

Abstract: Capital improvement from the income tax viewpoint

This work focuses on the analysis of the current legislation of capital improvement and its interpretation by the professional public is presented, from both the view of the tax advisers and financial management. The legislation and its interpretation are evaluated and, if necessary, revisions are proposed. To attain this goal I had chosen the linguistic, historically teleological and comparative interpretation methods.

At first, I focused on the definition of capital improvement and individual terms connected with it and their historical evolution. Also mentioned is the legislation tied to the accounting and here can be found the pitfalls, which the legal differences with the tax legislation can bring. Furthermore I examined depreciation of capital improvement using both linear and accelerated methods and I compared the processes with the situation without the capital improvement. Another field closely connected with depreciation and which I focused on next, was the capital improvement of foreign property. Here I outlined the latest progress by novelization of the legislation and by use of Coordination committees with the Chamber of tax Advisers. Using the comparative interpretation method I compared the Czech and Slovak legislation of the capital improvement and advised implementing the Slovak legislation of linear depreciation, which in my opinion would mean an overall simplification of the depreciation process without significant change in applicable tax expenses. Finally I have also focused on the institution of binding evaluation, whether expenses are to be considered capital improvement. I have also presented my solution to the often discussed topic of air conditioner in capital improvement context.

The outcome of this paper allow for identification of problematic areas of capital improvement and the outlined solutions can be used as a first step towards their improvement.

Klíčová slova: capital improvement, depreciation, tangible and intangible assets