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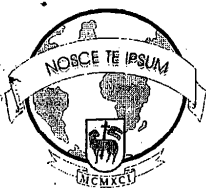
Field of study : Revenue office and taxation

**TAX OPTIMIZATION
AS PART OF FISCAL POLICY**

(Bachelor's Degree Theses)

Author : Rostislav KLIMANEK
Leadership of degree work : Ing Libor ADAMIK

Kunovice, April 2006



Evropský polytechnický institut, s.r.o.

Osvobození 699, 686 04 Kunovice
☎ a fax: 572549018, 548035, e-mail: epi@vos.cz
<http://www.vos.cz/epi>

Student(ka)
Rostislav Klimánek
Štěpnická 1106
686 06 Uh. Hradiště

VÁŠ DOPIS ZNAČKY / ZE DNE

NAŠE ZNAČKA
BP_FD3/2004

VYŘIZUJE / LINKA
Čápková Miroslava

KUNOVICE
25.11.2003

Zadání bakalářské práce

Vážený studente, vážená studentko,

jako téma Vaší bakalářské práce ve studiu oboru Finance a daně Vám zadávám

Daňová optimalizace jako součást fiskální politiky

- Osnova:
1. Vývoj daňového zatížení
 2. Vliv zdanění na malé a střední firmy v ČR
 3. Klady a nedostatky daňového systému na podnikání v ČR
 4. Porovnání s daňovým zatížením malých a středních firem ve Slovenské republice
 5. Návrh daňové optimalizace v ČR pro malé a střední firmy

Bakalářská práce bude zpracována pro: IFNE mart, a.s., Vodičkova 709/33, 110 00
Praha 1

Tento dokument je součástí Vaší bakalářské práce.

S pozdravem

Evropský polytechnický institut
s. r. o.
Osvobození 699
686 04 KUNOVICE


Ing. Oldřich Kratochvíl
rektor

Avouch, my degree work I worked up separately under led leadership of Ing. Libor Adamík and scheduled at literature all using literary and revolting sources.

Kunovice, April 2006

.....
Libor Adamík

Thanks to Mr. Ing Libor Adamík for very useful methodical help, which provided to me at processing my degree work.

Kunovice, April 2006
Rostislav Klimánek

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Introduction

Like aim this degree work I put find preferably ideal tax burdet of entrepreneur, businessman, small and middle firms. For this work as small and middle firms we will rate firms, which hasn't more than 25 staff.

On introduction is necessary to tell, small and middle firms are importantly for our economies. They are pivotal not only from historical standpoint, because at the time of our biggest economic prosperity, then in period between world's wars, when we was number seven between best - more advanced nationas in the world, was ours economies found especially on small and middle firm. We had Baťa, Škoda, Kolben and Daněk of corse, and they had very expressive concern in our prosperity, but they all much cooperate with firms, we are takling about. Big companies them arrange jobs and at the same time from her extract. Here was basies of our prosperity.

Today's world is segregated. Segregated in sense, do you him govern big corporations. Really it isn't merry report, but it is fact. In words forgotten genius Jára Cimrman we can tell: "surely, we needn't with it agree, we can about it and dispute of it, but it is only thing, what we can do".

Today's world is redistribution. Isn't already more occasion, where we can come to big wealth. If it already to someone lead and creates large firm with big profit, big companies are puting big pressure of him and final absorption this firm.

I think, last chance to get billion estates was privatisation in ninetieth years of last century. At that time was dividing gigantic estates and we had much occasion, how to get of them.

It was at small privatization, when we can buy small business in auction, but that's just it, after forty years communistic regime in Czech republic was "unploughed field", and such company could explode to the large proportion and large gain. As an example would induct bicycles. Bicycle isn't so hard to making and such we can set up virtually anywhere. Bicycles was scarce goods at tkhe past regime and be over he large demand. Suffice buy some performance, purchase license for production and large facilities for emoluments was in the world. Unfortunately just in this industry were

chance especially in our region consumption. I'd concentrate on production child's wheels. Is namely catch it, do you if somebody wants buy wheel on for a longer time, give precedence renowned brands, but child always grow, in addition unbaked about his wheel, how would have and so they better him come off something cheap.

It was so much condemned and criticised coupon privatisation. Surely her do harm unfairly practices, which were frequently behind limits law, but I think, coupon privatization is not at fault. At fault are people, what holder capital coupons entrust to his trust.

These time is away and achieve today is heaps more difficult. This is reason, why much rest on middle state. It is important have strong middle state, because only strong middle state may be support of every economies. All cannot be engaged in near big firm.

On middle state has tax burden large influence. Is it fact, the state coffers must be charging, but mustn't it be at the expense of abrasion businessmen and small enterpriser. It's purposes of my work. At the end of this degree work should be clear close, what tax burden is best for enterpriser, for state and then for whole of our economies.

1. History of tax theory.

Today's theoretic and political ideas of taxation come from past historical development opinion of economic, political, philosophy and religions. History tell on at present age too, especially in rivalry among school of Keynesian and liberal directions, as is monetarism and theory of side of offer.

Tax theory boomed in terms of philosophically and religious teaching already in antiquity and middle ages, but indeed first, we can talk about connected economic system, where taxation and tax system had their place, were French physiocrats (18. cent.) and English classical economists, who are consended as founders of economics as science. For the first time here we can talk about "invisible arm of market" and fundamental prerequisite and starting point of this theory is persons individual liberty. Individual liberty has make to so-called natural economical order, what is seting up alone.

However such system needs his manager, too. That is a state. State must interlock outer defence, inner order inclusive legal order and public utility. For financing of these function serves taxation. Indeed by it, taxation ore bleding financial resources from private sector, hold under his accumulation and productivity. Than taxation are non-productive and on one's behalf wealth nation is necessary be down to lowest rate, whereas supply should be even.

Adam Smith formulated four tax canons, which mean equitable doctrine ("In every state would had subject contribute to spending for repair of the state, what it is to the nines answer their possibility, i. e. proportionately of income, whose are enjoymenting under cover of the state."), certainty ("assessment tax, which has must individual pays, would had be fixed term exactly and no soever. Term of expiration, method of payment and sum, which has to pay, that all of it, would have be absolutely catch for ratepayer and to anybody other."), indolence of paying ("every assessment tax would had pick out at that time and in such a way, when and how it is the best for ratepayer.") and economy ("every assessment tax would had be deeply and refinement so good, to inhabitants will pay least into the bargain, how much assessment tax really bears to the exchequer.").

Smith establishes four sources of ineffectiveness of tax revenue:

1. if revenue of tax necessitates so much work of bookkeepers,
2. if assessment tax is stunting of business and discourages definite activities,

3. executions may affect the unfortunate so, they will be economically annihilated. It results in an, they will not pay next taxes. Badly imposed tax is actually "temptation, and for it, he succumbs, is ratepayer punishment",

4. tax collection, if be attached to unpleasantness and chicanery and wrong, is the same as next load for ratepayer.

It is a fact, that theory from 18. century, then near 250 years old, is actual and the present time, too. History already very often evidence, Mr. Smith was correct and his cogitations continue as keystone in work of many economists and statesmen.

1.1 Neoclassicism

Focal point of investigation of neoclassicism is balance on to perfection competitive market. Consumer has needs not only private estates, but public estates, and public sector covers to the common value theory. Public sector ceasing be exception of common rules economic system (near English classic is concerned non-productive activity, what is need to decline), but it is his integral part.

1.2 Keynesian theory taxation

While liberal economist found starting point of the world's crisis in 30. years last century of restraint of national expenditure with the aim of achieve balance budget, according to John Maynard Keynes way out from crisis rests in ablation undesirable of overpressure savings above investment monetary or fiscal policy of the state. Deficit of supply in phase of crisis allows clear one's expenses pair with direct and indirectly supports capital activities. Keynesian theory allows imbalance supply and demands at the outside well-balanced supply in terms of one's economy cycle.

1.3 Neoconservatism

In 60. and 70. years however it turned out, keynesian economic policy alleged in the long term leads to inflation and growth, which was well - groomed of deficit of supply is stopping.

Response upon this fact is in 70. and 80. years return to neoclassicism economics, so-called neoconservatism, which is promoting of suppression direct of state regulation and take one's bearings on behaviour natch - regulation gadgetry of market - originating theory od side offers.

This theory achieve the biggest reception formulation of "sanitate tax policy", which rests in repair yoke taxless income, i. e. to decrease of tax quotas . Decrease of tax load leads with higher working activities and higher savings and their gauge in investment. Tax yield of the stateis growing with height tax rates, but only to certain point, by which turns increasing function to decreasing. With excessive tax rates ratepayer are dissuasion from work and savings and they are preferring to free time and consumption and not at least endeavour to improvement of tax evasion. It results in fall tax yield for state. State is able to of even tax yield achieve with at higher, so at lower tax quotas.

1.4 Situation of present age tax theory

Present age tax theory is taken in of controversy among views of neoconservatism and keynesiansk options, in tax policy then exert element of both opinion flow.

Behind main tax principles, on whose basis are classification of taxation and individual taxies, are regarded tenet of benefit and tenet of solvency.

Tenet of benefit - comprehend assessment tax as prices, what is paing for the public estate. It is collationing among marginal utility and prices. Tenet of benefit exert above all near charges and give them similar (road tax, property tax).

Tenet of solvency - coming-out largely of principle straight tax. Resulting taxation may be progressive, proportional or regressive. For revenue tax is prefer progression tax.

1.5 Tax principles

Since Adam Smith age changed on requirement laying on good taxationsystem not so much. Tax canons are acknowledges up to the present day.

Five criterias of "good taxies are":

- effectiveness - taxation would didn't have implicate wide difference in prices and utility, positive influence over economic behaviour of subject, or limitation of negative influence - taxation have not hold under work effort peoples, will save and receive of entrepreneurial hazard,
- justice - taxation have ensure even split income, than what results from market conditions,
- right work upon macroeconomics aggregate - taxation may work upon effective demand private sector, because they drainage bigger or smaller part from her total volume,
- legal perfection and political transparency - legal unperfection is decrepit injustice than badly tax assessment. Ratepayer is publication on grace by tax administrator.

Special problem forms is effectiveness of pressure groups, them frequently succeed (on below pall solving of another's problem) obtain specific benefit from revenue act. For this is necessity near everybody's tax procuration ask: "whom it benefit of it?".

2. Optimum tax

Mustn't it forget, the most experienced government, when already tax all subjects fit to taxation, must resort to taxation of unsuitable articles.

Adam Smith

At this moment is necessary to stress, optimum taxation is not possible to achieve. In every system always will be some deformation and their remedy at any rate may be even to his disadvantage. Minimisation of vermin point namely no-entails at the same time minimisation general claims on public wealth. It is apply, one grande deformation has major incidence, than several small deformation. For example with existence two deformations (if unsuccessful remove all), then ablation one's deformation only increase deformation second namely results in an disproportionate bigger aftermath on general situation. In such a case is better quiet with existence two small deformation. Endeavour about ablation of all deformation says "first best", endeavour , which content with existence of several deformation with it, do you cannot remove all, says "second best". Second best leads to better situation, because first best is fantastical.

Our today's tax system is constitution from many big and small taxes. Ratepayer is subject given to from his revenue, from his consumption and from estates, whereas one tax object may be taxation of several times. Logically then arises question, whether is it necessary. If would wasn't better one grande tax. This tax would minimally signified savings in administrative expenditure. However is question, which one of tax would it had be and if is this "super-tax" at all real solving. I assume , no, therefore I will deal with only optimization given to current tax textures.

Optimum taxation revenue is tax structure, in which at definite income level and given to distributive conditions are secured currency minimum losses effectiveness.

2.1 Company tax

At present time has company tax interlock high fairness thanks his progresivite. Then, the ratepayers with higher revenue contribution to the exchequer percentualne more, than those ratepayers, who have lower revenue.

We demonstration such progression for instance. For example ratepayer A has receipt 200 000,-CZK, ratepayer B 400 000,- CZK, ratepayer C 800 000,- CZK and ratepayer D 1 600 000,- CZK. At contemporary rates taxation from revenue physical men, then:

| | Base of tax | Tax | From base |
|---------|-------------|-----------------|-------------|
| | from CZK | | overhang |
| | to CZK | | |
| 0 | 109 200 | 15 % | |
| 109 200 | 218 400 | 16 380 Kč + 20% | 109 200 CZK |
| 218 400 | 331 200 | 38 220 Kč + 25% | 218 400 CZK |
| 331 200 | and more | 66 420 Kč + 32% | 331 200 CZK |

would their tax duties look following:

| Tax payer | Tax duty |
|-----------|---------------|
| A | 34 540,- CZK |
| B | 88 436,- CZK |
| C | 216 436,- CZK |
| D | 472 436,- CZK |

Notice, ratepayer B has revenue about 100% higher, than ratepayer A, indeed his tax liability is higher approximately about 156%, ratepayer C has compared to ratepayer B likewise revenue bigger about 100%, however his tax liability is higher approximately about 145%. The most prominent it is however on comparison ratepayer D and ratepayer A. ratepayer D earned 8x more, than ratepayer A, indeed on given to take almost 14x more. This is tenet progresivity. Doc. Ing. Kveta Kubatova, Csc. features in her

publication "taxation policy, theory and practice" definite possibility, how to ratchet up tax duty near highest income insider, neither would were cursed with their highest tax rates. Is concerned possibility heighten tax rates in middle tax zone. Then, should ratchet up rate in third tax zone from 25% to 30%, tax liability ratepayer D would idle 472 436,- CZK, but ratchet up about 5 640,- CZK to 478 076,- CZK.

This amount it seems worthless, indeed we have to have for information, what is middle tax zone for ratepayer with high revenue, is highest tax zone for ratepayer middle revenue, in our case then for ratepayer with revenue among 218 400,- CZK and 331 200,- CZK. Except of what is it possibility, how hide escalation tax empty weight ratepayer only and it is question of time only, when at it those will be notice.

This proportional tax indeed makes limitation endeavour ratepayer after what highest gain. Ratepayer rather dedicate to somethink others than generation of gain, than work for state, inopportune is able to try forms tax evasion cheat state. Should was boot equals assessment (for exemple 15%) for all tax zone, ratepayer would not invent, how to do that, so they it "to the nines go out" and pay would his work, which entails higher gain. On top would equals assessment still have psychological effect, too. State would convey to, all, who contribute to his course behaviour in the same way and do not endeavour get at full fart from rich ratepayers.

My close is then unambiguous. Straightening assessment is best feasible solution.

2.2 Indirectly taxies

Because one monetary incomes taxation leakage, it is possible use consumer taxation, or taxation from added funds on one luxury goods to additional delivered. This way is indeed linked with problems, which goods about to be given to cursed with, whether will be demand for this goods after this, whether herewith will not part population disadvantaged and the like. On top this step applies large demands to administration expenses how of the state, so and ratepayer.

Is then catch it, do you in this respect indirect taxation might be of only complete character.

2.3 Economic limits of taxation

Economic limits of taxation is limits, to that can be application taxation, neither would reach the detriment efficiency economies. Abstractedly is maximum limits taxation given volume of GDP, then everything what behind given to period put out is taxation withdrawal back. Hereof state would may be achievement not application 100% tax rates only (for a short term and higher), but also introduction unyielding rates of tax or dominant position taxes, what not respect income conditions ratepayer. Virtually however must be economic limits lower till they GDP. Merits is clear existence private needs, that has to be financing from private source. Have if these private requirements for-finance and has-if at the same time create concern over production income, cannot ratepayer everything their wealth draw. This principle then compact limits taxation down.

On the other side however there has been factor, which this limits push up. This is existence of public sector satisfactory public funds needs. But problem is rests in , public sector upon yourself single unearned, that is why public source must state part private source by head and shoulders collected their owner in the process of taxation.

It follows, primarily is economic limits taxation determinedly ratio between private and state activities. Here then originating basic difference among planned and market economies. In centrally economic management state decides about wide range of questions, therefore must much redistribute and are here big spending for public sector. In market economies is ratio private activities espresso higher, is here then and espresso lower limits taxation.

2.4 Psychological limits of taxation

Psychological limits of taxation presents individuals subjectively determination limits, to which do not perceive taxation, unsuitable

perception, neither would reach the negative response. Is if however this limits transgression, evokes taxation near ratepayer psychologically contingent response - tax resistance leadership in final phase to tax evasion.

Important is difference among economic and psychological limits of taxation. While economic limits is in a given moment in concrete country only one, psychological limits is taxation is more (in principle everyone ratepayer has other limits).

There has been objective tax load (pensionable tax effect), which entails, assessment reduce to disposable income about definite concrete appreciate, and subjective tax load, which presents, of what detriment ratepayer ratepayer subjectively draw. For example if it is tax rate 25%, then objective tax load is, we reduce to receipt about 1/4, whereas subjectively to us this amount is able to look like possibly 1/2. And if this half overruns her critical subjective limits, detect appearances tax resistance is starting.

Among next significant influence framing subjective tax load belongs to:

- name of (tag) loads,
- announcement, taxation is transient,
- loading of new given to is guided ablation low-yield given to,
- loading of new given to with lower marginal rates compared to current,
- technical page of revenue collection - is better raise taxes directly near headwaters (from pay) than e.g . tax confession; is better to pay less number of time,
- openness and truth source of information, ability governments clear up prepare changes and vindicate their necessity,
- which utility has from public houses and lands single ratepayer - on the whole logically it is possible drain, do you aversion to pay taxes near ratepayer grow, become strong-if near ratepayer sensation, do you to the budget only "pays", but nothing from him by return don't get.

Make yet conception tax disposition nation - presents universal posture nation to taxation. Coming-out from universal national disposition and tradition, is formation authorities of the state and governments and last but not least by operation and qualities tax checking system.

2.5 Tax evasion

Tax evasion presents minimisation, inopportune when zero tax duties behind side of tax-payer. If is abridgement on taxation fulfilment within the law act about legal tax evasion (avoidance of taxation, too), get-if however to overfulfillment limits of law, we are talking about illegal tax evasion (also circumvention of taxation); practically however frequently isn't limits among by both form quite distinct and one form pass to second.

Tax evasion guided taxation from under their rise. Cause of their existence is several and it is possible is divided into of several basic groups:

- essence of taxation - because here is missing tenet equivalencē (waste from decrease of revenue by virtue of taxation no-disply manifest - inopportune with offset - in social back payments or obtaining of public houses and lands). Ratepayer so comprehend assessment as its compulsoriness casualties on the behoof of second and endeavour to do her minimisation,
- reason extrinsic ratepayer - here enlistment lacunae in law, if need be cross buntions among single law, elaborateness of tax calculation and inadequacies in supplied form, tax manuals inclusive small enlightenment,
- reason near ratepayer himself - among main causes line low morale nearly incidental general morale ratepayer, absence of education, access to intimate information, bad financial situation etc.,
- embezzlement of third persons - set in situation, when behind ratepayer levy assessment to the budget stranger (payroll clerk, office worker etc.)

Tax evasion (especially large) be in the majority countries regarded behind hardest crimes (e.g . in USA next assassination of and traffic with narcotics). Most country too spend on battle against tax evasion yearly much milliard from his budget.

Yet we'd could get in about roads, what are tax evasion restraint. Once out of the way is combination different kind given in taxation, because elusion one of themselves heaven tax subject taxation given to other. Possibilities able to duty bound construed confess to estates, too. In definite

case is able to play its role play and checking tax confession tax consultant and expert. Condition is however their sufficient in numbers and their revolting level. Unignoring role is consequential verification edgewise tax administrator and without let-up enlightenment, construction trust among state and ratepayer and so on.

2.6 Limits among legality and illegality

Find universal recipe at it, how settle with tax duty is perhaps possible. At least it asserts tax advisers and auditors, who believes, it is possible find balance between run to making and alarm taxation. Such, when ratepayer pay it, what must further him be left belief, do you at it, what him stay, already will never be may grasp any tax search. By other in words it is possible too tell, endeavour tax-payer is take minimum height of all pay taxes. A who wants such fundamentals drive, should not offset tax optimization. Her basis is exploitation of all lawful possibility, which to decrease tax base and personal taxation bidding provision single revenue act and next generally binding rule of law.

2.7 How save on given to

For period of taxation exist quite a number of legal way for tax savings in the area taxation from revenue. Walks for example about:

- organization of technical estimation,
- using reserve creation on corrections tangible property,
- exercise of financial contract hire,
- using no-capital sum at acquisition tangible property,
- consistent and exact terms compliance provision of a law about tax on revenue about exercise tax recognize and tax unrecognize loads,
- using of all offered deductible sum from tax base from revenue physical men (§ 15 law about tax on revenue),
- effective exploitation of cars for working roads enterpriser (like private vehicles or like vehicles inserted into business property firm),

- inaccurate utilization different time test for freedom different activity natural persons from taxation from revenue, for example at sale immovables, autos, flat apod.,
- coping of institute of cooperative person with utilization dole enterprise revenues et al. separately gainfully activities on them,
- injudicious exercise of tax losses without of what to was prolonged time for possible tax verification,
- knowledge and application law about tax administration and charges, e.g possibility respite taxation, conclusion schedule of due dates pay taxes, utilization additional tax confession at lower tax duties, utilization of all law at tax verification and in terms of tax drive at all.

2.8 Tax optimization

Law practice and experience one tax consultant and lawyer denote to interesting trend. Long marginalization administrative law and administrative justice just in the area tax repair is able to now, when already starting function administrative courtce, show, where's hole to the world. Walks for example about demonstrativeness prooofs transaction for example with the help of so-called setout, is concerned observance times and alike. But beyond is need to warn, tax administrator easily know possibilities so-called illegal optimization. It's endeavour about tax Fraud, about escape and illegal dispraise of tax duties. Is catch it, do you to escape is able to tax subject "work off" and bad data processing, wrong filled-out of tax confession or lack of understanding of what wanted legislator in tax law to tell. Unintentionally truncation of tax payment it is possible set right version emendatory tax confession or even with tax verification. Conscious tamper and abridgement of taxation is already after former novelette penal law criminalizing and may be qualified like crime. To everyone tax-payer offers without-number different services, which him have help achieve optimum state at performance tax duties. In connection with adopt a law but must do arithmetics, that since 2004 services pipe vine because of assignment base rate VAT. Must take it into account, sometime will last, than tax consultant

and firm specialized on skill in the area taxes and book-keeping get new programs corresponding actual changes law, too. And very important will be, how government prove adjust region tax duty, that would too have had make for increasing procurement after reform public revenue office. Recently go e.g. about common taxing revenue husbands, about relief for families with children and alike.

2.9 What may be tax evasion

- Shortening receipts or concealment revenue,
- employing "on nigritude" and salaried without document as well as without conscription pay-roll joint, modifying "svarcssystem",
- false costs, which according to law about tax on revenue are not legal (§ 25),
- assigning fictitious services in consultancy, advertising, marketing, when is quite inadequate price differential services and load her provider,
- manipulating with long-term tangible property, for example forms sales and resulting surrender behind other, higher prices and then depreciate from by other prices.

2.10 International tax optimization

Income range and conditions for business go in for order Czech enterpriser in such a degree plaguy, considers turn firms in other states.

Tax havens are territory, which make possible foreigners espressivo reduce to taxation, especially their revenue. These areas through so-called offshore regime bidding easy and fast procedures incorporate, zero or low peace taxation, low administrative heftiness and high anonymity proprietorship.

Offshore societies it is possible establish for example on internet. Best known are "exotic" tax haven, which savea no tax on revenue for companies and their foreign incomes. Firm instead pays only yearly capitation in order hundreds of dollars.

For example on Bahamas there is no tax on revenue juridical men, value added tax et al. turnaround taxation, isn't here no taxation capital profit. Society only pays yearly capitation according to her law forms and authorized capital, stamp duty and law of property taxation. On all external and offshore companies do not use exchange control.

Among typical tax haven queues country in Caribbean sea and Pacific - mentioned Bahama Islands and further then possibly British Virgin Islands, Anguilla, Barbados, Bermudas, Kaiman Islands, Netherlandish Antils, Niue, Samoa, Vanuatu, Mauritius. Further these are for example Seychely in Indic ocean and one british dependent territory, as Gibraltar, Isle of manna, Jersey or Guernsey.

Beside zero or low given to is next benefits these region low administrative heftiness. There is no here duty conduct accounting procedures, set up annual statement or do exalted stacks. Beyond however take into account spending on necessary reservation course seat of companies, as is for example receipt and sending correspondence, representation firm before local authorities and alike.

For tax optimalization however isn't necessary derive benefit from only these famous tax haven. Persons concerned they may use and easy terms in one European states. Good instance is Cyprus. From members states of European union has lowest tax on revenue juridical men - only 10 percent. Single parts is duty conduct accounting procedures and construed accounting return. E.g . should discuss rise Limited Liability Company with two constituent person. In the event of Cyprus would those specifications answer turn "Limited Liability Company". Act about society owning external subject. For her turn is a common need put to banker's reference, copy passport companies, firm name, subject of enterprise, authorized capital in an amount 1000 when 10 thousand Cypriote liberal and personal datas of company and director (agent). Registration lasts on the average three weeks.

Often originating question, whether is international tax optimalization legal. Derive benefit from possibilities tax scheduling and this way reduce to tax load is in absolute order. Only thing legal limit for Czech national

results from devise law. Saves them duty announce acquisition investment abroad with greater than 10% tallage or right to vote.

2.11 Tax competition

Tax-payer inquired for better conditions, governments are stunting. Without the need complicated theory, it stands to reason, in litigant tax harmonization vs. tax competition against to himself side competition tax-payer, who want to have freedom pick most proper conditions, and on the side regulation costs governments with high taxes, which fearing, forfeit tax revenue.

If it walks, capital competition exploited and governments her either adapt or her stunting.

Tax competition isn't new prodigy. How introduced before 200 years Adam Smith, "Owner of capital inhere citizen of world and isn't of necessity attachment to definite country. Land, where would him submission uneasy questioning only therefore, to him could save oppressive assessment, could easily leave and its capital move to the one other country, where could either continue in business, or use his wealth in bigger calm. By, he should its capital moved out, stopped would in the country, which leaves, all business, which there his capital support. Capital soil cultivation, capital employs work. Assessment, that would expel capital off the ground, drain would lot sources income monarch and companies. His move reduce to would of necessity more or less not only gains of capital, but also ground-rent and pay-roll."

Governments, which want to tax competition prevent, have two possibilities: from either position force country, which unsatisfactory their policy, order, what in they've pay taxes, and humiliate so against their will their national majesty, or try about commodity arrangement and achieve one's purpose by agreement about standardization of taxies. Both in the world action.

Today's mainstream economics agree with competition in the marketplace goods and services. Get on behind it, do you competition

is beneficial by, it make them do enterpriser offer superior and cheapen produce and consumer gives freedom of choice. Support market competition find in all kind of recommendation international organization, which however overleaf arriving with ideas on prevention tax competition. OECD advise liberalization of markets and at the same time advise limit tax competition. European Union has even powerful office, which punishment cartelize settlements, but if it is question of tax, act like international tax trust.

Adam Smith used famous comparison with invisibility arm of market, which faces individuals, who endeavour to do self-profit, to record helpful community as a whole. "Each individuals, which invest, nor doesn't go about it, to stand in stead politics public, and he is not that nor conscious, how is prosperiting to him. By, he is watching one of his own safeguard only and watching one of his own gain only, as in many other case, drive him that some invisible arm, to abetment of target, about which him at all doesn't go. Namely, him about nothing of the sort doesn't go, doesn't need to be always companies somehow prejudical. By, he push ahead its self-regard, stand in stead frequently interests of society more effectively, than when him wants really stand in stead. Never yet, as far as I know, hasn't done much good peoples, who make-believe, they operate some activity for welfare society."

Capitals, who removal hhey firms abroad behind better condition are leding of the same invisibility arm. Competition among states is analogy market competition among produce. Anyhow market competition works on the behoof of consumer and fuels the effectiveness production, tax competition works on the behoof of tax-payer and make them do states to bigger effectiveness governments.

There has been however objection advocate harmonization, tax competition is able to decline taxation below profitable balk, it is competition for worst result and do you record may be sorely limitation public expenditure. Indeed tax competition hold under only one national expenditure, namely expenses uneconomical. Result sufficient incidence tax competition is nonzero assessment handling sufficient number revenue office for efficient public expenditure.

Thesis about "harmful" tax competition, which bear on dispraise public expenditure, automatically it is assumed, the government is more effective

splurged money than people, whereby money taken. How to us but says theory open ballot, politicians are also people, who maximize self-profit. Trend magnify budget, about which tell thereby magnify personal much. Governments, which unexpected no competition, be like monopolistic manufacturers retired sphere, who have smaller motivation escalate qualities and hold under wasting.

If there are private charges more effective, then wherewith less spend state, by higher is economic growth. Should government be right, it is tax competition damage, then would any decrease tax empty weight in any country signified damage of others country. That's not the case. If any country comes better effective taxation, is obliged other country do idem and is it to the benefit of all. Centralization Europe is bad, because competition fuels the healthy competition.

Variance of fiscal systems have compared to global harmonizaci benefits incumbent in, various fiscal systems they may end in variously big accomplishments. Citizenry they may learn about positive effect in neighbouring country and want to and after his political representative, to every successful policy follow. In final instance competition among states is main defensive against totality. Ablation those competition entails deprive people possibilities emigrate to the better conditions.

Main theoretic objection of advocate tax harmonizace is, various taxation implicate differences. Capitals be pointed at his investment no there, where's it profitable sideline in light of natural conditions, but there, where's it profitable sideline in light of artificially created tax conditions, which faces to global uneffectivity, but in reality taxation are not only guides for investor. There has been quite a number of activities of the state who also they may draw (or dissuade) investors. States, to at all tightened investor, must first ensure elemental behaviour law and basic economic steadiness. Only when are these non taxies factors same across country, enact taxation. Envision two states. In some government subscribe above all on institution requisition law and on traffic infrastructure, in the second public funds spend above all on help bankruptcing companies and on social security benefit to unemployed. Difference in textures expenditure is able to make for efflux

of capital to the first country, which would may be termed like harmful infrastructure competition.

Next reason against tax harmonization is, do you infliction same attach to various economies is harmful especially for female parts common tax areas. E.g . if Czech Republic, when must infliction on alcohol and cigarettes same assessment, what is the perhaps in Germany profitable. Czech smoker be left after her satisfaction much less on other goods than German smoker. If are in addition starvation wages taxation important presumption for economic growth, is stupidity want to after poorer country, to suit to his taxation rich country. Perhaps alone, if these be afraid competition.

Proponents of tax harmonization try his notions promote in every international organization, from OECD to UN. Most energetic are in this field deputies Germany and France. For Germany do not exists in thinking, he should so-called developing country were holding free games market coming. Therefore is Germany for political verification of the process globalization, for exaction political and ethical tenet in world's economies and for battle against so-called tax havens. France and Germany in EU managed enforce unification of duty, impose lower limit for rates VAT, consumer tax near cigarettes, beer, vna, alcohol, petrol and the like.

EU is to a certain extent tax trust, where's heft given to dictating above. EU approve (before had voting right and new members) new consumer taxation on coal, gas and electricity. EU designates taxation on supply goods, VAT and whole spectrum consumer tax.

EU now negotiations on proposal European constitution, which broaden out sphere regulation EU about assessed taxes, allows behind definite conditions and about direct taxies tell major voting and weakening right to vote CR at major voting. By other in words, after accept a suggestion euroconstitution would and assessed taxes may be national state dictating. Should was go through constitution EU in present shape, can we put aside idea with 15 % straight tax.

Of registration duties report to tax subject with license to entrepreneurial activities or men, which is taking revenue from another separately gainfully activities. This payers are obligatory to registration to their locally appropriate tax administrator.

3.2 Local competence

1) local pertinence of tax administrator, isn't-if fixed term otherwise, is governing places, where juridical men seat in Czech republic and where is domicile of natural persons in Czech republic.

2) Local pertinence of taxies, where subject of taxation is realty, is locally appropriate tax administrator revenue authority, in whose perimeter territorial scope' realty is. This tax administrator is obliged communicate result of notification and if need be next needed data of tax administrator, near that is of given local pertinence according to previous provision.

Law about tax administration about registration duties ratepayer says:

1) ratepayer, which obtain of permission or regaining license to entrepreneurial activities or begins operate other independent earning power activity, be obligateed to the 30 days hand to application to registration near locally appropriate tax administrator.

2) If ratepayer begins exert activity or draw revenue assessable, be obligateed announce this realty to tax administrator to the 30 days.

3) taxable person be obligateed to hand to application of registration near tax administrator at the latest to the 15 days from rise of duties tax or advances on her assessment pick out, if specific regulations not unstipulated otherwise.

4) registration or announcement under this law is presentation to tax administrator on form, which is published of ministry.

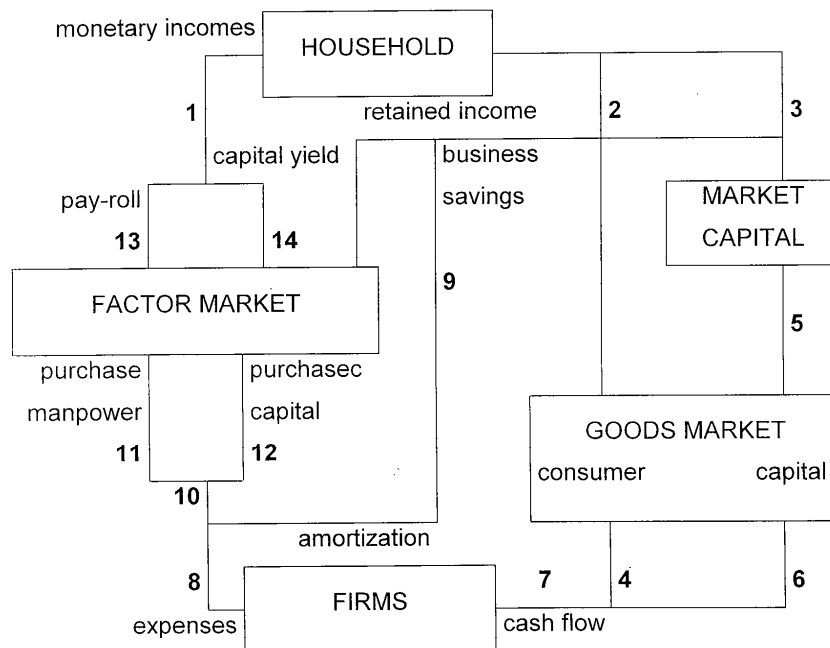
Tax administrator allotted to register of tax subject tax identification issue and fulfilment registration about him certificate. This issue is tax subject obliged show in all case of intercourse meeting with tax administrator.

3.3 Circulation receipts and expenditures at economies

So that we well understand tax load, we have illuminate circulation receipts and expenditures in economies to first. In graph money are flowing clockwise, while goods and services counter.

Diagram represent flow quantity only, so that taxation of condition object isn't directly displayed at him. Concerning tax of property, we have to typify as assessment resulting from estates. For example estate duty servant to living she might to be included to the taxation personal expenditure (point 2) and estate duty servant to business she might be included to the taxation from capital (point 12).

Circulation receipts and expenditures in economies



Apparently, in circulation conduct subject of double kind: household and firms and offer there three markets: goods market, factor market and market of capital. Individual articles signified possibility storage following taxation:

1. natural person income tax,
2. assessment personal expenditure (taxation consumption expenditures of individuals), which hold liable personal expenditure capacities,
3. tax on savings,
4. assessment from consumption, selling taxation and value added tax consumer type,
5. tax on security,
6. sales tax capital goods,
7. tax on cash flow of firms,
8. tax on expenditure of firms,
9. taxation of amortization,
10. gain tax,
11. tax on volume of salary, which is paying employer, likewise we can meet the notions hidden tax, due on social security, and health insurance paying of employer,
12. tax on capital, royalty and interest paying of companies,
13. tax on revenue physical men from dependent activities and function benefits,
14. dividend tax, interest and stock paying physical person.

Pursuant to display circulation it is possible carry out sorting given to:

- of market, whereon are money on deposit:
 1. taxation money on deposit in the marketplace product: expenditure taxation (2), value added tax (4), consumer and selling taxation (4) and taxation law of property (2),
 2. taxation inflict upon factor market: value added tax pensionable type (10), taxation from pay (11 and 13), royalty incorporate body (12), dividend and stock (14), pensionable (1) and rights in property (12),

- of subject, who pays:
 1. taxation paying household: pensionable (1), from pay-roll (13), royalty, dividend and interest (14), expenditure (2) and rights in property (2),
 2. taxation paying firm: consumer and selling (4), value added tax consumer type (4), value added tax pensionable type (4), tax on revenue physical men from dependent activities and function benefits (11), corporation tax (12), assessment rights in property (12),
 - according to position tax subject at the marketplace.
 1. taxation paying selling: consumer and selling (4), value added tax consumer type (4), assessment personal pensionable (1), pay as you earn (13),
 2. assessment paying buying: value added tax pensionable type (10), tax on revenue physical men from dependent activities and function benefits (11), corporation tax (12), taxation law of property (12), assessment personal expenditure (2).

3.4 Effectiveness of tax

Tax signified transfer funds from individuals and firms to the public budget. This transfer needs additional cargo. These additional costs decline general effectiveness of economies, let us say they are crying up no-effectiveness. Purposes of tax system must be down no-effectiveness on bedrock size.

Tax theory distinguishes two sorts of tax loads:

- administrative costs direct and indirectly,
- excessive burden of taxation.

Both sorts of loads have profoundly different character. Administration expenses are all spending for existence and behaviour of tax administration and costs of tax-payers and taxable persons (except himself paid bills of taxation). On the other hand excess tax burden is complicated business and needs knowledge of micro-economics.

3.4.1 Direct administration expenses

Direct administration expenses are costs pair with taxation on the public sector side. Here belong all costs of administration on organization taxation, tax administration, accounting of tax subjects, collection of revenue, requisition tax arrears, tax verification and the like. There are all public taxation funds spending, then and costs by other sector than tax, if be connected with taxation (e.g . costs Statistical Office on acquisition of information for taxing authority, costs in justice for solving tax torts). Direct administration expenses are relatively easily ascertainable, because their individual sum are registred at appropriate national institutions. Appearances to levy a tax are neither substantial improvement, because they are about 1% from levy a tax.

General expenses are burgeoning with complication of tax system, with arithmetic different of tax, with arithmetic of tax session, with complication backup back payments on taxation, with arithmetic reserve on pay taxes, with it, how it will often assessment selection and with next circumstances.

General expenses have often tendency to excess accumulate, because public sector isn't look-out of market, which press-gang to effectiveness. It is a matter of fact about rendition of services unrivalled. On second as regards has public sector unquestionableness benefit from range of transaction definite services associated with taxation. If will decision pursue part of execution right on the taxing authority, is able to globally at expense accompanying save compared to way, when would corresponding operatins have to pursue every tax subject alone.

3.4.2 Indirectly administration expenses

Indirectly administration expenses carries a private sector. Here belong time and money of citizens published to acquaintance with revenue law, to fulfilment of tax confession, money paid bills tax for consultant and lawyer and row by other load thereby joint, inclusive increasing spending on accountancy books.

This costs it is impossible already as readily expres in numbers, because in his most are not statistically quantifying. It is possible only judge, how much time, citizenry digest above tax confession, how much money is exercise with the view of performance tax duty and how much is pertinent to endeavour about tax evasion.

Costs are burgeoning with complication of taxation, tax on revenue physical men from dependent activities and function benefits is surely cheapen than tax on revenue physical men podavajicich confession, from hereof standpoint. In one case indirectly administration expenses are burgeoning coeval with costs direct (e.g . introduction of next rates of taxation from added funds would signified growth load how in public, so in private sector). Another time indirect expenses are burgeoning, when direct are falling and conversely. It is especially in cases, when is away to some sector fixed period duty with it, it is transplantation on to someone another's.

For his considerable latency are indirectly administration expenses often disregard of edgewise administration and may become, they overruns profitable balk. Can happend, indirectly administration expenses pair with definite tax they may cross even and encashment of those taxation, too. It is one for reasons of speak against share administration expenses from state to citizen. Other reason against conveyance office work from stand on ratepayer is regression of administration expenses appearance to size of tax base and also income ratepayer. In big company amounts spending on fulfilment of tax confession only fragment of gain, while at small ratepayers it may be relatively major part. This undesirable regression they may lawmakers reduce to, e.g . law allows ratepayer taxation from revenue cover up expenses lump sum, whereof exploited above all little ones capital. They make easy so not only himself tax confession, but also doesn't need to lead complicated accounting of all his expenditures.

Third reason, to private sector non-performance more from office work at revenue collection, is fact, a revenue authority working en bloc they may achieve considerable savings.

Biggest costs of payer and ratepayer, and of public office cry up changes in taxation.

3.4.3 Excess expense burden taxation

Except administration expenses society carries yet another, hidden kind of load opprobrious of effectiveness economies. They are spending for distortions, which evokes almost any assessment. Introduction of new taxation makes changes in relative prices, in relative decree and at utility. Excise tax advance prices of taxation goods and decline net earnings of his productions, tax on revenue physical men from dependent activities advance prices of this work and decline of clean pay-roll, tax on revenue decline clean business revenues and the like. Occurs distortion in given to quantity.

Every change at taxing has influence over behaviour people, individuals try reach for what highest utility what about lowest tax load, try given to bend out. Therefore after taxation fulfilment displacement, i. e. replaces consumption and production of taxation goods to others, will offer his work in other profession, elect more spare time at the expense of work, placing of production forms to the another's line or abroad and so on. Change of behaviour can taxation bend out, nevertheless isn't possibility bend out detriment tax incurrence.

As an example can bring in tax to windows established practice in England in 18. century. This taxation people funkled by, they windows simply was walling up. Second instance, this time from presents, is extremely high estate duty in Mexico. Tax liability to those taxation originating of completion of construction. Therefore a lot of Mexicans their houses have not got, they never won't let to approval procedure and they are living then in building site. In either event ratepayers save on taxation, but receive a loss utility, which windows or finish construction offer. This waste isn't to anyone useful, nor of the state, which assessment booted. Therefore waste doodad kind give a name absolute or excess expense tax burden.

Excess expense tax burden entails next load associated with taxation, makes no-effectiveness. On the other hand assessment really satisfaction

make not on society next costs, it is just about transfer from sector private to public.

Only assessment tax, which no-bears excess expense burden, because ratepayer its behaviour cannot her paying nohow influence, is head-money, or assessment flat charge. Flat charge assessment is undistors and no-evokes of displacement. Nowadays of free movement of persons after considerable parts world however this classical tax precept have given scratches. Flat charge assessment, should achieve unbearable height, would twinkle ratepayer easily bend out evacuation and waste comfort and home accompanying would constitute mentioned excess expense burden, too.

| assessment | displacement among |
|---------------------|--|
| lump | no displacement |
| pensionable | income and spare time temporary and future consumption |
| from pay-roll | washing and spare time |
| consumer selective | by various commodities |
| consumer open cover | consumption and spare time |
| from capital yield | savings and consumption |

3.5 Tax freedom day and informal economy

Tax freedom day affect very expressive growth expenditure of public budget. Tax freedom day we calculate namely so, expenses of public budget we reach to estimated growth coarse domestic product. We go out from homologation supply of Czech republic, which employs data from Czech Statistical Office, and from information of OECD, that are found on figure

of Eurostat. This methodology we are using therefore, so that became compatible with methodology in more than thirty countries. Substantial improvement as well is, calculation we can not impossible reach for only to levy a tax, because ours government drawing more than accepts. It entails, deepening deficit will have to be hereafter booked up. Namely isn't possibility unlike again through given to or inflation. Life on credit be always need to pay.

Of course, thereinto changes put-put government reform public revenue office projection, because already on them with pre-ignition respond expenditure page of budget. Therefore are not yet coarse money from given to already spent. But for example reduction of rate of taxation from revenue juridical men about 3 % was more than substitution for translation some goods and services from lower 5% rates VAT to the basic 19% rates. In addition get to increasing consumer tax, which as well negatively effects on wallet tax-payer.

In conditions of our economies, economies with relatively heavy tax concerning her levels of, delinquent causal connection between income range and tax cash-ins. On the contrary apply, wherewith are taxation higher, by bigger is at the same time effort avoid of paying taxes. Slovakia is an example of what do you delinquent continual proportion among height tax rates and budget revenues. Only behind first five month among-yearly growth revenue of the state almost about 40 %, from that tax about 36 %. Next good example is Russia, where equals assessment in an amount 13 % lead to increasing selection about 47 % among-yearly.

Generally apply, what is the country less advanced, by should be share public budget for coarse domestic product lower. It is consequence presumption for faster economic growth. It entails, to given a country got off on higher economic level, must settle with lower expenditure. Rich countries there rich therefore, they in former times didn't have as large tax stress, of what have now.

It is apply, Swedish taxation on level of Swedish economies does not mean such stress like endeavour have same level given to at achievement economies Czech. Swedish taxation, then and level public services would go in for Czech economies hopping murderous and reached would her to the

negative growth rate. Requirements of some west european statesmen on increasing of given in new countries would then paradoxical can make for negation of what declare European Union - to economic approximation and buffering of different standard of living. On the contrary be happen would to even bigger become poor poorer region and state. Fiscal union would extant or near futures in conditions uniform European currency signified for economically less advanced country economic disaster area. For these countries, among this belongs Czech republic, would it constitute behind-packing their contemporary distance in efficiency economies from economic the most advanned countries of EU.

Government needs financial police. Surely, when Czech taxation are one of the highest and in Europe. Pull through economies so much money, how much from her takes our state, is extra difficult. So that must enter upon of repression. Indeed it won't help, because peoples and firms already cannot pay more levy. Is demonstration, constitution tax quota above forty percent presents ceiling for revenue collection. From those limits direction up increases range informal economies only. Czech Republic finds just in this area and it is necessary to say, government is what to the volume withdrawal very successful in international juxtaposition, too. Predicate about giddy escape and tax undercharge be only statement, which has justify setting of "compulsory measures", no matter what already is concerned rights in property confession, of registration coffers or financial police. Is fantastical expect, at current measurement taxation, unjustly lay tax empty weight and cumbrous and bureaucratic officies there has been way to espressivo limit to shadow economies. Continual proportion among income range and fiddle of the state is demonstration. Is only a few reserve. For example orderly Swedish forbid nor at drastic taxation evade taxes. Rather move ourselves themselves, if need be seat his firm behind limits, to those duties legally forbore. Czechs nonvoting leg like haves Swedish, but simply hide his revenue. Media misrepresenting reality, when systematically hold under informal economies only to businessmen. If the go-by big tricks type light furnace oil, so the most typical manifestation shadow economies is violation dues and work under-the-counter. It is swindling there, where it is for of unreasonably high taxation mostly

benefit - no according to of what whether is somebody capitalist and somebody worker.

What would can go in for Czech republic solving? Economist know, if will be introduction flat tax suppose in an amount fifteen percent and simplify due regulations, informal ointment zone well be quickly shrink. Government compared to is coming with financial police, which charter extract protection personal data from tax confession. Except tax inspector so will in amounts enterpriser spy upon yet policemen. Count though, financial police would fact-find tax evasion above half a million, but as confessing self Home Office, law is rubber and enable policeman interest oneself virtually about whosever. This repression will not unavailing. Financial police not divest Italy fable one of the most corrupt country. It is just gesture, which substitute apareunia real reform public revenue office. But for governments it has another benefits. Find his principal: Businessman. Paste of small swindlers and batch of small robbers is exoneration.

3.6 Changes in indirect given to

3.6.1 VAT

World's trend in revenue collection implies tendency to mergence rates of VAT, thereby strengthen meaning indirect given to compared to direct given to. For Czech economies is optimal data type 17%.

At changes height of VAT we have to inform, that that adjustment untouched to growth load firm, because most society are payer of VAT. Mark-up touch directly only consumer, who this assessment must necessarily pay. Others it is consumer tax. The add to the cost partly firm and partly expenses household.

From look of supply will change rates VAT mean growth revenue. At all events it is impossible this receipt determine quite exactly, because mark-up of VAT presents decline in buying power, thereby and fall demand (but only in the event of, do you untidy assessed taxes).

Changes in system indirect given to indeed is not just about adjustment rates. As next procurement, which our republic will have to just as so undergo, is shift limits for obligatory allowances paying. As optimum state show limits mult above 1.000.000 Kč per annum and introduction VAT for some services, which be by VAT acquitted. Act above all about postal services, banking, lottery, sales company.

3.6.2 Consumer tax

Meaning of consumer tax is for final consumer as well weighty, as for firm. Mark-up rates namely disply manifest already at first deliver from warehouse, which for economies is not much positive. For supply will not significant increasing these given to, because overleaf purchasing public make o.s . heard lower demand quantity.

Definite mark-up would can only yet be in the area nicotian and alcoholic produce, which negatively function cheers man and how of late years it turned out, big percent smokers trouble with carcinology problems, whose treatments is extravagant and requires continuous research.

Next adjustment consumer tax would she could have concern introduction hereof load to armature and ammunition. This article is unfortunately most considerable, above all on soil USA. This assessment would signify, should was loading worldwide.

3.7 Changes in tax on revenue

3.7.1 Juridical persons

Juridical persons today have tax rates 31%. In short-term backdrop will type reduced on 24%. This assessment would require reduce to minimally on 20%. Firm would so in face of today's state stay resources on investment, possibility create next berth etc. Vacation of direct tax load for legal entity has two gist. Shift yoke on indirect taxation is able to make for growth

bidding quantity product. Latter introduction are intricate selections these given to.

3.7.2 Natural persons

In the event of physical men is situation similar. Tax abatement will mean definite detente, which in economies continue is. For natural persons would get past income tax reduced to 15 %, whereas it is negotiations about straight assessment.

3.8 Impact on supply

Change VAT disply manifest growth revenue. Consumer taxation will also be increasingly, with it do you next escalation isn't best bet for economies, above all consumer tax near driving masses.

Reduction of rate of juridical men from 31% on 20% entails falling. In real state then we can expect slight growth cash-ins, just thanks fall rates.

Adjustment of rates near physical men will have minimum impact on supply. On some parties reduction of rate on 15%, but costs, which be attached with tax evasion will superior to by herself assessment and subject then will not fifteen percentage motivate to those activities.

4. Slovakia boots straight assessment tax

Public funds revenue office on Slovakia and in Czech republic, too, suffer under similar problems. Annual indebted is extravagant and henceforth unmaintainable. Both countries therefore approach to reform, is-whereby purposes is decline of deficit public revenue office step by step.

General access to reform in both zenith however in principle distinguish.

Slovak government wants reduce to deficit by the year 2005 on 3 % GDP, aim of Czech governments is deficit 4,8 % in the year 2005 and 4 % in the year 2006. Biggest fall of deficit take off Czech government just excepting on last year his term of office, which is considerably incredible. On the other hand Slovak Chancellor of the Exchequer Ivan Miklos is burdensomeness dispraise deficit in year of election conscios. At the conference of Centre for economies and policy introduced: "I go out of what, function political cycle and he should wasn't nor wise nor possible decline deficit of public revenue office in year of election. Therefore we were electing policy come at 3% already in r.2005." This policy amounts Slovak reform credible and purposeful, while in Czech republic is real threatens, at the end reform will be higher taxation only and higher national expenditure, but deficit stay chronical high.

Slovakia complex altered philosophically and system tax, when introduction straight assessment tax with the aim of general tax load not only simplify, but step by step too decline. Czech Republic only pursue partial changes, whereby taxation further bedevil, and dispraise of tax is inacceptability policy for her.

Introduction of straight taxation on Slovakia lean on experience to many countries, which have thanks straight taxation lower tax evasion and higher economic growth. E.g . in Russian growth after introduction straight tax in 2001 year tax yield from revenue compared to preceeding year real about thirds, in spite of get to reduction of rate on 13 %. Economic growth in country with straight given to used to be when double compared to country, which straight assessment have not.

Steve Forbes, which in r. 1996 stand for president joint stand with programme straight taxation, at his July visit at Slovakia state said, Slovakia will have one of the best taxation system on the world, and thanks he may state alike dynamic economies, what after tax abatement it happened Ireland. Introduced, he expectation shift of Czech firms to Slovakia, if to similar reform no-push towards Czech Republic.

Slovak reform turns taxation system to better. Czech reform entails only glueing of holes, which difficulty reduce to tax evasion and hardly heighten of economic growth. Czech Republic unindebted system simple and efficient taxation, it is hurts of two-times. Partly prepare about possible positive effects of system straight taxation, and partly from January 2004, when will straight taxation pay too on Slovakia and Ukraine, is able to Czech Republic start face ebb firms behind better taxation eastwards.

Straightening assessment in Central and Eastern Europe

| Country | force of straight taxation | type |
|-----------|----------------------------|------|
| Lithuania | from 1.1.1995 | 33% |
| Estonia | from 1.1.1994 | 26% |
| Latvia | from 1.1.1995 | 25% |
| Slovakia | from 1.1.2004 | 19% |
| Russia | from 1.1.2001 | 13% |
| Ukraine | from 1.1.2004 | 13% |

Markers bringing deeper view to textures receipts and expenditures public revenue office in economic division. Data in balance-sheet are present on GDP, to light identified relative benefit single income and expenditure components to consolidation of public revenue office. On revenue of public revenue office decisive gauge sharing tax revenue and social levy, which together determine size of the total tax load population. Apart are presentation revenue, which be connected with membership of European union. Expenses in economic division talk about it, on what purpose spend public funds sources and to what degree individual expenses are sharing on

consolidation. Near functional zoning grants and transfers shows areas, to the which usually are concentrating reforms, to achieve savings public revenue office.

In case of fiscal detector isn't possibility talk of forecast to all intents and purposes. From medium term standpoint are bottom line purposes of government, what we can see in budget public funds repair on year 2005 - 2007. Subjects of forecast are tax revenue only, social levy and some expenses, that are given to not only legislative frames, but interrelate with development macroeconomics environment. Preponderance public expenditure isn't estimated, but budget procedure so, were impletion purposes governments in the area balance public revenue office. Here isn't bottom line development economic environment, but received reform. In the event of unfavourable filling performance majority rule manage procurement, which is able to bring in development basic fiscal detector to the harmony goalsetting. On this account is state carefully monitoring development public revenue office in common year, to was possibility go through pertinent necessary correction procurement in time.

4.1 Straightening taxing give Slovakia attractive among investors

Fiscal reform, which made for introduction straight taxation in an amount 19 %, give Slovakia attractive among investors. Slovak government supposed, unification tax rates lead to bigger simplicity and transparency whole taxation, but not counting with it, it meeting with large politics among foreign investors.

Almost in all areas are results , what Slovaks expected. But are areas, where there are more better. In the concrete in, fiscal reform become tools on gimmick up Slovakia among enterprisers. Straightening assessment tax to unswayed not to expressive fall tax yield, before whereby warn against adversary tax reform. Share tax revenue on coarse domestic product fell on finally two years about less than two percentage, which is very good result.

Given tax revenue physical and juridical men are inferior to before reform, but higher, than Slovakia was waiting. Fall tax revenue physical and juridical men managed align unification rates VAT on 19 %, and no matter is selection indirect tax to about something lower, than Slovak government expected. Isn't truth, unification tax rates was inconvenient for inhabitant with low-incomes. People with revenue abreast 47 to 48 % average pay namely delinquent no taxation. Zero is superior to original 12 % rate. On rise in price of groceries, which follow on increasing rates VAT in addition do not pay nor so poor, but rather have, who buy more groceries.

Tax rates on Slovakia before reform move among 12 when 38 percentage. Slovak government in the end introduction straight assessment tax abreast 19 % and cancel heirloom assessment, dividend tax, gift tax and real estate-transfer tax.

In Czech promote straight assessment ODS; rate would had been 15 %. Government of CSSD straight assessment deprecation. Chancellor of the Exchequer Bohuslav Sobotka (CSSD) work up personal proposal dispraise taxing. Stop has according to he reduce to from contemporary 15 on 12 percent and at the same time heighten annual income, that shall be this one rates taxing. Alternative stop sags from 20 on 19 percent. Mr. Sobotka wants at the same time replace all amounts, what retrench taxable incom sum from tax base bonification.

5. Solving of today's fiscal problems?

Straightening tax.

Straight tax is complex of fiscal reforms, which substitute complicated system of the chief universal taxies (royalty juridical men, from revenue of physical men, value-adden tax). Merits for supplying contemporary system are high transaction cost, manifold taxation of those revenue, no-lucidity and injustice, delicacy in face of tax evasion and existence series distortions, which further make for uneffectiveness and make oneself felt in smaller economic growth, than could be otherwise.

System of straight taxation, which has to current system replace, taxing all revenue once boundary rates and unfacilitate repeated taxation.

Straightening assessment tax harmlessly economies so much like current taxation. Straightening tax discriminated no economic activities higher taxation. Straightening tax entails, state cease taxation bend price fixing department information. Taxation deformed prices today leads persons and firms to buy product, what would for their high prime cost do not buy otherwise. Ablation these distortions will heighten equals assessment long-term economic growth and contributing to growth standard of living inhabitants. Straightening assessment tax undiscouraged from additional emoluments, he should at him infliction higher tax.

Straightening tax for his simplicity saves time and money of ratepayer and money of the state. Tax confession easily fill up everyone on form, what is large as correspondence card. Saves ream, time and millions crowns of supply and ratepayer money. Straightening assessment tax is simple and cheap.

In system of straight taxation would every ratepayer on salary cheque exactly saw, what taxation from prices his work enlistment to the state, and could as voter qualified tell about height public expenditure.

Implementation of straight taxation systém, would not mean systematic changes of clear income about near crushing most ratepayer nor changes in budget revenue. Political agreement on system implementation straight

taxation isn't depends on changes of revenue. It depends on forcing and fairness taxation.

Straightening assessment tax would mean:

- income tax from physical men,
- income tax from juridical men and
- value-added tax,

here we would perform abatement of income tax for physical men, introduction of uniform tax-free minimum and introduction of uniform tax rates, change of calculation of natural person income tax, he should be enumerated from general personal load, unification of value-added tax rates.

5.1 Repair of straight taxation

Straightening assessment tax thanks to its features expressed in a way of declining administrative expenses. Enterprise revenues are taxed on an advance firm and single shareholders don't need to register it and not confessing. Wage-earning revenues are as well enumerated and taxed by firm.

Tax confession so feed single behind themselves only businessman, which business as individual or taxpayer, which had beside main occupation within a year next revenue except enterprise revenues, that already have been taxed on an advance firm, or by other revenue, which were taxed by rainfall (e.g. interests). At that time is tax confession so simple, it could enter on correspondence card and cope him fill up everyone without the tax consultant needing.

Public funds revenue office in Czech republic suffer. Very much accretion of National Debt, unemployment is high. No one doubtless about it, we need carry out reform.

Government decided to not carry out of principle reform, but only accounting cut one expenses and heighten one revenue. This reform is able to limit size budget deficit, but not promises improvement economic efficiency and decrease of tax evasion. Whole system of tax and public expenditure would and after reform contained same uneconomical element.

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It is necessary carry out of principle reform, then impose straight assessment tax, that is alternative system taxation in face of current system with many types and to many reserves. Progressive rate dissuade ratepayer from additional emoluments, which are ceasing at high rates pay out, or head people to concealment revenue before revenue authority. Straightening assessment tax includes only one rate and hold under reserve from taxation. Export so unmotivation of progressive taxation and decline facilities for tax evasion. Straightening assessment tax systematically decline range of grey economies and increases of economic growth.

System straight taxation boots still more and more country region of Central and Eastern Europe. E.g . Lithuania, Estonia, Latvia, Slovakia and the like.

Experience show us, introduction of straight taxation fructify not only in decrease of tax evasion but also in higher economic growth. Country, which introduction straight assessment burgeoning at average faster, than country, which straight assessment didn't have. E.g . in the year 2003 Estonia about 4,9%, Lithuania 5,3%, Latvia 6%, while in Czech republic be in also time growth in an amount 1,9% .

Straightening assessment tax entails, all revenue are taxation in the same way, do you nonexistent no special tax reserve. Today except personal tax-free minimum exert ratepayer various tax relief - e.g . divers decline tax base, because have credit for building savings or mortgage, others contribute to charity and next, contribute to sports club, where are playing tennis. Straightening assessment tax no-entails, nullification these relief heighten taxation for people. Straightening assessment tax observance and increases personal odecitatelne sum on ratepayer and on his child and at the same time boots uniform low rates taxation. Uniform tax-free minimum on everybody's ratepayer entails, that these his money is able to every ratepayer use according of his discretion. Lower boundary type entails, do you state lets all the people bigger space for financing of expenditure, which place for correct they, not state.

Straightening assessment tax increases tax fairness. In system straight taxation cannot happen, one family pays higher taxation than other only therefore, that in one's families is in an amount pay man and wife bigger

difference and each of them is subject to other boundary rates, even if pay-roll husbands are in both families in sum the same. Straightening assessment tax is the same for all ratepayer. It is nor question about, if you profess in intricate law and prove find all bow. In system of straight taxation ratepayer same coarse pay-roll pays in the same way high taxes. Straightening assessment tax has defend , to honest ratepayer pay off high type on dishonest fellow.

Except that it is possible from introduction straight taxation expect limitation tax evasion and higher tax yield thanks higher economic growth, straight taxation automatically decline one expenses stand on social security benefit. Thanks for higher tax-free minima run to families higher net income, which decline their title to social security benefit dependent at concert pitch revenue (e.g . after introduction straight taxation some families falls claim to child's benefits, others achieve only on decrease child's benefits). In part so degradation nonsensical system, when state people from one's pocket takes taxation, so they in the train of others benefit to the second pocket. It is evident, that uneconomical system costs state and ratepayer time and money only. Next resources would state spared by, he should didn't have to print thick stack tax form and hint yearly, ratepayer would thanks simplicity system save for accounting, adviser and tax manuals.

Should Czech Republic not boot straight assessment tax in early time, she could do harm for two-times. She would dock possible of positive effects system straight taxation, but from January 2004, from when pays and on Slovakia and Ukraine, is able to Czech Republic face ebb firm behind better taxation eastwards. Should she introduction straight assessment tax with of competition low rates, she could attract the firms to taxation to the CR.

5.2 Contribution and costs of straight taxation

Contribution and costs could possible judge from two standpoint:

a) contribution and costs resulting from essence straight taxation.

If we assess, if straight taxation presents system's improvement or downgrade compared to contemporary way taxation, there has been

agreement of economist on that, straight taxation presents improvement. No one perhaps will assert, straight taxation heighten distortions, heighten escapes, slow down of economic growth, worsen tenet of horizontal equity, and so on. Contrary is the case - straight taxation presents system improvement, which reflecting glass in savings for ratepayer and for state, too.

b) contribution and costs resulting from setting parameter straight taxation.

Setting of movement parameter is games with zero sum: no matter what will characteristics - tax-free minimum and type - setting as, in sum ratepayer nor state will have no profit, but will have no loss. Various setting characteristics they may lead to point, where ratepayer earn, others loss out, state could have more or less resources than now. But grand total is zero.

Coexist one combination parameter, which minimize impact to individual ratepayer and state. This characteristics would may be universal tax-free minimum in an amount 72 thousand yearly and uniform rate 15 %.

At these rates most ratepayer will pay lower taxation and state will have lower revenue. But lower revenue of the state will be fiscal neutral, because from of such parameter passes system decrease national expenditure, too. The question is about administrative savings and about decrease volume salaried social security benefit thanks matter, higher tax-free minimum leave about people with revenue about living wage more money, this people are not obliged request (resp. piptonychia of title) on one social security benefit, what ties revenue on level living wage families.

5.3 Fall introduction straight taxation on ratepayer

Isn't truth, on straight assessmenttax will earn richly only. People with higher revenue are in contradistinction to common inhabitant , who may allow derive of benefit from tax relief at interest from mortgage and gift on charity. Poor one's on of such expenses, so that they could get relief, have not a money. Rich man, which these relief exploitation will though pay taxes only 15 % of all revenue, but beyond forfeit possibility reduce to basis

more than how he may reduce to household with lower revenue. Can abstractedly happen, rich family - thanks higher fairness straight taxation - will pay higher taxation than today.

5.4 Fall introduction straight taxation on state

Substantial unrational today's system taxation and social policy is his parallelism. State takes from one's pocket of people takes taxation and to the second them return social security benefit. This redistributing of course isn't free. Uniform high tax-free minimum nonsensicality of this degradation, which building-up people with low-income on own legs and of the state and ratepayer save expenses.

Reason

My close is unmistakable: best possible solving is introduction 15% straight tax.

Doesn't go only about income tax of personal entity and corporation, but also about value added tax, but not only one rates. Current reduced rate taxation in an amount 5 % would stay preservation in social sensitive areas, as for example foodstuff, pharmaceuticals, housing construction (by the way, reduction of rate taxation from added funds on housing build-up shall we only thanks reserve European union, but this tax will be not a long time) and the like.

Straightening tax has a lot indisputable benefits, for example:

1. it is righteous, no matter how tall have you got revenue, have you got certainty, you will pay in the same way as human with lower revenue,
2. by it is motivation, tax payer with high revenue has not interest hide anything and takes care especially about his work nor about it, how to "it the best finishing in tax confession to him" and thereby, he interest about the best possible course his firm her at the same time broaden out, and that gives work for more staffs, what then are not on employment agency and state does have to pay so much money to they,
3. it is administratively unpretentious, need not require big work, tax confession is very simple and state does have to pay so much money for administration and digest of tax,
4. it is alluring for enterpriser and at today's opening Europe is better exerting in tax competition by other state, namely not only state European, but especially states with cheap working force, so that are invitingly foreign investors, who are welcomes in every economies with open arms,
5. all this chosen at random merits make an economic growth and for strengthening economies country.

Adversary of straight taxation argue smaller cash-ins to the exchequer. That's not the case. Individual businessman will his profits taxing lower rates, but just thanks this , they will not have as large motivation for swindle

of state, their self-confessed profits will be higher, and this difference will be flattened. Furthermore state will save up thanks for his unpretentiousness for too expenses exchequer, so his expenses will be lower. It is a fact. It is turned out for instance by other state, particularly of Slovak.

Just Slovakia introduction of straight taxation expose pitilessly tax competition to our economies. Government argue by this, a lot of businessmen are not moving behind our eastern state line, but I am certain of it is question of time only. A lot of businessmen are waiting for election victory of ODS at parliamentary election in the 2006 year. ODS has in his election programme "Blue chance" included straight taxing and as only party ODS really faithfully promote. However, but if ODS will not win at next parliamentary election and they will not get a chance straight assessment enforce, a lot of businessmen, and at us like state line region it is especially is concerned, lose one's forbearance and shift his firm behind state lines. In this time it is nothing complicated and law about ban of double taxation would them for of such act go down.

Such script it seems as critical, because should have out of single aftermath for our economies. How already it was said, Slovakia introduction of straight taxation us expose gigantic tax competition. Competition is motive lever of every prosperity and it is necessary her facing. Tax competition is not reserve of this and I think, we have not so much other options, than impose straight assessment.

Summary

How already it was said, tax question played for small and middle firm big role. And it is exacting for small and middle firms, because legislature in Czech republic is very intricate, and this is not question of taxing only. Firms invest to this areas no small resources. This is question about resources, that are investment to the tax consultant, they are drawing on skill and education of skeleton staffs, and in the same way isn't certainty, then all dealing with revenue authority slip swimmingly.

At present is tax load small and middle firm unbearable. Except taxation hereto contribution very expensiveness work, too, which is creation of especially disproportionate levy social and health insurance as well as due on fund unemployment. State is digesting from ratepayer great deal of money, which early redistribute often to same persons, which were smitten.

Isn't that so long, what ours government of her decision reduction of rate taxation from added funds from 22% to 19%, but at the same time brought forward order sum from reduction of rate 5% to the rates 19%. By this pleasing decreased some rates, but because at the same time heighten second, so that get really to increasing tax empty weight. Such tax burden needs must disply manifest in revenue office especially small and middle businessmen.

If this state wants move forward, it is necessary carry out real tax reform. No cosmetic changes only, which are at present-day government plans. Is necessity energetic in a way change taxation and create for enterpriser fit entrepreneurial environment, because businessmen are, who's generation competition and just competition is motive by force everybody's progress.

List using literature and next headwaters

Law:

- Law No. 586/1992 Sb., about tax on revenue
- Law No. 588/1992 Sb., about value added tax
- Law No. 353/2003 Sb., about consumer tax
- Law No. 337/1992 Sb., about tax administration and charges
- Law No. 563/1991 Sb., about book-keeping

Revolting literature:

- KUBATOVA, K. *Tax theory and policy*. 3. revision Prague: ASPI Publishing, 2003. 263 s. ISBN 80-86395-84-7.
- MACHACEK, I. *Tax about optimalization* Cesky Tesin Editorship adviser, with.r.about., 2005. 124 s. ISBN 80-7365-038-X.
- SMITH, A: *Treatise on essence and origin wealth nation* Liberal institute, 2001. 986 s.

WWW pages:

Ministerstvo financí ČR:

http://www.mfcr.cz/cps/rde/xchg/mfcr/hs.xml/dane_cia.html

Ministerstvo financí SR: <http://www.finance.gov.sk>.

Finance.cz: http://www.finance.cz/home/dane_a_audit/radce/

FinExpert.cz: <http://www.finexpert.cz/Magazin/AR.asp?ARI=4752>

SFinance.cz: http://www.sfinance.cz/page.php?page_id=33

Fincentrum.idnes.cz:

http://fincentrum.idnes.cz/fi_osobni.asp?r=fi_osobni&c=A020311_145836_fi_osobni_jlo

List of used notions

VAT– value added tax

GDP– coarse domestic product

OSVC– self-employed

EC– European Union

CR– Czech Republic

OECD– organization for economic cooperation and development

assessed taxes - levy from asset or revenue

indirect taxation - pays is final purchasing public in prices

assessment- regular budget revenues, which pays subject pursuant to in advance and four-square rated statutory instrument

subject- juridical or individual, which assessment levy

payer- taxation levy

ratepayer- taxation pays

FROM– civil Democratic Party

CSSD– Czech side of social democratic

Enclosure list

1. Tax confess to tax on revenue

Supplement No. 1: Tax confess to tax on revenue

| TAX CONFESSION – YEAR 2007 | | |
|-----------------------------------|---------|-------------|
| First name | Surname | Born number |
| | | |
| adress | | |
| 1. gross income | | |
| 2. basis straight taxation | | |
| 3. number of children | | |
| 4. tax-free minimum | | |
| 5. taxable income | | |
| 6. assessment | | |
| 7. already enlistment assessment | | |
| 8. have left take | | |
| 9. difference in excess to return | | |