Press Release

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Employer costs for work in the Czech Republic are the highest in Central Europe

Prague, 17 January 2017 – Compared to other European countries, the net income of employees with higher salaries is relatively high in the Czech Republic, namely as a result of the flat income tax rate. At the same time, employer costs are among the highest not only in Central Europe, there are only a few countries with higher costs, namely France, Sweden, Italy, Belgium and Austria. On the contrary, the lowest employer costs are in Denmark and in Malta. When comparing France, which has the highest employer costs, and Denmark, which has the lowest employer costs, the difference in employer costs for annual income of EUR 25,000 is more than EUR 30,000. The Czech Republic is doing surprisingly well regarding the relation of net income to the total costs, where it ranks fifth, before Switzerland, Malta, Poland and Luxemburg. These are the results of the study of European salaries, in which Deloitte compared the total employer costs and net income of employees in 19 European countries including the Czech Republic.

"Compared to other European countries, net income of employees with higher salaries is relatively high in the Czech Republic, namely as a result of the flat income tax rate. However, employer costs also rank among the highest, namely for the lower salaries. When comparing net income, the Czech Republic ranks among countries with the highest net income. This is mostly the result of a flat tax rate, ie the non-existence of progressive taxation," Lucie Rytířová, Manager of Deloitte’s Tax function, explains.

What is the most important factor in comparing employer costs? "Social security and health insurance contributions that employers must pay for their employees. In many countries, these contributions are not capped (eg. in France), or are only partly capped (eg Czech Republic). Employers are also limited by minimum statutory salaries," Robert Bezecný, Manager of Deloitte’s Tax function, adds. Minimum salaries are highest in Luxemburg (from EUR 1,923) and Belgium (from EUR 1,502), and lowest in Portugal (EUR 530) and Slovakia (EUR 405).

The following also emerged from the study:


- France, Italy, Sweden, Belgium and Austria have the highest contributions into the social security system.

- **French** employer costs remain the highest regardless of the level of income due to the uncapped social security contributions.
Belgian employers see social security contributions decreasing, especially for the lowest wages, as a result of the tax shift. Belgium is thus the only one out of the 19 countries where employer costs have been reduced.

The study affirmed that no fundamental changes have been carried out in the 19 analysed countries, except for Greece, Austria and Belgium. While income taxes are higher in Greece for all income categories, in the remaining two countries taxes on the lower wages have been reduced.

Also in Austria a tax shift took place increasing the net income on the lower salaries.

Taxes on higher salaries have not changed, the usual rate is 50% or more, as opposed to the Czech Republic where the tax rate for higher salaries is approximately 24% including the solidarity tax increase.

"If we take into account the cost of living, we can state that the living standard in the Czech Republic is good: net disposable income remains to be one of the highest, along with Poland and Slovakia. Whereas Switzerland, Great Britain, France, Denmark and Ireland stand on the other end of the ranking. Prague ranks among the cheapest cities, preceded by Athens and Warsaw, whereas Geneva and London are the most expensive ones," Lucie Rytířová adds.

About “European Salary Survey”

The study compared the total employer costs and net income in 19 European countries (Poland, Czech Republic, Slovakia, Malta, Spain, Portugal, Greece, Germany, Austria, Netherlands, Luxembourg, Belgium, Italy, Sweden, Ireland, UK, Switzerland). The study also analysed the cost of living in relation to net income, thus comparing the net disposable income. In addition to payroll costs, the study also surveyed taxes on capital gains and property taxes.

Would you like to learn more? Download European Salary Survey.