

# Abstract

## **Taxation of retirement pensions and other insurance social benefits**

The thesis has the ambition to bring an often-neglected view of one of the media-gracious topics, and that is the Czech pension reform. For this purpose, I examine in detail the pension insurance system, which is a public monetary payment, and, to a lesser extent, the voluntary old-age savings system, which consists of supplementary pension savings and supplementary pension insurance.

In the case of pension insurance, it is examined in particular how much the insurance premium is for pension insurance taxes, and how much the actual insurance premium, while the essential criterion in the given case is the degree of its equivalence expressing the ratio between this insurance premium and its consideration in the form of a (retirement) pension. This varies between  $1/3$  and  $2/5$ , which means that the premium for pension insurance can be considered a tax from  $3/5$  to  $2/3$ . At the individual level, as a result of the reduction limits, the equivalence rate ranges from 34% for people with the highest incomes to 100% for people with the lowest incomes. Therefore, there is in reality a strong progressive-regressive taxation of the incomes of employees, and to a lesser extent of the self-employed.

From the point of view of a more suitable setting of the system, the possibility of taxing the pension, and partly also following the decision of the Constitutional Court from 2010, it seems desirable to divide the existing insurance premium for pension insurance into a tax (non-equivalent) component and a fully equivalent insurance premium. The second of the mentioned components should be taxed once by personal income tax. Additional pension savings and supplementary pension insurance should also be subject to the same principle of taxation. Their taxation is today set to encourage long-term annuitization of savings. However, this appears to be not very effective, and therefore the question is whether this system of motivation should not be supplemented or replaced by other instruments.