TAX AND NON-TAX EXPENSES

Abstract

Master thesis "Tax and non-tax expenditures" deals with the definition of tax and non-tax expenditures in terms of their classification in the tax system. It also clarifies what expenses are, and it further explains some tax expenditures in more detail.

The second chapter deals with the tax system and basic distribution of taxes. It also generally describes the basic tax calculation. The last section of this chapter mentions taxes which encompasses the term “expenses”.

In the third chapter, the income tax is discussed in more detail. The method of calculating the basic tax value for both individuals and legal entities is examined here. Entities dealing with income taxes are also listed and subsequently divided into two categories: (i) entities required to pay the tax and (ii) entities responsible for collecting the tax. Further subdivision of entities is also mentioned. The income tax is further explained from both perspectives of legal and natural persons.

Chapter Four is the most comprehensive part of the thesis. The expenses are defined with respect to income tax. This chapter also describes the relationship between costs and expenses and their differences. In the next section of this chapter fixed expenses and their importance are analysed. The fixed expenses applied as a whole, as well as the application of fixed expenses for each expenditure are considered. The last section of this chapter specifies in more detail some of the tax-deductible and non-deductible expenses. Particularly costs associated with damages, expenses for business travels and reserves. Conditions for application of these tax expenditures are further explored.

The final chapter describes the author’s personal opinion whether the tax expenditure system is setup correctly and whether there is a possibility to abuse the system of tax expenditure. Furthermore, the author deals with the importance of income tax and tax expenditures, their basic functions, and whether it is possible to set up the system in a way to effectively fulfil its’ function.