

# **Comparison of shareholder taxation from the sale of a share and of a business enterprise in a limited liability company**

## **Abstract**

This diploma thesis analyses and compares alternatives for the sale of a stake in a limited liability company and the sale of a business enterprise with or without the distribution of the proceeds from that sale, in particular pertaining to the taxation of the owner of a stake in a limited liability company. The thesis is divided into an introduction, four main chapters, and a final chapter.

The first chapter defines the key terms of a limited liability company, share and business enterprise, as well as issues related to the sale of a share and a business enterprise. Both institutes are distinguished. Furthermore, the key terms of tax law are defined, especially the definition of the construction elements of tax, which form the basis for analysis in the second and third chapters. Finally, the issue of tax optimisation and its differentiation from tax evasion in relation to the shareholder is defined.

The second and third chapters separately focus on the analysis of alternatives. The second chapter analyses the first alternative of selling a stake. The third chapter analyses the second alternative of selling a business enterprise together with the possible distribution of the proceeds from the sale (the payment of a share of the profit). Specifically, both chapters are based on a thorough analysis of the structural elements of all taxes associated with the alternatives. In addition, each chapter also sets out the taxpayer's obligations that each alternative imposes towards the tax office.

In the fourth chapter, a comparison of alternatives is made based on the analyses of the second and third chapters. Alternatives are compared according to the most important structural elements of taxes that affect the owner in choosing a particular alternative, i.e., the tax base, tax rate, and possibility of tax exemption. Within this chapter, various situations and the advantages of a specific alternative in given situations are discussed. Further, a model transaction representing a typical undertaking is demonstrated.

The diploma thesis shows the basic differences in the taxation of the sale of a share in a limited liability company and of a business enterprise, and in the payment of a profit share. Its intention is to guide the decisions of the owner of a share in a limited liability company who wants to obtain

consideration for the effort invested in building this company while at the same time contemplating the tax impact of this transaction.

**Key words:**

share, business enterprise, tax