24	17.81	17.42	18.03	18.08	18.50	18.80	18.00	99%	95%	97%	19.45	92%
60% median HDI													0%
0-17 years	11.85	12.06	12.15	12.53	12.61	15.20	13.90	11.30	78%	87%	108%	15.89	76%
18-24 years	12.65	12.37	12.46	12.65	12.58	12.70	13.40	11.40	100%	92%	109%	14.41	86%
25-49 years	8.26	8.27	8.32	8.63	8.62	9.10	8.70	8.10	91%	95%	103%	9.60	86%
50-64 years	9.41	9.43	9.35	9.45	9.60	7.40	8.80	8.30	127%	107%	113%	8.77	107%
65+ years	4.94	4.94	4.35	4.78	4.93	6.60	6.00	5.80	75%	82%	75%	5.70	87%

* Using as poverty line 60% of equivalised disposable income (EDI)

Sources: EUROMOD results are based on input data. Own calculations are using EU-SILC 2012 and official statistics from Eurostat's website

http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/data/database

ANNEX 2: POLICY EFFECTS IN 2013-2014 AND 2014-2015

Table A2.1 and Figure A2.1 show the effect of policy changes in 2013-2014 on mean equivalised household disposable income by income component and income decile group, as a percentage of mean equivalised household disposable income in 2013. Each policy system has been applied to the same input data, while monetary parameters of 2014 policies have been deflated by Eurostat's Harmonized Index of Consumer Prices (HICP).

As we can see there was an increase in real disposable income between 2013 and 2014 across all income groups. An average Czech household experienced a 0.5% increase in their disposable income. The highest increase is observed for the 8th and 9th income deciles (0.6 and 0.73%, respectively), while the bottom income decile experienced little improvement in terms of their disposable income (a 0.03% increase in disposable income).

Changes in direct taxes have made the largest contribution to this change in disposable income. In particular, in 2014, the new tax credit for placing a child in kindergarten has been introduced. The amount of credit depends on the kindergarten fees paid by parents; the maximum amount of this credit is equal to the minimum wage. Therefore, this tax credit has substantially reduced the tax duty for many families with small children, but especially for those with higher incomes (because low income households are much less likely to place their child in a kindergarten and they often pay zero income tax even without this additional tax credit).

Another factor which influenced the change in disposable income between 2013 and 2014 was an increase in public pensions. A sizable increase is observed for households from the 2nd to the 5th decile where the majority of pensioners are concentrated. On the other hand, disposable income of the lowest income groups has been negatively affected by an increase in the minimum wage, which is not itself included in this analysis, in August 2013. The minimum wage is used to define the minimum base for public health insurance and social insurance. Therefore, an increase in the minimum wage increased minimum contributions to health and social security insurance and thus has had a negative impact on disposable income of the bottom decile.

Table A2.1: Policy effects in 2013-2014, using the CPI-indexation, %

Decile	Original income	Public pensions	Means-tested benefits	Non means-tested benefits	Employee SIC	Self-employed SIC	Direct taxes	Disposable income
1	0.00	0.00	-0.02	-0.04	-0.10	0.01	0.17	0.03
2	0.00	0.11	0.03	-0.02	-0.03	0.00	0.25	0.34
3	0.00	0.14	0.03	-0.02	-0.02	0.00	0.25	0.38
4	0.00	0.16	0.02	-0.01	-0.02	0.00	0.34	0.48
5	0.00	0.12	0.01	-0.01	-0.02	0.00	0.44	0.53
6	0.00	0.09	0.01	-0.01	-0.02	0.00	0.48	0.54
7	0.00	0.06	0.00	-0.01	-0.02	0.00	0.47	0.49
8	0.00	0.03	0.01	-0.01	-0.01	0.00	0.57	0.60
9	0.00	0.02	0.00	-0.01	-0.01	0.00	0.72	0.73
10	0.00	0.02	0.00	-0.01	0.00	0.00	0.50	0.51
Total	0.00	0.06	0.01	-0.01	-0.02	0.00	0.47	0.51

Notes: shown as a percentage change in mean equivalised household disposable income by income component and income decile group. Income decile groups are based on equivalised household disposable income in 2013, using the modified OECD equivalence scale. Each policy system has been applied to the same input data, deflating monetary parameters of 2014 policies by Eurostat's Harmonized Index of Consumer Prices (HICP).

Figure A2.1: Policy effects in 2013-2014, using the CPI-indexation, %

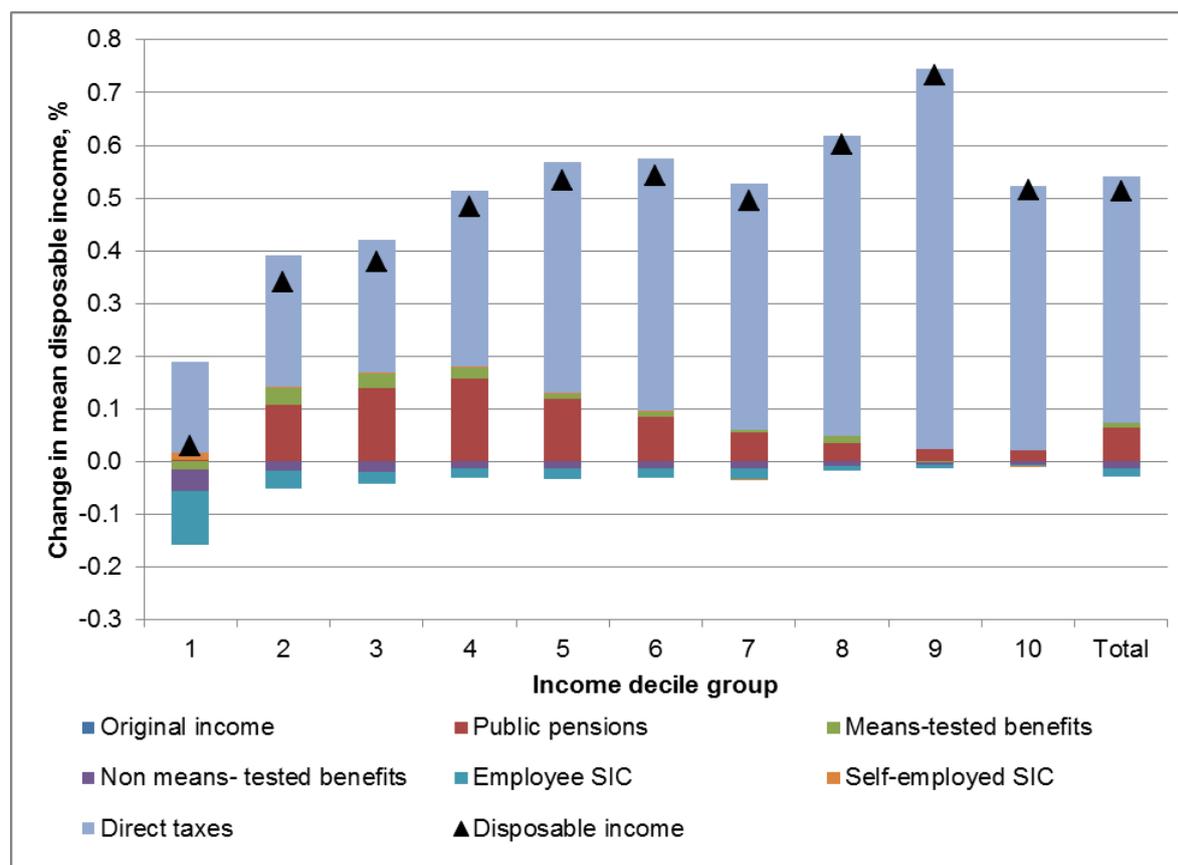


Table A2.2 and Figure A2.2 show the effect of policy changes in 2014-2015 on mean equivalised household disposable income by income component and income decile group, as a percentage of mean equivalised household disposable income in 2014. Each policy system has been applied to the same input data, while monetary parameters of 2015 policies have been deflated by Eurostat's Harmonized Index of Consumer Prices (HICP).

Overall, the real disposable income of the population has increased by 0.4% between 2014-2015. In contrast to 2013-2014 trends described above, in 2015 the bottom deciles have gained more than the top ones. The highest growth has been observed for the 2nd-5th deciles (with figures ranging from 0.9 to 0.6%). Disposable income of the bottom decile and 6th decile has grown by 0.5%. Top deciles experienced much lower rates of growth (with just 0.09% for the top decile).

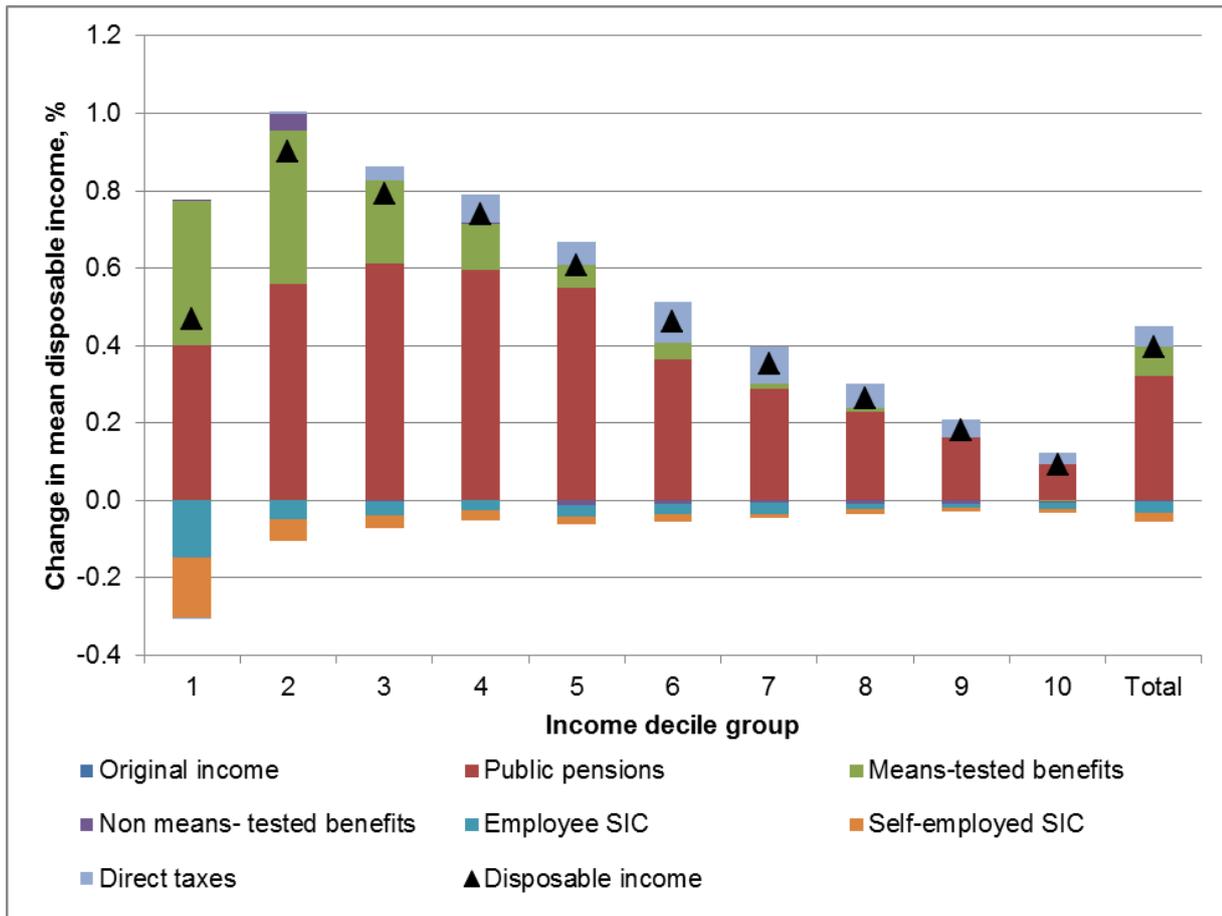
The major factor driving these positive changes was an increase in public pensions which positively affected incomes of the bottom half of income distribution where pensioners are typically concentrated (especially incomes of the 2-5th deciles). Another factor contributing to the significant improvement of the situation of low income households was an increase in means-tested benefits experienced by the three bottom deciles. Most likely this is the result of the introduction of the higher amounts of refundable tax credits for the second and third-parity children. At the same time, an increase in the social insurance contributions base due to the growth in the minimum wage has had a negative effect on disposable incomes of families at the bottom of income distribution.

Table A2.2: Policy effects in 2014-2015, using the CPI-indexation, %

Decile	Original income	Public pensions	Means-tested benefits	Non means-tested benefits	Employee SIC	Self-employed SIC	Direct taxes	Disposable income
1	0.00	0.40	0.38	0.00	-0.15	-0.15	0.00	0.47
2	0.00	0.56	0.39	0.04	-0.05	-0.05	0.01	0.90
3	0.00	0.61	0.21	0.00	-0.04	-0.03	0.04	0.79
4	0.00	0.59	0.12	0.01	-0.03	-0.02	0.07	0.74
5	0.00	0.55	0.06	-0.01	-0.03	-0.02	0.06	0.61
6	0.00	0.36	0.04	-0.01	-0.03	-0.02	0.11	0.46
7	0.00	0.29	0.01	-0.01	-0.03	-0.01	0.09	0.35
8	0.00	0.23	0.01	-0.01	-0.01	-0.02	0.06	0.26
9	0.00	0.16	0.00	-0.01	-0.01	-0.01	0.05	0.18
10	0.00	0.09	0.00	0.00	-0.02	-0.01	0.03	0.09
Total	0.00	0.32	0.08	0.00	-0.03	-0.02	0.05	0.40

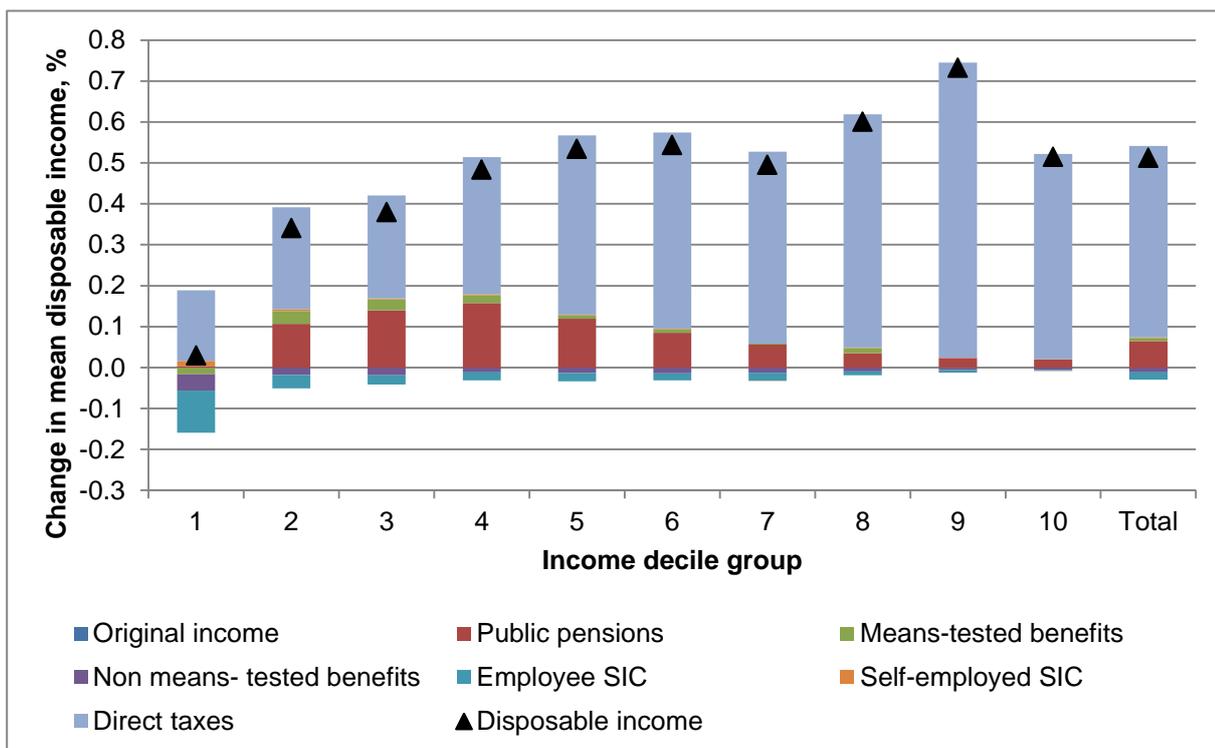
Notes: shown as a percentage change in mean equivalised household disposable income by income component and income decile group. Income decile groups are based on equivalised household disposable income in 2014, using the modified OECD equivalence scale. Each policy system has been applied to the same input data, deflating monetary parameters of 2015 policies by Eurostat's Harmonized Index of Consumer Prices (HICP).

Figure A2.2: Policy effects in 2014-2015, using the CPI-indexation, %



Results for CZ with alpha: CPI [1.00410172272354] on dataset CZ_2012_a2.txt

Decile	Original income	Public pensions	Means-tested benefits	Non means-tested benefits	Employee SIC	Self-employed SIC	Direct taxes	Disposable income
1	0.00	0.00	-0.02	-0.04	-0.10	0.01	0.17	0.03
2	0.00	0.11	0.03	-0.02	-0.03	0.00	0.25	0.34
3	0.00	0.14	0.03	-0.02	-0.02	0.00	0.25	0.38
4	0.00	0.16	0.02	-0.01	-0.02	0.00	0.34	0.48
5	0.00	0.12	0.01	-0.01	-0.02	0.00	0.44	0.53
6	0.00	0.09	0.01	-0.01	-0.02	0.00	0.48	0.54
7	0.00	0.06	0.00	-0.01	-0.02	0.00	0.47	0.49
8	0.00	0.03	0.01	-0.01	-0.01	0.00	0.57	0.60
9	0.00	0.02	0.00	-0.01	-0.01	0.00	0.72	0.73
10	0.00	0.02	0.00	-0.01	0.00	0.00	0.50	0.51
Total	0.00	0.06	0.01	-0.01	-0.02	0.00	0.47	0.51



Results for CZ with alpha: CPI [1.00326797385621] on dataset CZ_2012_a2

Decile	Original income	Public pensions	Means-tested benefits	Non means-tested benefits	Employee SIC	Self-employed SIC	Direct taxes	Disposable income
1	0.00	0.40	0.38	0.00	-0.15	-0.15	0.00	0.47
2	0.00	0.56	0.39	0.04	-0.05	-0.05	0.01	0.90
3	0.00	0.61	0.21	0.00	-0.04	-0.03	0.04	0.79
4	0.00	0.59	0.12	0.01	-0.03	-0.02	0.07	0.74
5	0.00	0.55	0.06	-0.01	-0.03	-0.02	0.06	0.61
6	0.00	0.36	0.04	-0.01	-0.03	-0.02	0.11	0.46
7	0.00	0.29	0.01	-0.01	-0.03	-0.01	0.09	0.35
8	0.00	0.23	0.01	-0.01	-0.01	-0.02	0.06	0.26
9	0.00	0.16	0.00	-0.01	-0.01	-0.01	0.05	0.18
10	0.00	0.09	0.00	0.00	-0.02	-0.01	0.03	0.09
Total	0.00	0.32	0.08	0.00	-0.03	-0.02	0.05	0.40

