

## **Abstract**

This paper discusses the development of income tax of employees. The aim of this work is to model the real impact of legislative changes in the Czech Republic on the actual tax burden of employees with different incomes and propose optimal solution of tax calculation. The modelling is based on data containing gross salary, applicable tax allowances and tax reliefs for each employee of concrete production company in 2012. For the other years, the data are modelled from the given set using inflation. For comparison of the actual tax burden I use the effective tax rate, implicit tax rate and net implicit tax rate. The results of the calculations show that the tax deductions and the minimum and maximum base for social and health security contributions have the biggest effect on the tax rate. In the absence of tax deductions, the real tax burden for most employees according to the effective tax rate would have been almost constant over time. In fact, in terms of the effective tax rate the tax burden has declined slightly thanks to an increase in tax deductions. The results also show that the biggest differences in tax burden among employees are due to the (non) application of tax deductions.