

## **Abstract in English**

### **Taxation of individual income tax**

My diploma thesis contents three major parts, which is divided into smaller articles. In the first part I am trying to present individual income tax in general. Place of income tax in system of taxation and concept of income tax, its function and definition. In another article I described historical evolution of individual income tax and distribution of taxes.

To tax is to impose a financial charge or other levy upon a taxpayer (an individual or **legal entity**) by a **state** or the functional equivalent of a state such that failure to pay is punishable by law. Taxes consist of **direct tax** or **indirect tax**. A tax "is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority" and is "any contribution imposed by government. The first known system of taxation was in Ancient Egypt and development is showing us perfection with which we created and improved taxes during the ages.

The main second part contents definition of individual income tax by revenue act and determination of basic concepts of individual tax by this act. A personal or individual income tax is levied on the total income of the individual (with some deductions permitted). It is often collected on a **pay-as-you-earn** basis, with small corrections made soon after the end of the **tax year**. I used comparison of the old method of counting individual income tax before year 2007 and after tax reform in 2008. The system of taxation before year 2008 was brutto wage minus health insurance and social insurance. There used to exist tax brackets, which showed into which bracket you belong depends on your income. Specific bracket determined your tax rate. After this deduction you could claimed different tax allowance. Also I practically showed the examples of calculation individual income tax.

In the third part of my thesis I pointed to taxation of individual incomes in Slovakia and European Union. I more focused on taxation in United states and tried to zoom in the main federal system of taxation in USA. Every taxation of personal income tax is different and is determined by historical development, economic, financial policy and constitution of country.

My conclusions for this subject of matter is that taxation of individual income in Czech republic is unnecessarily complicated with the super gross wage and it is just misleading interpretation that the tax burden is in the case of flat tax lower.

Every country has different demand for system of personal income tax and needs to apply different implements accordance with requirements of its own state.

Keywords: individual income tax – income tax - revenue act – super gross wage – flat tax