

# **Taxation of Corporations and their Shareholders (Comparison of the Legislation of the Czech Republic, Slovak Republic and Great Britain in the Process of Harmonization of Direct Taxes in the EU)**

## **Abstract**

The purpose of my thesis is to compare taxation of income of companies and their shareholders according to Czech, Slovak and British legislation in the process of continuous approximation of the laws of the Member States of the European Union. Direct income-related taxes have a direct impact on profit of the companies. It is corporate income tax which can significantly affect business in a single market because capital, unlike labour, is a highly mobile factor that can flexibly move to countries with favourable tax treatment. The difference in corporate tax causes economic distortions; it affects businesses when deciding on placement and investment financing.

The thesis is composed of nine chapters. The first chapter briefly examines harmonization process of direct taxes in the European Union. The chapter one consists of three subchapters. The first subchapter investigates the differences between tax harmonization and tax coordination. In second subchapter I am dealing with European directives which have direct impact on the direct-related taxes in the European Union. The third subchapter focuses on definition of dividends and its taxation according to the OECD Model Tax Convention on Income and on Capital. Chapter two point out the theoretical differences between continental and Anglo-Saxon legal culture. Legal definition of companies and their shareholders is introduced in chapter three and four. Chapter five defines basic tax terminology used in the thesis. Chapter Six, Seven and Eight are devoted to the taxation of corporate income and taxation of income of shareholders according to Czech, Slovak and British legislation, as selected representatives of the continental and Anglo-Saxon legal culture. The last chapter is dedicated to the comparison of British, Czech and Slovak tax systems by way of using practical example of the taxation of corporate income and taxation of dividend income of shareholders.