

## Czech Republic Budget from 2004 till 2020

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### Abstract

The overview article concerns about state budget of the Czech Republic after becoming the member country of the European Union (2004) till 2020. The state budget is investigated via analysis of the time series and statistical methods.

*Keywords: Budget; Czech Republic; EU; State Budget*

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### 1. Introduction

The overview article aims at analysis of the state budget of the Czech Republic from 2004, which is the year the country became the member country of the European Union till 2020.

The state budget is an important part of the well-fare and well-being of any country, the state budget shall be in equal which mean that the income shall be equal to expenditures; state budget consists of two parts, which are income and expenditures which make so-called state budget balance. The state budget is prepared and planned for every year (not only in the Czech Republic), however it may be adjusted, especially due to unforeseen circumstances such as natural disasters of serious epidemiology situation.

This article aims at investigating the state budget of the Czech Republic from 2004 till 2020 and to make conclusion concerning the state budget from the mentioned period.

### 2. Methodology

The article is written with methodology of comparison, literature and data overview. The data provided by the official offices are used, such as data issued by Czech Statistical Office. The methodology used is following:

1. The Literature overviews of the topic and introduction of the topic,
2. Statistical analysis of the state budget income in 2004-2020,
3. Statistical analysis of the state budget expenses in 2004-2020,
4. Statistical analysis of the balance in 2004-2020,

5. Overall description of the income, expenses and balance in the years of 2004-2020.

For analysis are used statistical methods such as time series and their comparison, average, first difference and second difference. From the analysis of the data, the conclusion is made.

### 3. State Budget of the Czech Republic and its parts

The State Budget of the Czech Republic is prepared by the Ministry of Finance of the Czech Republic in cooperation with relevant ministries and agencies. The State Budget of the Czech Republic consists of incomes and expenditures (Ministerstvo Financí ČR, 2021).

The state budget is defined in the law as financial relations that ensure the financing of certain functions of the state in the budget year. The budget consists of expected revenue and estimated expenditure and is always compiled for the coming calendar year. The final form of the budget is based on the so-called medium-term outlook, which is a period of two years following the year for which a specific budget is submitted (Vláda ČR, 2021).

Overall, the system of Public Budgets of the Czech Republic is as follows. The Budget System of the Czech Republic consists of two main parts which are (Karcík, 2014):

#### 1. Public Budgets

- a. Centralised public budgets
  - i. The State Budget of The Czech Republic
- b. Non-centralized public budgets
  - i. Regions and Municipalities Budgets
  - ii. Towns, Cities and Villages Budgets
  - iii. Regional Budgets (“Regionální rady regionů”)
  - iv. Budgets of regions-owned, city-owned, town-owned or village-owned bodies, authorities, agencies and non-for-profit companies

#### 2. Non-Budgets Funds

- a. Centralized
- b. Non-Centralized

The State Budget is connected with non-centralized public budgets such as budgets of regions, municipalities and towns. On the other side, non-Budgets funds are, in the Budget System of the Czech Republic, not directly connected to the State Budgets. From the following, it is possible to make a conclusion that State Budgets influences, to certain extent:

- The budget of Regions and Municipalities,
- The budget of cities, towns and villages,

And the budget of the Regions, Municipalities, cities, towns and villages influence the quality of life in such as areas. For instance, the State Budget helps the social services in the village of Lučina to function properly and thus the quality of life for the ordinary people is maintained. It is not necessary to mention that State Budget, in a fact and, influences to some extent, every person in the country.

Brief structure of State Budget income side. The main source of income of the State Budget are Taxes. Which part of expenditures is covered by certain income is determined by so-called budgetary determination of taxes (“Rozpočtové určení daní”) (Svaz Měst a Obcí, 2021).

According to the simplified budgetary determination of taxes, it is possible to conclude that the main sources of income for the State Budget of the Czech Republic are (Svaz Měst a Obcí, 2021):

1. Value Added Tax (“DPH”)
2. Corporate income tax without taxes paid by Municipalities (“Daň z příjmů právnických osob bez daně placené obcemi a kraji”)
3. Corporate income tax from taxes paid by Municipalities (“Daň z příjmů právnických osob z daně placené obcemi a kraji”)
4. Personal Income Tax Collected by tax deduction according to a special rate (“Daň z příjmů fyzických osob vybíraná srážkou daně dle zvláštní sazby”)
5. Personal Income Tax on self-employed activities (“Daň z příjmu fyzických osob: daň ze samostatné výdělečné činnosti”)
6. Personal Income Tax on Employment (“Daň z příjmů fyzických osob ze závislé činnosti”).

To summarize the income of the State Budget of the Czech Republic, it is possible to say that the main incomes are from VAT, Corporate income taxes and Personal income taxes.

On the other hand, expenditures of the State Budget of the Czech Republic are divided to so-called “chapters” or “categories” which include 47 chapters such as (Žurovec, 2020):

- Ministry of Culture, Ministry of Transport (and other ministries),
- Czech Statistical Office (and other state agencies and offices),
- Supreme Court,
- Office of the President,
- Senate of the Czech Republic,
- Chamber of Deputies of the Parliament,
- Etc.

The highest expenditure is in most of years set for Ministry of Labor and Social Affairs, which, for instance in 2020, needed 680,9 bil. CZK. To compare it, the expenditure of the Czech Republic in 2020 was 1 648,2 bil. CZK, therefore the Ministry of Labor and Social Affairs consumed 41,3% of the State Budget Expenditures in 2020 (Žurovec, 2020).

The Income and expenditures make up the final balance, which shall be equal, however the real practice showed that the balance is very rare. Most of the time, the State Budget is not at balance, however expenditures are higher than incomes.

#### 4. Summary of Income, Expenditures and Balance in 2004-2020

The following table no.1 shows the input data for income, expenditures and balance of the State Budget in 2004 – 2020. Every part (income, expenditures and balance) is then described and analysed in the separate chapters for better clarity.

**Table 1: Czech State Budget – Income, Expenditures and Balance in 2004-2020**

Year	Time (t)	Income (bil. CZK)	Expenditures (bil. CZK)	Balance (bil. CZK)	First Difference	Second Difference	Basic Index	Growth rate
2004	1	754,10	869,10	-115,00			1,0000	
2005	2	866,46	922,79	-56,33	58,6700		0,4898	0,4898
2006	3	923,06	1 020,64	-97,58	-41,2500	-99,9200	0,8485	1,7323
2007	4	1 025,88	1 092,27	-66,39	31,1900	72,4400	0,5773	0,6804
2008	5	1 063,94	1 083,94	-20,00	46,3900	15,2000	0,1739	0,3013
2009	6	974,61	1 167,00	-192,39	-172,3900	-218,7800	1,6730	9,6195
2010	7	1 000,37	1 156,79	-156,42	35,9700	208,3600	1,3602	0,8130
2011	8	1 012,75	1 155,52	-142,77	13,6500	-22,3200	1,2415	0,9127
2012	9	1 051,00	1 152,00	-101,00	41,7700	28,1200	0,8783	0,7074
2013	10	1 092,00	1 173,00	-81,00	20,0000	-21,7700	0,7043	0,8020
2014	11	1 133,80	1 211,60	-77,80	3,2000	-16,8000	0,6765	0,9605
2015	12	1 234,50	1 297,30	-62,80	15,0000	11,8000	0,5461	0,8072
2016	13	1 281,60	1 219,80	61,80	124,6000	109,6000	-0,5374	-0,9841
2017	14	1 273,60	1 279,80	-6,20	-68,0000	-192,6000	0,0539	-0,1003
2018	15	1 403,90	1 401,00	2,90	9,1000	77,1000	-0,0252	-0,4677
2019	16	1 523,20	1 551,70	-28,50	-31,4000	-40,5000	0,2478	-9,8276
2020	17	1 475,50	1 842,90	-367,40	-338,9000	-307,5000	3,1948	12,8912
		<b>Average</b>	<b>Average</b>	<b>Average</b>	<b>Avg. absolut. Growth</b>			<b>Average Growth Rate</b>
		1 122,96	1 211,60	-88,6400	-15,775000			1,1805
<i>Average in the period 2004-2020</i>								

Source: author on the base of Ministerstvo Financí ČR.

The following table no. 2 shows average summary for income, expenditure, balance and growth rate. Again, the respective data are analysed in the respective subchapters for better clarity.

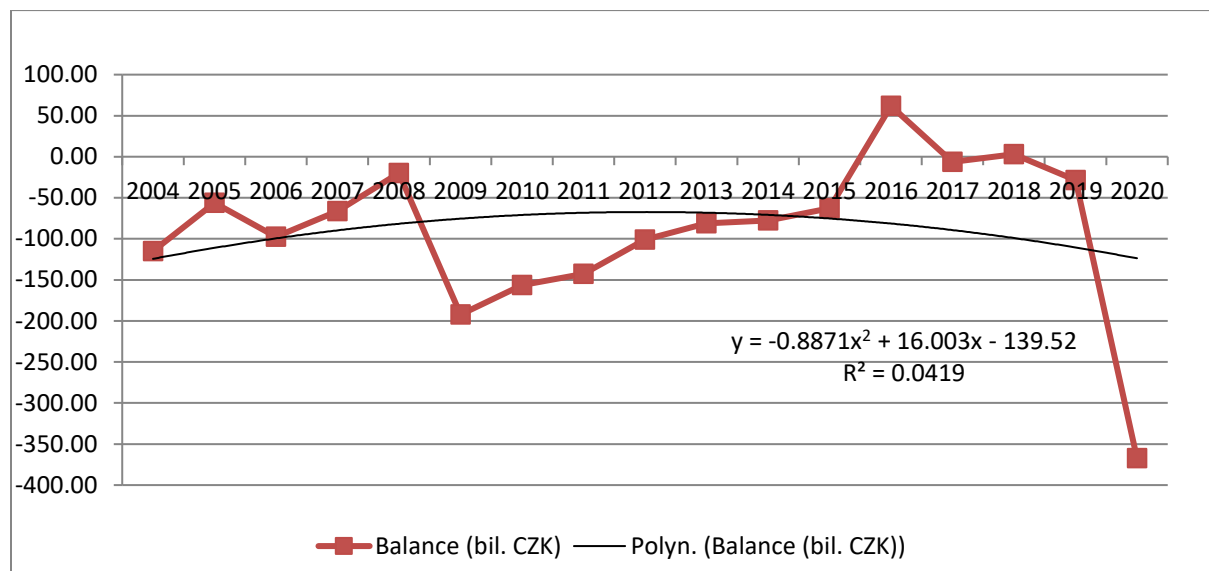
**Table 2: Czech State Budget – Average Summary for 2004-2020**

Item	Value
<b>Average Income</b>	1122,96 bil. CZK
<b>Average Expenditure</b>	1211,60 bil. CZK
<b>Average Balance</b>	-88,64 bil. CZK
<b>Average Balance Average Abs. Growth</b>	-15,78 %
<b>Average Balance Growth Rate</b>	1,18 %

Source: author.

The following figure no. 1 shows the overall balance of the Czech Republic State Budget in 2004-2020 from the point of view of statistical information (poly) and its final equation.

**Figure 1: Overall Data Poly. (Balance) in years of 2004-2020**



Source: author.

## 5. Analysis of Income of the State Budget in 2004-2020

The average income of the Czech State is 1 122,96 bil. CZK in the years of 2004-2020. The lowest income was recorded in 2004 (basic year), which is the year of becoming EU Member State.

From the year of 2004 till 2008 it is possible to see that the income is steadily growing from 754,1 bil. CZK in 2004 till 1 063,94 bil. CZK in 2008, however we can see a sharp decrease in income in 2009, which recorded only 974,61 bil. CZK in income.

From year 2009 till the year of 2016, it is possible to conclude that the income of the State Budget is increasing, from 974,61 bil. CZK in 2009 to 1 012,75 bil. CZK in 2011, followed by 1 092 bil. CZK in 2013 and 1 234,50 bil. CZK in 2015 and 1 281,6 bil. CZK in 2016.

The average income for the monitored years is 1 122,96 bil. CZK and it is possible to see average absolute growth in income 45,09 bil. CZK in 2004-2020. The average growth rate is 1,1. Both data show that income is steadily increasing and growing. The summary of written text can be seen in the Table no. 3.

**Table 3: Details of State Budget Income in 2004-2020**

Year	Time (t)	Income (bil. CZK)	First Difference	Second Difference	Basic Index	Growth rate
2004	1	754,10			1,0000	
2005	2	866,46	112,3600		1,1490	1,1490
2006	3	923,06	56,6000	-55,7600	1,2241	1,0653
2007	4	1025,88	102,8200	46,2200	1,3604	1,1114
2008	5	1063,94	38,0600	-64,7600	1,4109	1,0371
2009	6	974,61	-89,3300	-127,3900	1,2924	0,9160
2010	7	1000,37	25,7600	115,0900	1,3266	1,0264
2011	8	1012,75	12,3800	-13,3800	1,3430	1,0124
2012	9	1051,00	38,2500	25,8700	1,3937	1,0378
2013	10	1092,00	41,0000	2,7500	1,4481	1,0390
2014	11	1133,80	41,8000	0,8000	1,5035	1,0383
2015	12	1234,50	100,7000	58,9000	1,6371	1,0888
2016	13	1281,60	47,1000	-53,6000	1,6995	1,0382
2017	14	1273,60	-8,0000	-55,1000	1,6889	0,9938
2018	15	1403,90	130,3000	138,3000	1,8617	1,1023
2019	16	1523,20	119,3000	-11,0000	2,0199	1,0850
2020	17	1475,50	-47,7000	-167,0000	1,9566	0,9687
		<b>Average</b>	<b>Avg. absolut. Growth</b>			<b>Average Growth Rate</b>
		1 122,9571	45,087500			1,1006
		<i>average in the period 2004-2020</i>				

Source: author on the base of Ministerstvo Financí ČR.

## 6. Analysis of Expenditure of the State Budget in 2004-2020

The average expenditure of the Czech State is 1 211,59 bil. CZK in the years of 2004-2020. The lowest expenditure was recorded in 2004 (basic year), which is the year of becoming EU Member.

From year of 2004 till the year of 2007 it is possible to see the increase in expenditures, from 869,1 bil. CZK till 1 092,27 bil. CZK in 2007. The year of 2008 is marked with slight decrease to 1 083,94 bil. CZK, however the following year of 2009 is marked with sharp increase in expenditures to 1 167 bil. CZK. The years of 2010, 2011 and 2012 are marked by slight decrease of expenditures to 1 152 bil. CZK in 2012.

In the years of 2012-2015, it is possible to see increase in expenditures from 1 152 bil. CZK in 2012 up to 1 297,3 bil. CZK in 2015. Year of 2016 is marked with slight decrease to 1 219,8 bil. CZK, however the following year of 2017 is marked with increase to 1 279,8 bil. CZK. The

following years of 2018 and 2019 are marked with increase to 1 401 bil. CZK in 2018 and 1 551,7 bil. CZK in 2019.

The year of 2020 is marked with increase of 140 bil. CZK to 1 842,9 bil. CZK, however this is due to COVID-19 situation.

The years of 2018 and 2019 are marked with highest increase of state budget expenditures, which are 121,2 bil. CZK in 2018 and 150,7 bil. CZK in 2019.

The year 2020 is not taken in account as this year is not “normal” year, however is affected by COVID-19 pandemic, in which we can see the increase in total expenditure of 291,2 bil. CZK.

The average expenditure for the monitored years is 1 211,59 bil. CZK and it is possible to see average absolute growth in income 60,8 bil. CZK in 2004-2020. The average growth rate is 1,11. Both data show that income is steadily increasing and growing. The summary of written text can be seen in the Table no. 4.

**Table 4: Detailed Expenditures in 2004-2020**

Year	Time (t)	Expenditures (bil. CZK)	First Difference	Second Difference	Basic Index	Growth rate	
2004	1	869,10			1,0000		
2005	2	922,79	53,6900		1,0618	1,0618	
2006	3	1 020,64	97,8500	44,1600	1,1744	1,1060	
2007	4	1 092,27	71,6300	-26,2200	1,2568	1,0702	
2008	5	1 083,94	-8,3300	-79,9600	1,2472	0,9924	
2009	6	1 167,00	83,0600	91,3900	1,3428	1,0766	
2010	7	1 156,79	-10,2100	-93,2700	1,3310	0,9913	
2011	8	1 155,52	-1,2700	8,9400	1,3296	0,9989	
2012	9	1 152,00	-3,5200	-2,2500	1,3255	0,9970	
2013	10	1 173,00	21,0000	24,5200	1,3497	1,0182	
2014	11	1 211,60	38,6000	17,6000	1,3941	1,0329	
2015	12	1 297,30	85,7000	47,1000	1,4927	1,0707	
2016	13	1 219,80	-77,5000	-163,2000	1,4035	0,9403	
2017	14	1 279,80	60,0000	137,5000	1,4726	1,0492	
2018	15	1 401,00	121,2000	61,2000	1,6120	1,0947	
2019	16	1 551,70	150,7000	29,5000	1,7854	1,1076	
2020	17	1 842,90	291,2000	140,5000	2,1205	1,1877	
		<b>Average</b>	<b>Avg. absolut. Growth</b>			<b>Average Growth Rate</b>	
		1 211,5971	60,862500			1,1134	
		<i>average in the period 2004-2020</i>					

Source: author on the base of Ministerstvo Financí ČR.

## 7. Analysis of Balance of the State Budget in 2004-2020

The average balance for 2004-2020 is -88,64 bil. CZK with average absolute growth of -15,77 bil. CZK. This means that expenditures are averagely 15,77 higher than incomes.

This is confirmed by average growth rate of expenditures which is 60,8 bil. CZK compared to only 45,08 bil. CZK increases in incomes. This shows that expenditures are increasing faster than incomes.

Most of the time, there may be seen that the balance consists of higher expenditures than incomes (“minus”), the only two years in which the incomes were higher than expenditures were 2016 with +61,8 bil. CZK in favour to incomes and 2018 with +2,9 bil. CZK in favour to income.

Also, average growth rate is 1,11, which is higher than average growth rate 1,10 in income.

Described balance can be seen in the Table no. 5 which shows the details of the State Budget Balance (income – expenditures) and its details.

**Table 5: Details of State Budget Balance in 2004-2020**

Year	Time (t)	Balance (bil. CZK)	First Difference	Second Difference	Basic Index	Growth rate
2004	1	-115,00			1,0000	
2005	2	-56,33	58,6700		0,4898	0,4898
2006	3	-97,58	-41,2500	-99,9200	0,8485	1,7323
2007	4	-66,39	31,1900	72,4400	0,5773	0,6804
2008	5	-20,00	46,3900	15,2000	0,1739	0,3013
2009	6	-192,39	-172,3900	-218,7800	1,6730	9,6195
2010	7	-156,42	35,9700	208,3600	1,3602	0,8130
2011	8	-142,77	13,6500	-22,3200	1,2415	0,9127
2012	9	-101,00	41,7700	28,1200	0,8783	0,7074
2013	10	-81,00	20,0000	-21,7700	0,7043	0,8020
2014	11	-77,80	3,2000	-16,8000	0,6765	0,9605
2015	12	-62,80	15,0000	11,8000	0,5461	0,8072
2016	13	61,80	124,6000	109,6000	-0,5374	-0,9841
2017	14	-6,20	-68,0000	-192,6000	0,0539	-0,1003
2018	15	2,90	9,1000	77,1000	-0,0252	-0,4677
2019	16	-28,50	-31,4000	-40,5000	0,2478	-9,8276
2020	17	-367,40	-338,9000	-307,5000	3,1948	12,8912
		<b>Average</b>	<b>Avg. absolut. Growth</b>			<b>Average Growth Rate</b>
		-88,6400	-15,775000			1,1805
		<i>average in the period 2004-2020</i>				

Source: author on the base of Ministerstvo Financí ČR.



## 8. Conclusion and Limitations

The analysis of the Czech Republic Budget Information for years of 2004-2020 showed especially following information:

- The average growth rate of the expenditures is 1,11, however the average growth rate of incomes is 1,0 which means that expenditures increase at higher rate than incomes which causes imbalance between incomes and expenditures.
- The average balance for 2004-2020 of the State Budget is -88,64 bil. CZK, which means that in average expenditures are higher than incomes.
- The absolute growth of income (average) is 45,0 bil. CZK per year, however the absolute growth of expenditures (average) is 60,86 bil. CZK per year.
- There are only two years in which state budget was profitable (2016 and 2018), in other years (15) the state budget was in loss.

For future, it is recommended to study the effect of COVID-19 on the State Budget and describe it in a statistical way. However, it is recommended to study in a long-term in 5 or 10 years. Such as it is possible to compare state budget in “normal” period and in “after COVID” period.

The limitations of this overview article is that the data are taken from the official source such as Ministry of Finance (Ministerstvo Financí ČR), therefore it may lack the “independent” point of view. However, on the other hand, it is possible to conclude that Ministry of Finance provides valid information.

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