

SUMMARY

This diploma thesis „Business Income Tax and Taxation of Other Income Sources of Physical Entities” is dealing particularly with the Law nr. 586/1992 Col., laying down income taxes, and specifically it focuses on the provision about taxation of income from business and other income sources of physical entities.

The introductory part deals with a general description of income law, mainly with realized tax reforms, with specific attention on “Tax reform carried out in 2008 – according to the law 261/2007 Col., about the public budget stabilization”. The reform is compared with the previous applied taxation.

The key subject of the thesis is the assessment of “tax and non-tax expenditures and costs”. The thesis describes the issues consisting of the application of tax expenditures and costs - depreciation, financial leasing, travel remuneration, insurance, tax reserves and other specific expenditures. Furthermore, the thesis provides information regarding selected provisions of the income tax law by discussing and comparing current and previous legal regulations.

Finally, the thesis looks at on the assessment of actual provision of income tax law and the issue of tax and non tax expenditure from the point of view of Law on business income taxation and other income sources of physical entities.

The analysis of the Law nr. 586/1992 Col. shows that law is very complex, which lays down different kinds of tax base constructions for different groups of taxpayers. That makes the law complicated and less understandable for a taxpayer. I would suggest to split up the law at least into two independent legal regulations, one designed for physical entities and the second one for legal entities.

From the taxation point of view it is reasonable to specify clearly the tax efficiency and its conditions with respect to all kinds of expenditures. Further, the lawmaker should pay more attention to negative specification of individual expenditures, which can not be applied as a tax expenditure. Instead of defining a full list of negative specification of all possible expenditures, the exemplary list would be more reasonable.

General definition of tax efficiency for individual expenditure should contain a provision that each expenditure can be applicable in tax base only if the economize principles are respected.

The key objective of the thesis was to address the issues related to tax and nontax expenditures and costs. These meaning of expenditures and costs in the law have different understanding in both professionals and non-professionals. However, there is no doubt there are also other more or less acceptable solution to this specific issue.