

Double tax treaties aim to prevent double taxation. Double taxation of income is an undesirable phenomenon from the taxpayers' point of view. The most widespread way of preventing it is through bilateral agreements concluded between states under the OECD Model Agreement. In general, a prerequisite of taxation is either tax residency or the existence of a permanent establishment, which can take various forms. Double taxation treaties and the concept of a permanent establishment in which this master thesis is dedicated, have undergone a dynamic transformation over the past few years due to both Base Erosion and Profit Shifting reports (BEPS) and the Multilateral Instrument by OECD (MLI). This transformation is demonstrated in this thesis by comparing selected provisions of the OECD Model Agreement 2014 and 2017. This thesis addresses the current question of whether the current development of tax treaties is to avoid double taxation or avoid double non-taxation and artificial tax reduction. Double tax treaties, as practice shows, fulfill their traditional role. The first chapter deals with the system of national and international taxation in general. The second chapter deals with the issue of double taxation, methods of its avoidance and comparison of versions of the OECD Model Agreement 2014 and 2017. The third chapter deals with the concept of a permanent establishment as a tax-relevant presence of a non-resident. Even an employee working from a home office can give a rise to a permanent establishment, given the development of technology. The issue of interpreting Commentaries on the OECD Model Agreement is outlined in Chapter Four. Chapter Five deals with tax avoidance, Base Erosion and Profit Shifting and the concept of abuse of law. Chapter Six describes the changes the MLI brings to the permanent establishment concept, reports on the legislative process and analyzes the impact that the MLI will have on the Czech Republic. Double tax treaties and the concept of a permanent establishment are means to find a way to a partial solution that meets needs of both states and taxpayers in determining their tax liability.