

Recodification of income tax Accrual model of income determination - its advantages and disadvantages

Abstract

The aim of this thesis is to describe and evaluate the accrual system of determining the income tax base in connection with a possible recodification of Act No. 586/1992 Coll., Act of the Czech National Council on Income Taxes, as amended (the Income Tax Act), especially by describing the advantages and disadvantages of specific models of determining the tax base based on the accrual principle, i.e., dependent, semi-dependent and independent system. The hypothesis is the statement that the currently used semi-independent system for determining the income tax base (for those entities that determine taxable income on an accrual basis) in the Czech Republic is the most appropriate.

The basic source and starting point of this thesis is a document prepared by the working group of the Ministry of Finance entitled "Innovation of income tax regulation", whose task was to prepare a new version of the Income Tax Act and which published the basic theses on the new bill for public consultation in October 2016 entitled Summary of Solutions for Innovation in Tax Regulation and Income Insurance (hereinafter referred to as the "Summary"). Although the intention to recodify the Income Tax Act is currently being abandoned, I believe that the problems presented in the Summary are still relevant, even if the solution presented therein may only be reflected in the amendment of the existing Income Tax Act. This thesis is an analysis of this document (the Summary), in which I describe the solution proposed therein and add my own evaluation.

At the same time, I use the method of comparison, especially when comparing individual models of determining the tax base based on the accrual principle.

An important part of this thesis is also a description of the definition (or its absence) of income in the Income Tax Act and its reflection in case law. I also provide a brief description of the cash system for determining the tax base, all with the aim of understanding the issue of determining the tax base on an accrual basis in all its complexity.

Klíčová slova: accrual principle, tax base, taxable income