

Abstract

Personal income tax with the focus on tax exemptions and possibilities of tax reductions

This thesis deals with the problematics of the personal income tax. The focus of this thesis is on possibilities of reductions of the tax or the tax base and on tax exemptions. The thesis is divided into six chapters. The first chapter explains the general concept of taxes, the history of taxes and the characteristics of the tax law.

The author devoted the second chapter to the income tax, especially to its characteristics and its statutory regulation. Nowadays all regulation of the personal income tax is contained in one act, Act no. 586/1992 Coll., Income Tax Act. However, in the past the situation was different and therefore it is necessary to mention also the previous regulation, which was scattered into several acts and other legal regulations. The present Income Tax Act has been valid and effective for almost thirty years and it has been amended to a greater or smaller degree several times. The author mentions these amendments in connection with particular issues throughout the whole thesis in order to compare the present and the previous regulation.

The third chapter deals with the theoretical view of taxes. The author writes about the characteristics of taxes in general and also about the special characteristics of the personal income tax. This part of the thesis explores also the budgetary allocation of taxes because one of the features of taxes is that they are paid to the state budget. The fourth chapter is theoretical as well because it deals with functions of taxes.

The topic of the fifth chapter are the structural components of a tax. The author devoted this chapter to the particular structural components of taxes and she compares views of various authors on their classification. The author based her analysis on the most frequent opinion that the structural components of the taxes contain: the taxpayer, the subject matter of the tax, the tax base and the tax rate. The subchapter „5.3 *The tax base*“ includes both the so called „*The expenses taxed in a lump-sum amount*“ and „*The tax set by a lump-sum amount*“ because it is a specific form of setting the tax base or the tax itself.

The pivotal part of the thesis is the sixth chapter where the author analyses in detail each possibility how to reduce the tax base or the tax itself. This analysis explores the possibilities from the procedural and substantive law point of view and from the point of view of performances which are exempted from taxation. Due to the fact that the Act has been amended several times, which has made it cluttered, it was necessary first to divide all institutes into subchapters, where the author described and analysed these institutes in detail. The author mentions particular cases or quotes judicial decisions and practice of the courts to elucidate the institutes or to compare them with the previous statutory regulation.

In the final part of the thesis the author considers the present statutory regulation and she highlights its unorganized and unclear structure, which is the outcome of frequent amendments. The Czech statutory regulation of tax institutes is compared with the foreign

regulation or with the previous Czech one to provide examples or inspiration for a potential statutory improvement. The author sums up that it is necessary to make a comprehensive amendment of the current legislation concerning the personal income taxes and she mentions populist proposals and political decisions of the government of the Czech Republic, which add to legal uncertainty of taxpayers, discourage entrepreneurs from undertaking business and last but not least drive away potential foreign investors.

Keywords: Personal income tax, Tax optimisation, Tax exemptions