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Evaluation the impact of the personal income tax reform in the Czech Republic in 2021 on effective tax rate and tax progressivity

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ABSTRACT

Legislation governing personal income taxation is often subject to changes. A significant personal income tax reform was carried out in the Czech Republic in 2021. The reform implements a progressive tax rate, changes the way the tax base is determined, and increases the tax relief for the taxpayer. The aim of the article is to evaluate the impact of the personal income tax reform on the effective tax rate and tax progressivity. To that end, methods of regression analysis have been used. The source of information for analysis was the data published by the Czech Statistical Office. It was found that in 2021, in comparison with 2020, the tax burden represented in this study by the effective tax rate, in all cases became lower, approximately by 5%. The main reason for this decline is the adjustment of the method of construction of the tax base, which, for the first time in the history of the Income Tax Act, is gross wages. Until the end of 2020, the tax base was a super-gross wage, or the gross wage increased by social security contribution borne by the employer at his costs. The second factor that reduces the tax burden is a CZK 3,000 increase in the deduction per taxpayer per year. This fact increases the degree of tax progressivity, as confirmed by the results of the progressivity analysis and the regression analysis. The changes that have taken place in the personal income tax this year have a positive impact on the taxpayer, but from the point of view of the state, this reform has reduced the state budget revenues.

KEYWORDS

personal income tax, tax reform, effective tax rate, gross wage, tax burden, tax deduction, tax progressivity, Czech Republic

JEL C10; H24; K34

Оригинальная статья

Оценка влияния реформы подоходного налога 2021 года в Чешской Республике на эффективную ставку и прогрессивность налога

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АННОТАЦИЯ

Законодательство, регулирующее подоходное налогообложение, подвержено частым изменениям. В Чешской Республике значительная реформа подоходного налога прошла в 2021 г. Реформа ввела прогрессивную ставку налога, изменила способ определения налоговой базы и увеличила налоговые льготы для налогоплательщиков. Целью статьи является оценка влияния налоговой реформы на эффективную ставку налога и прогрессивность налогообложения.

Для достижения цели статьи использованы методы регрессионного анализа. Источником информации для анализа послужили данные, опубликованные Чешским статистическим управлением. Был сделан вывод, что в 2021 г., по сравнению с 2020 г., налоговая нагрузка, представленная в данном исследовании эффективной налоговой ставкой, во всех случаях стала ниже примерно на 5 %. Основной причиной этого снижения является корректировка метода формирования налоговой базы, в качестве которой впервые в истории Закона о подоходном налоге стала применяться валовая заработная плата. До конца 2020 г. налоговой базой по подоходному налогу являлась сверх брутто заработная плата, то есть валовая заработная плата, увеличенная за счет взноса на социальное страхование, который работодатель списывал на свои расходы. Вторым фактором, снижающим налоговую нагрузку, стало увеличение вычета на налогоплательщика на 3000 чешских крон в год. Этот фактор увеличил степень прогрессивности налогообложения, что подтверждается результатами анализа прогрессивности и регрессионного анализа. Принятые изменения оказывают положительное влияние на налогоплательщика, но с точки зрения государства реформа ведет к сокращению доходов государственного бюджета.

КЛЮЧЕВЫЕ СЛОВА

подоходный налог, налоговая реформа, эффективная налоговая ставка, валовая заработная плата, налоговое бремя, налоговый вычет, прогрессивность налогообложения, Чешская Республика

1. Introduction

Personal income tax is a direct tax. In the Czech Republic, this tax has been part of the tax system since its inception in 1993 [1; 2]. As of the date of the establishment of the Czech Republic, significant tax reform took place, which resulted from the need to transform the outdated tax system into a modern method of taxation. According to A. Vančurová and L. Vitek [3], the Income Tax Act came into force this year, according to which the income of natural persons is taxed to the present day.

During the entire period of validity, the Income Tax Act has undergone significant changes. The extensive reform on 1 January 2021 changes, among other things, how the tax base from dependent activities is constructed, adjusts tax rates or increases the value of tax relief for the taxpayer.

The aim of the article is to evaluate the impact of this tax reform on the tax burden of taxpayers – employees receiving income from dependent activities. Since 2021, the tax base has been only the value of the employee's gross wage. This reduces the tax base, as in 2008–2020 the tax base was the amount of the super-gross wage. This was the gross wage increased by social security contribution born by the employer in his

costs. At the same time, in 2021, the basic deduction was increased – tax relief for the taxpayer from CZK 24,840 to CZK 27,840. The original reform proposals envisaged an increase in the basic taxpayer relief to CZK 34,250. In order to reduce the impact of these changes on public budgets, the amount of this relief was finally adjusted to the aforementioned CZK 27,840. In the period 2008–2020, only one nominal tax rate of 15% was valid. This 15% rate has remained in the law since 2021 but is supplemented by a second rate of 23% for incomes that exceed four times the average wage per month. The implementation of this second tax rate also has an impact on the progressivity of the personal income tax, which, according to N. Papanikolaou [4] or C. Tran and N. Zakariyya [5], is one of the typical features of this tax.

According to the aim of the article, the following hypotheses are formulated, the validity of which will be confirmed or refuted:

- Tax burden on employees since 2021 has reduced.
- Tax progressivity is increasing due to the establishment of the nominal progressive tax rate.
- Taxpayers receiving income only the amount of minimum wages will not pay income tax from 2021.

The paper has a following structure. The introduction is followed by an outline of the theoretical background (Section 2) with a focus on the personal income tax and its reform. Section 3 presents methodology used in the research. The main part of the article is Section 4 in which are presented the results of the analysis. The last section of the paper summarizes the main results of our research topic.

2. Literature review in the context of tax reform

Tax laws change very often. One of the reasons for implementing tax reforms is the need to improve the competitiveness and efficiency of the tax system [6]. E. Ilzetzki [7] suggests that large changes in the tax code may be easier to enact than marginal reform. Aspects of personal income tax reform are the subject of the research in many studies. At first section are summarized the studies which were done in the Czech Republic, in the next part are studies which were done under the conditions of other states of the world.

J. Šíroký and K. Maková [8] analysed the effect of replacing the nominal progressive tax rate with a nominal linear tax rate in the Czech Republic in 2008. According to the results of the analysis authors found out the tax remains progressive even with the nominal linear tax rate in force. The progressivity of the personal income tax after 2008 is also confirmed in their study by M. Genčev et al. [9]. J. Šíroký et al. [10] mentions that other taxes than income tax, such as real estate acquisition tax, also changed in 2008.

Dušek et al. [11] also mention that the reform of the personal income tax in 2008 led in some cases to a reduction in the tax burden, but that income tax remains a progressive tax. Data from the TAXBEN model were used in this study. The study also evaluated the expected impacts related to the abolition of the super-low wage on 1 January 2015. However, in the end, this reform did not take place in the Czech Republic. The main result of this study is that tax reform in 2008 influenced the tax burden of taxpayer very positively.

The personal income tax also changed its parameters in 2005, as mentioned by J. Večerník [12]. This year, the form of a deduction for children changed from the non-taxable part to a tax credit. Another change took place a year later when other non-taxable parts of the tax base (e.g. per taxpayer, per student) were also replaced by tax reliefs. In the area of the legislative framework governing personal income taxation, three significant tax reforms took place in the Czech Republic in 1993, 2006 and 2008. According to J. Tepperová and J. Pavel [13], these reforms significantly affected the amount of tax revenues and the distribution of the tax burden personal income tax in the Czech Republic. All mentioned authors found out that this reform reduced the tax burden of personal income tax especially for a taxpayer with children or taxpayer with above-average level of wage.

Tax reforms in the Czech Republic did not only take place in the area of direct taxes, the parameters of indirect taxes also changed, as mentioned, for example, by K. Krzikallová and F. Tošenovský [14] or V. Paszto et al. [15]. All these changes have an impact on tax revenues, but sensitivity to changes is not the same as stated according to the results of the study by T. Havránek et al. [16].

The parameters of the personal income tax do not change only in the Czech Republic. In addition to studies solving the effects of tax reforms only in the Czech Republic, studies analysing the effects of tax reforms in several countries were also carried out. J. Hutton and A. Ruocco [17] determined the impact of tax reforms on employment and tax progression in Europe. The results of the study confirm the destimulating effects of high labour taxation. In addition to European countries, attention to reforms in the area of personal income tax is also an object of analysis to studies on a global scale. K.S. Peter et al. [18] evaluated the impact of tax reforms on the progressivity of personal income tax, the average and marginal tax rate. It was found that there is a trend to reduce tax rates in the highest bands or to increase the number

of deductions that taxpayers can use to reduce tax liability. It is also confirmed that tax reforms may affect the level of tax evasion [19].

The reason for tax reforms is also the effort to ensure higher efficiency to integrate inflation indexation into its personal income tax system in order to reduce distortions of tax liabilities and additional tax burdens. For example, the reform of personal income tax in Germany according to Ch. Nam and Ch. Zeiner [20] found out that the least benefited from this reform were taxpayers with an average income, while taxpayers with below-average or above-average incomes received more. According to R. Li and G. Ma [21] or C. Horioka and S. Sekita [22], the impact of tax reforms on tax progression is usually not the same and depends on the amount of the employee's earnings.

According to J. Cui [23], tax reforms also affect tax fairness. The so-called flat tax can be considered fair, as claimed by e.g. G. Cornia et al. [24]. The issue of tax fairness is closely related to the taxation of taxpayers with above-average incomes. S. Bach et al. [25] analysed the taxation of taxpayers with above-average incomes in Germany. Tax reforms in this state have also reduced the tax burden. As the burden on taxpayers with above-average incomes has decreased in Germany, according to the results of the study, it occurred in Slovenia, as mentioned by M. Čok et al. [26] to reduce the tax burden also for low-income taxpayers. The results of all mentioned abroad studies also confirmed the fact that aspects of personal income tax has changed very often. The effect on the tax burden is usually not the same but depends on the amount of wages and the number of tax advantages like non-taxable parts or tax reliefs that taxpayers use for the reduction of their tax burden.

The form of tax reforms and tax policy goals is also influenced by tax harmonization. H. Appel [27] or P. Concori et al. [28] states that it affects this in particular in the field of indirect taxation, as in the field of direct taxation it is an area with a great sensitivity to issues of national sovereignty.

3. Methods

Standard economic methodology, including such methods as description, deduction, and comparison as well as the study of legal sources and synthesizing methods is used in all parts of article. For analysis of dependences is used method of regression analysis. This method is applied due to the fact that is examined two factors (minimum wage and effective tax rate). Method of regression analysis was also used in tax studies by K. Teplicka and M. Daubner [29] or G. Savic et al. [30].

To evaluate the development of the tax burden between the years 2020 and 2021, it is necessary to calculate the amount of personal income tax. Due to the reform carried out on 1 January 2021, the technique for calculating the tax liability has changed. In 2020, the tax was calculated according to relation (1),

$$T = [(GW + 0.248 \cdot GW + 0.09 \cdot GW) \cdot TR] - R, \quad (1)$$

where T is tax, GW gross wage, TR tax rate and R is tax relief for taxpayer. This methodology was valid as long as there was no solidarity tax surcharge. Wages were subject to this if the amount of the monthly gross wage was higher than 4 times the average monthly wage. The calculation procedure in this case is according to the formula (2),

$$T = [(GW + 0.248 \cdot MAXB + 0.09 \cdot GW) \cdot TR_1] + [(GW - 1,672,080) \cdot TR_2] - R, \quad (2)$$

where T is tax, GW gross wage, TR_1 is tax rate 15%, $MAXB$ is maximum assessment base of social security premiums and contributions to the state employment policy, TR_2 is solidarity tax surcharge and R is tax relief for taxpayer.

From 2021, the tax liability is calculated according to the equation (3),

$$T = (GW \cdot TR_1) - R, \quad (3)$$

if the amount of the gross wage per year is higher than CZK 1,701,168, the calculation of the tax liability is carried out using (4),

$$T = [(1,701,168 \cdot TR_1) + (GW - 1,701,168) \cdot TR_2] - R, \quad (4)$$

where T is tax, GW gross wage, TR_1 tax rate of 15%, TR_2 tax rate of 23% and R is tax relief for taxpayer.

It is not correct to assess the tax burden based on the nominal tax rate, as the nominal tax rate may not always inform about the real tax burden [31]. A more appropriate indicator for assessing the tax burden is the effective tax rate determined (5),

$$ETR = \frac{T}{GW}, \quad (5)$$

where ETR is effective tax rate, T is tax and GW is gross wage.

Tax progressivity, which is one of the subjects of this study, is calculated in income intervals differing by a multiple of the minimum wage in the Czech Republic in the analysed period. One of the widely used interval indicators for measuring tax progression is the progressiveness of the tax obligation PTO comparing the elasticity of tax liability to the income before taxation [32]. Generally it's formalized according to (6),

$$PTO = \frac{\frac{T_1 - T_0}{T_0}}{\frac{GW_1 - GW_0}{GW_0}}, \quad (6)$$

where GW_0 is the gross wage of the taxpayer in the lower income interval, GW_1 is the gross wage of the taxpayer in the upper income interval, T_0 is the tax liability in the lower income interval, T_1 is the tax liability in the upper income interval. The upper income interval is considered to be a higher multiple of the minimum wage, the lower income interval is considered to be a lower multiple of the minimum wage.

Analysis of dependences between observed factors are solved by methods of regression analysis [33]. If the tax is progressive, then with increasing gross wages, the effective tax rate in equation (7) will also increase,

$$Y = b_0 + b_1 \cdot X, \quad (7)$$

where the dependent variable – minimum wage is Y and the independent variable of linear function – effective tax rate is X .

The quality of a regression model expressed a coefficient of determination R^2 . Testing the significance of the regression

model uses an F -test with the test criterion F , which is calculated using a formula (8),

$$F = \frac{R^2}{1 - R^2} \cdot (n - 2), \quad (8)$$

where n is the number of measurements. For more about F -test see [34].

The independence of the residuals can be verified using the Durbin-Watson test DW (9),

$$DW = \frac{\sum (u_i - u_{i-1})^2}{\sum u_i^2}, \quad (9)$$

where u_i is the value of residuals [35].

The relation between the characters X and Y can be expressed graphically using regression lines. Both lines are passing through the central point, the angle between both of the lines can be defined by (10),

$$\cot g \varphi = \frac{|r_{xy}|}{1 - r_{xy}^2} \left(\frac{S_y}{S_x} + \frac{S_x}{S_y} \right), \quad (10)$$

where r_{xy} is an empirical correlation coefficient, S_x is the variance of values of character X and S_y is the variance of values of character Y [36].

4. Analysis

The input data for verifying the validity of the hypotheses formulated in the introduction part of the text are based on the minimum wages of an analysed year, resp. their multiples. Average wages are not used for the analysis, as the data on the annual average wage is published only retrospectively because at the time of the analysis, information on the average wage for 2020 or 2021 is not available. According to M. Pernica [37] or T. Pavelka et al. [38], minimum wage is approximately 35% of the average wage. Evaluation of the mentioned aspects on basis of the minimum wage, resp. their multiples thus an alternative approach to solving this problem and is the uniqueness of this article.

According to data from the Czech Statistical Office¹, the minimum wage

¹ Minimum wage. Prague: Czech Statistical Office, 2021. Available at: <https://www.czso.cz/csu/czso/prace-a-mzdy-prace>

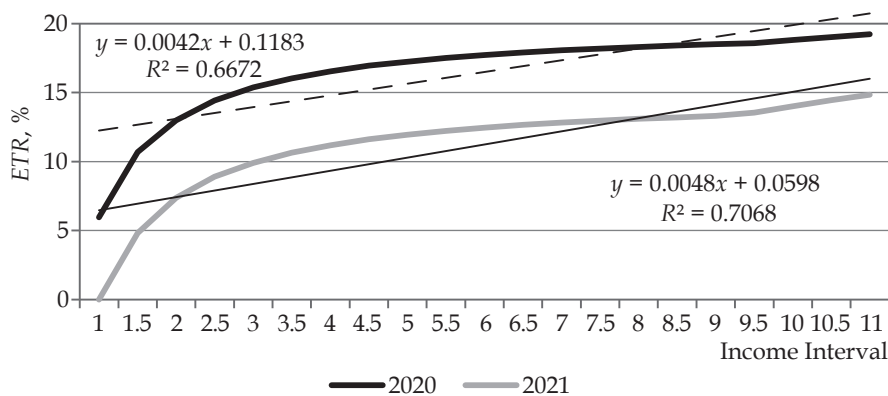


Fig. 1. ETR in the year 2020 and in the year 2021

Source: own processing

in the Czech Republic for 2020 was CZK 14,600, and since 2021 the minimum wage has been CZK 15,200 per month. Tax progressivity is analysed using the interval indicator of the progressiveness of the tax obligation. It is therefore necessary to set limit intervals. These intervals are determined in the analysis by a multiple of the minimum wage from 1.0 to 11.0 times, the width of the examined interval is determined by 0.5 times the minimum wage, therefore a total of 20 income intervals are examined. The reliability of the analysis is ensured by the fact that the graduation up to 11 times the average wage, which covers, according to data from the Statistics of Family Accounts², more than 95% of the population.

4.1. Analysis of tax burden in 2020 and 2021

To evaluate the development of the tax burden, effective tax rates are calculated using formula (5). According to the OECD methodology³, the application of a basic deduction to a taxpayer, which has a form of tax relief in both analysed years 2020 and 2021, is used for the assessment

² Statistics of Family Accounts. Prague: Czech Statistical Office, 2021. Available at: <https://www.czso.cz/csu/czso/prijmy-a-zivotni-podminky-domacnosti-kf03f95ff5>

³ Tax Database. OECD Tax Database, 2021. Available at: <http://www.oecd.org/tax/tax-policy/tax-database.htm#pit>

of tax burden. The tax liability for the year 2020 is calculated according to (1), for the year 2021 according to (3). Effective tax rates are calculated from the minimum wage to 11.0 times the minimum wage with a graduation of 0.5 times. It should be noted that the above formula (1) and (3), for the calculation of the tax liability, can be applied in 2020 up to the amount of CZK 1,672,080, resp. CZK 1,701,168 in 2021. If this amount is exceeded, the tax liability is calculated using the formula (2), resp. in 2021 according to the formula (4). A comparison of the tax burden on wages in the year 2020 and the year 2021 is shown in Fig. 1.

Fig. 1 shows that with an increasing multiple of the minimum wage, the taxpayer's tax burden increases too. The most significant increase occurs in the lowest analysed interval between the minimum wage and its 1.5 times. Then the degree of growth of the tax burden decreases, which affects the tax progressivity analysed in the second part of this chapter.

While in 2020 the taxpayer paid income tax on the minimum wage, in 2021 the taxpayer's tax liability receiving the minimum wage is zero. Also in other cases, a decrease in the tax burden can be observed, on average by 5%. The reason is two facts. Abolition of the super-gross wage as a tax base and increase of the taxpayer's relief by CZK 3,000 per year.

These changes made by the tax reform on 1 January 2021 reduce the taxpayer's tax burden, even if the taxpayer's income is also subject to a second nominal tax rate of 23%. The results of this analysis show that this tax reform has reduced the tax burden on labour. It should be noted that, according to L. Mazanec and A. Bieliková [39], the long-term problem of the Czech Republic remains the high levy burden, which is above the OECD average.

The minimum wage in the Czech Republic is usually set at about 30–35% of the average wage. From the values in Fig. 1 shows that a taxpayer receiving income at the level of the minimum wage does not pay any tax. The second reason is that the taxpayer's tax liability is lower than the value of the taxpayer's relief. If the aim of this reform was to support low-income taxpayers, in this case, this goal may not be 100% met. The reason is the fact that the tax relief is higher than the tax liability before the relief and the entire value of the tax relief, which increased in 2021 compared to 2020, will not be used by the taxpayer receiving only the minimum wage in full.

Absolute changes in effective tax rates between the analysed income intervals are shown in Table 1. For both analysed years, the tax burden increases most significantly in the lowest examined income interval, by almost 5%. The results in Table 1 show that higher effective tax rates in 2021 will lead to increased tax progressivity. With a higher wage, the amount of the absolute change gradually decreases, this trend is reflected up to the value of 9.5 times the minimum wage. The solidarity tax surcharge in force in 2020 increases the effective tax rate at intervals above 9.5 times the minimum wage, despite

the fact that the amount that exceeds the maximum assessment base for social security premiums and contributions to the state employment policy was the tax base in 2020 only gross wage increased by public health insurance borne by the employer. From 2021, at intervals above 9.5 times the minimum wage, the effect of the progressive tax rate is reflected, which leads to an increase in the value of the effective tax rate.

The fact that the trend in the development of the effective tax rate in 2020 and 2021 is similar is also evidenced by the angle between the empirical regression lines in Fig. 1, which is generally formalized by relation (10). There is a high direct dependence between the development of values in both analysed years, as the value of the $\cot g \varphi$ angle approaches 0, as indicated by the data below in the calculation.

$$\cot g \varphi = \frac{0.998}{1 - 0.998^2} \cdot \left(\frac{0.031}{0.034} + \frac{0.034}{0.031} \right) = 0^\circ 11'.$$

4.2. Evaluation of personal income tax progressivity

The values of the PTO calculated according to (6) indicate the fact that the personal income tax is progressive, in all examined intervals, because the values of PTO are higher than 1. Although the nominal tax rate (excluding the solidarity tax surcharge) was linear in 2020. The existence of tax deductions, such as tax relief for the taxpayer, influences tax progressivity. As the amount of the gross wage increases, the degree of progressivity gradually decreases, with a slight increase in progressivity occurring in 2020 at the moment when income is also subject to a solidarity tax surcharge.

Table 1

		Changes of ETR in %									
Year	1.0–1.5	1.5–2.0	2.0–2.5	2.5–3.0	3.0–3.5	3.5–4.0	4.0–4.5	4.5–5.0	5.0–5.5	5.5–6.0	
2020	4.73	2.31	1.43	0.95	0.65	0.51	0.40	0.30	0.26	0.22	
2021	4.82	2.54	1.53	1.02	0.73	0.55	0.42	0.34	0.28	0.23	
Year	6.0–6.5	6.5–7.0	7.0–7.5	7.5–8.0	8.0–8.5	8.5–9.0	9.0–9.5	9.5–10.0	10.0–10.5	10.5–11.0	
2020	0.17	0.16	0.14	0.11	0.11	0.10	0.08	0.22	0.22	0.20	
2021	0.20	0.17	0.15	0.13	0.11	0.10	0.24	0.47	0.43	0.39	

Source: own processing

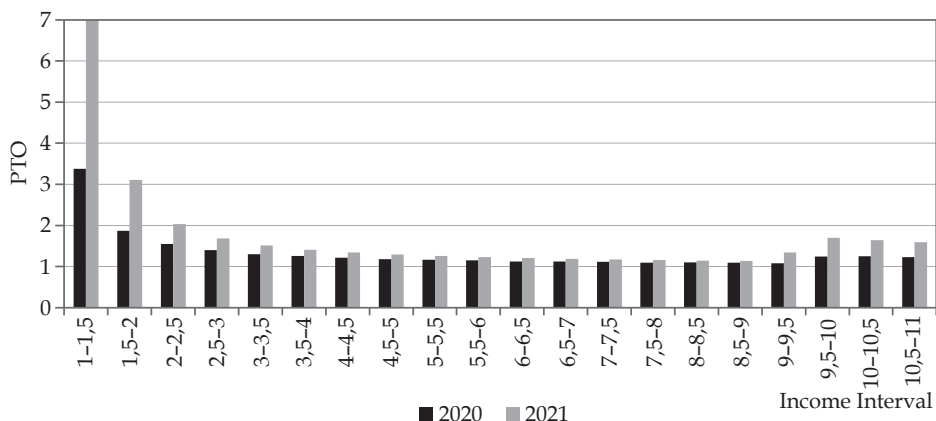


Fig. 2. PTO in the years 2020 and 2021

Source: own processing

In 2021, income tax in comparison with 2020 shows a higher degree of tax progression in all analysed income intervals, as follows from the values in Fig. 2. However, the reason for the increase in this progressivity is in many cases not the progressive tax rate, but the increase in the taxpayer's relief. The existence of a progressive tax rate affects these facts only from the income interval between 9.0 and 9.5 times the minimum wage. In this interval, a nominal rate of 23% is already applied to the part of income exceeding the decisive limit (in 2021 the amount of CZK 1,701,168). The conclusion of this analysis is the finding that the tax reform in 2021 increased the degree of progressivity of the personal income tax, most significantly for taxpayers with below-average or above-average incomes.

Increasing the degree of progression of personal income tax may lead to a reduction in inequality in the distribution of income in society, as progressive personal income tax is one of the tools of fiscal policy. However, as the progressiveness of the tax increases especially for low-wage taxpayers, the expected effect of reducing inequality in the distribution of income may not occur.

To verify that the tax is progressive, the relationship between the minimum wage (Y) and the effective tax rate (X_1) is modelled using formula (7). If the value of X_1 is positive, it is true that with increasing

wages, the effective tax rate also increases, and thus the tax is progressive. The results of this analysis are summarized in Table 2. Model 1 is based on data valid for 2020, model 2 is based on data after the tax reform in 2021.

Table 2

Regression analysis				
	Model 1		Model 2	
	Coef.	Sig.	Coef.	Sig.
X_1 - ETR	1,147,895	0.005	1,212,954	0.008
Constant	-101,746	0.000	-35,186	0.000
Observation	21		21	
R^2	0.816		0.841	
F	38.008	0.000	45.790	0.000
DW	1.5		1.48	

Source: own processing

Both simple regression models 1 and 2 are significant. The dependence between minimum wage and effective tax rate is positive. Comparison of R^2 shows that the dependence is stronger. Testing the significance of the regression model uses an F -test (F) shows also significance of the model. The positive X_1 coefficients confirm that the tax burden increases with the higher amount of wage, as the effective tax rate increases. The regression analysis also confirmed that the income tax is progressive, in both years analysed, i.e. 2020 and 2021. In both models, the Durbin-Watson (DW) statistic indicating a slightly positive autocorrelation.

5. Conclusion

The aim of the article was to evaluate the impact of the tax reform of personal income tax, which occurred in the Czech Republic on 1 January 2021. The analysis confirmed the hypotheses formulated in the introduction – the tax burden on income from dependent activities decreased in 2021 in comparison with 2020. On the contrary, there has been an increase in tax progressivity, due to an increase in the taxpayer's relief and the replacement of the nominal linear tax rate by a progressive tax rate. The increase in the deduction per taxpayer means that a taxpayer receiving gross wage only at the level of the minimum wage has not paid income tax since 2021.

The tax reform in 2021 caused a decrease in the tax burden on personal income from dependent activities. The decrease of the tax burden on labour is a welcome change from the taxpayer's point of view; on the other hand, according to C. Bronchi and A. Burns [40] or F. Coulter et al. [41], the reforms should focus on reducing the levy burden, which is in the Czech republic higher than the OECD countries average value. If the Czech Republic wants to go this way, it will most likely be necessary to increase other taxes, as this already implemented tax reform means a decrease in state budget revenues by more than 120 billion crowns. In addition, the analysis shows that low-income taxpayers cannot take full advantage of tax reform from 1 January 2021. Due to the low tax base and high relief, the use of other tax deductions is pointless for them, as most of them can be applied to the value of the calculated tax liability, resp. to the value of the tax base. The only difference is in the case of deduction for children. This deduction can also take the form of a tax bonus. As a result, taxpayers with above-average incomes have more benefits from tax reform. If the aim of this reform was to support an increase in household income and thus ensure the growth of consumption, the expected effect may not be fully realized, as taxpayers with above-

average incomes will use available funds rather as savings.

The results of the analysis confirm the finding of J. Večerník [42] that personal income tax reforms affect redistribution flows only to a very limited degree. E. Longobardi et al. [43] mention that the aim of tax reforms is increasing the transparency and comprehensibility of the tax for the taxpayer. This reform contributes only partially to this, as already at the moment of the presentation of possible proposals for legislative changes in the area of personal income tax, criticism began to emerge related to the sustainability of financing from a national perspective, because due to the decrease in the tax burden, there will be a decrease in tax revenues to the state budget in 2021. It follows that another income tax reform can also be expected in the coming years. While the reform on January 1, 2021 led to a reduction in the tax burden, the decline in state budget revenues, either due to this reform or due to the consequences of the Covid-19 pandemic, will put pressure on such changes that will lead to an increase in the tax burden. Evaluating the impact of these possible changes is one of the other research topics in the field of personal income tax. As already mentioned in the analytical part of the article, the evaluation of progressivity as well as the development of the effective tax rate is determined by multiples of the minimum wage. However, this limitation of the study is also considered to be the uniqueness of the study, as in the past studies evaluated tax progressivity using interval indicators of progressivity based on intervals determined by average wages. After the publication of data on the annual average wage for the year 2020, resp. 2021, this may therefore be another topic for research in the field of personal income tax.

Despite the decrease in the tax burden and the increase in the tax progressivity of personal income tax in the Czech Republic, the significance of personal income tax as a tax revenue to the state budget and an important instrument of the country's fiscal policy can still be assumed.

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