# Abstract


## *Individual income taxation in selected European Union countries*

This thesis explores income tax of private individuals in the Czech Republic and draws comparison with tax laws of two other European Union member countries: Federal Republic of Germany and Hungary. German government has managed to operate with balanced budget for several consecutive years, suggesting their tax system is well adjusted. Hungary was chosen for its geographical and demographical similarity to the Czech Republic as well as shared parallels in the history of both countries. Additionally, between the years 2010 and 2013, Hungarian tax system used super-gross income as tax base, which matches the current (2017) Czech tax system.

Besides introduction and conclusion, the thesis comprises of six chapters and is structured as follows: Introductory parts aim review theoretical background regarding taxes in general including definitions, development in historical context, functions and individual tax elements. After that comes a breakdown of direct tax treatment at the international level, both in the context of European Union and international treaties. Thesis then follows with analysis of specific treatments of income tax of private individuals.

The final section compares tax systems of the three countries and uses the comparison to draw a set of de lege feranda recommendations for adjustments of the Czech treatment of tax income of private individuals. The largest shortcoming of the Czech treatment was found to be the use of super-gross income as the tax base for income tax from independent activity. This tax scheme can be considered highly inequitable, as individuals are taxed based on a sum that does not reflect their actual income. Furthermore, tax-payers are offered no option to reduce this tax base by any costs expended to achieve their income. Last point pertains to adjustment of the tax rate, of which two variants are offered: the former is to transition to a progressive tax rate and the latter is to keep the current linear tax rate while abandon the use of super-gross income as tax base.