Report on **Bachelor / Master Thesis**

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	**Kamila Kaucká**
Advisor:	**MRes PhDr. Jan Zápal**
Title of the thesis:	**Elasticity of Taxable Income: Survey of Methods and Analysis for Czech Republic**

***OVERALL ASSESSMENT**:*

Master thesis of Kamila Kaucká deals with a concept of elasticity of taxable income (ETI). Importance of this elasticity has been well documented in the public finance literature and is reflected by a number of publications on the topic.

Thesis starts with definition of ETI (chapter 2) and proceed to a discussion of other approaches (chapter 3), to a discussion of how ETI can be used to calculate efficiency costs of taxation (chapter 4) and how ETI relates to the issue of optimal taxation (chapter 5). With the ETI literature being to a large extend empirical, next two chapters focus on the empirical issues of ETI estimation via difference-in-difference (DiD) methodology (chapter 6) and problems inherent not only to this methodology but to econometric estimation of ETI in general (chapter 7). Chapter 8 includes extensive literature survey nevertheless focusing on the seminal ETI papers.

Chapters 9 and 10 include the main contribution of the thesis. Chapter 9 surveys in considerable detail development of personal income taxation in the Czech Republic since 1990 in order to find changes that would allow for ETI estimation via the DiD methodology. Decrease of number in tax brackets applicable since 2000 is found to be one such natural experiment and extensive changes to income taxation since 2008 another. Chapter 10 then, using the natural experiments identified, estimates ETI using DiD methodology.

Besides overall quality of the thesis manifested in its breath, careful and logical explanation of the topic, extensive use of economic literature and careful final proofreading, I would like to highlight that the thesis includes, to my knowledge, first ETI estimates using Czech data. This is even more noteworthy given general unavailability of researchable (micro) data in the Czech Republic. Pinpointing the natural experiments usable for ETI estimation and finding (however limited) data is a significant contribution in itself.

But the thesis does not limit itself to an ETI estimation itself going further in using the estimates to calculate the efficiency costs of taxation and Laffer rate (tax rate for which Laffer curve attains its maximum), arguably important economic policy relevant variables.

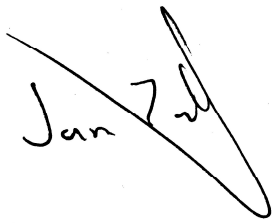
For all the reasons mentioned above master thesis of Kamila Kaucká deserves the highest possible grade (výborně) and in my opinion should be considered, upon successful defence, for a Dean's outstanding master thesis award.

SUMMARY OF POINTS AWARDED *(for details, see below):*

CATEGORY		**POINTS**
Literature	*(max. 20 points)*	19
Methods	*(max. 30 points)*	28
Contribution	*(max. 30 points)*	30
Manuscript Form	*(max. 20 points)*	15
TOTAL POINTS	*(max. 100 points)*	**92**
GRADE	**(1 – 2 – 3 – 4)**	**1**

NAME OF THE REFEREE: Jan Zápal

DATE OF EVALUATION: 28.5.2010



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