

8 Summary

Companies and their partners viewed in respect of tax incidence

Every enterpriser has to answer one question at the beginning of his business – which legal form to choose. There are a lot of points of view. But one of imprescriptible is tax incidence.

There are many reasons why I choose tax incidence to be the point of interest of my diploma work. I am the sole trader and I already had to solve this problem and this choice is waiting for most of us sooner or later.

The purpose of my work is to specify and evaluate basic factors influencing taxation and based on those factors, create a model that helps to choose correct legal form of business. The goal of the work is to compare net income after taxation and other obligatory payments.

The first part of the work focuses on income taxation of natural persons. I showed basic terms as tax base, income tax and its other adjustments as number of children and loan interests . Then I explained taxation of partners in limited and unlimited companies.

Next chapter summarizes distribution of operating results in different legal forms. The third part of my diploma work shows other obligatory allowances, such as health insurance and social insurance. Again regard to various business entities.

The following chapter, which is the largest, deals with all factors that influence tax incidence and obligatory payments for health and social insurance. I analyzed several situations in which tax-payer should be. Then I recognized, that basic elements, that determine profitability of taxation, are costs. In Czech system of taxation, sole trader is able to apply form 40 to 80 percent of income as costs. In the case, that real costs paired with selected type of business are lower than costs, that Czech legal system allows, then optimal legal form is sole trader.

But if the costs are grater than this possible minimum, next factor of choosing correct legal form is income. When I analyzed trader without children and loan



interests, income between 1,5 million to 4,3 millions indicates profitability of limited companies.

But the more other elements such as interests and number of children the more those factors lead to personal companies and sole trader.