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LUCIA JURCOVA

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**COMPARISON OF TAX AND CONTRIBUTION
BURDEN FOR ENTREPRENEURS IN
SLOVAKIA AND THE CZECH REPUBLIC**

(Bachelor thesis)

Author: Lucia JURČOVÁ

Supervisor: Ing. Alena Poncarová

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ZADANIE BAKALÁRSKEJ PRÁCE

Meno a priezvisko: **Lucia Jurčová**
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Téma práce:

Komparácia daňového a odvodového zaťaženia podnikateľov v ČR a SR

Cieľ bakalárskej práce:

Cieľom bakalárskej práce je komparácia daňového a odvodového zaťaženia podnikateľov v ČR a SR. V úvode práce vypracujte za použitia domácej i zahraničnej literatúry teoretický základ. Analyzujte daňovú sústavu ČR a SR vrátane časových rad daňového a odvodového zaťaženia právnických osôb v ČR a SR za posledných 10 rokov. Vykonajte komparáciu daňového a odvodového zaťaženia právnických osôb v ČR a SR. Túto komparáciu vyhodnoťte a navrhňte optimalizáciu daňového a odvodového zaťaženia právnických osôb v ČR a SR. Ďalej posúďte súčasný vplyv daňovej a odvodovej zaťaženosti na nákladovosť výrobkov a výsledok hospodárenia spoločnosti Chirasys s.r.o. a navrhňte daňovú a odvodovú optimalizáciu tohto podniku. Bakalárska práca bude obhájená pred vedením spoločnosti Chirasys s.r.o., jeho hodnotenie sa stane súčasťou bakalárskej práce. Bakalársku prácu podrobte testu z plagiátorstva, výsledok sa stane súčasťou dokumentácie pri odovzdaní bakalárskej práce. Vypracujte príspevok na túto tému na medzinárodnú študentskú konferenciu usporiadanou EPI, s.r.o. alebo na inú vysokú školu a obhájte ju alebo vypracujte článok do odbornej tlače.

Osnova:

Úvod

1. Teoretický základ

2. Analýza daňovej sústavy ČR a SR

3. Časová rada daňového a odvodového zaťaženia právnických osôb v ČR a SR za posledných desať rokov

4. Komparácia daňového a odvodového zaťaženia právnických osôb v ČR a SR

5. Vyhodnotenie a optimalizácia daňového a odvodového zaťaženia právnických osôb v ČR a SR

6. Vplyv súčasného daňového a odvodového zaťaženia na nákladovosť výrobkov a hospodársky výsledok spoločnosti Chirasys s.r.o.

7. Návrh daňovej a odvodovej optimalizácie spoločnosti Chirasys s.r.o.

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Vedúci práce: Ing. Alena Poncarová
Oponent práce: Ing. Tatiana Chorvatovičová

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

Jozef Striš
Doc. Ing., CSc.
riaditeľ Ústavu ekonomiky a riadenia

Oldřich Kratochvíl
Ing., h. prof., Dr.h.c., Ph.D., CSc., MBA
rektor

I confirm that I am the sole author of this bachelor thesis under the supervision of Ing. Alena Poncarova and all used sources and literature have been listed in the bibliography.

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Kunovice, 2012

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Content:

INTRODUCTION	9
1 BASIS DEFINITIONS	12
1.1 BRIEF DESCRIPTION OF TERMS.....	12
1.2 FUNCTIONS OF THE TAXES.....	13
1.3 BASIC TAX ISSUES	13
1.4 ADDITIONAL TAX ISSUES	14
1.5 TAX BURDEN AND ITS MEASUREMENT.....	15
1.6 THE IMPACT OF TAXES ON EXPENSES.....	16
2 TAXATION SYSTEM OF SLOVAKIA AND THE CZECH	20
2.1 TAX SYSTEM OF THE SLOVAK REPUBLIC.....	20
2.2 INCOME TAX OF LEGAL ENTITY IN SLOVAKIA.....	21
2.2.1 <i>Fiscal entity of corporation tax</i>	22
2.2.2 <i>Subject of income tax of legal person</i>	22
2.2.3 <i>Tax exemption of corporation</i>	23
2.2.4 <i>Tax base and rate of corporate income tax</i>	24
2.2.5 <i>Time limits and methods of filling tax returns</i>	25
2.3 THE TAX SYSTEM IN THE CZECH REPUBLIC	26
2.4 CORPORATE INCOME TAX IN THE CZECH REPUBLIC	27
2.4.1 <i>Object of taxes on corporate income tax</i>	28
2.4.2 <i>Payers of corporate income tax</i>	28
2.4.3 <i>Income tax period for legal persons</i>	29
2.4.4 <i>The taxable design of corporate income tax</i>	29
2.4.5 <i>Tax exemption from corporate income tax</i>	30
2.4.6 <i>The tax rate on corporate income tax</i>	31
2.4.7 <i>The tax return of corporate income</i>	31
3 TIME SERIES OF TAX AND CONTRIBUTION BURDEN	33
3.1 CONTRIBUTION BURDEN IN THE SLOVAK REPUBLIC.....	33
3.1.1 <i>Health Insurance</i>	33
3.1.2 <i>Social Insurance</i>	37
3.2 CONTRIBUTION BURDEN IN THE CZECH REPUBLIC	40
3.2.1 <i>Social Insurance</i>	40
3.2.2 <i>Health insurance</i>	42
3.2.3 <i>Social Security Contributions</i>	43
3.3 THE SOCIAL FUND	44
3.4 DEVELOPMENT OF TAX RATES OF THE LEGAL ENTITY IN SLOVAKIA AND CR	44
4 TAX BURDEN COMPARISON OF LEGAL ENTITY IN	50
5 EVALUATION AND OPTIMIZATION OF TAX BURDEN OF LEGAL ENTITY IN THE SLOVAKIA AND THE	53
6 IMPACT OF THE CURRENT TAX BURDEN ON COST	57
7 DESIGN OF TAX AND CONTRIBUTION OPTIMIZATION IN CHIRASYS LTD. COMPANY.....	63
CONCLUSION	67
ABSTRAKT	72

ABSTRACT.....	73
BIBLIOGRAPHY	74
LIST OF ABBREVIATIONS	76
LIST OF PICTURES, GRAPHS AND TABLES	77
LIST OF ANNEXES.....	79

INTRODUCTION

Taxes are an endless theme. How many professional debates have been held on this subject for centuries? Why is the topic of taxes one of the most talked-about? The answer is quite easy, tax are accompanying us from birth to our death. Interfere with our lives. There is no escaping from them. They direct our activity; regulate our disposable income redistribution through state funds. In the area of tax law there have been many changes.

The emergence of the taxes associated with the emergence of organized states, with the emergence of money economy and their development. History tax the very rich. On the Czech territory in the 10th century were voluntary tax payments in kind citizens and residents of the royal cities. During the reign of Boleslav I. tax rate was introduced as a compulsory tax. The first property tax and výnosobé existed in the 12th century. In the 18th century can be seen the birth of the tax system through the compilation tereziánských reforms. In 1927 he had a first upcoming tax reform. The tax system in the years 1945 - 1992 passed various modifications and changes, but the first First 1993 it was decided to create an entirely new tax system. The main features of the tax system in 1993 remained unchanged to the present, but there were changes to the Council.

Czech and Slovak Republic only by far not share a common border or band membership in multinational organizations such as the European Union and the Visegrad Four. Centuries of shared history, language similarity and common membership in the federation led to the gradual and natural linkage and interactions of tax and business sector.

There people have paid much attention to taxes and tax policy in each country. The subject of tax policy is the implementation of tax policies and measures so that the taxes were used to promote economic, social and political objectives of the State. For each company there are tax topics. It is clear that every taxpayer is trying to pay as little in taxes. But they are still trying to minimize the legal way of their tax obligations. The activity, which result is achieving the minimum amount of any taxes for the use of legal means, calls the tax optimization.

At present, the Slovak Republic, as well as the entire European Union, going through a difficult economic period. Businesses have been exposed in recent years, complex conditions in a time of economic crisis. Many of them were forced to face the problems associated with declining revenues. Survived only those companies able to meet all their essential features, while reducing costs.

Crisis, many companies showed minus the elements of their business, which in times of economic growth did not receive adequate attention. Many enterprises are managed in a crisis to solve problems such as low productivity, inefficient waste of resources, and the cost too high ..

Even in difficult times businesses need to manage effectively, it is also necessary to ensure the sufficient funds for investment. One way to effective management of business is tax optimization. In the Slovak Republic to the optimization of large tax reserves.

Due to the high tax burden on businesses not only in Slovakia but also in other European Union countries is an important part of company management financial planning, tax and contribution optimization.

Tax and levy optimization is a tool that knows the business entity for tax levies and pay only the minimum necessary conditions for the fulfillment of their statutory duties. As reported Jakúbek, Guzoňová tax optimization is a tool that can achieve full tax savings or at least minimize taxes.

Tax optimization involves procedures aimed at the company achieved revenues of view of the activities carried out, buying and selling property to the State to tax only the minimum necessary. The positive effect of tax optimization is significant in the longer term after several tax years. It is a comprehensive know-how, which is irreplaceable.

The recession is difficult to conclude new contracts and increase production and thus revenue. Companies will therefore focus on costs, which in this period more easily controllable. Taxes and charges are among the costs not directly related to production. It would seem that there is not much cost savings. Not so. This is an area where you can save a lot of cost, only need to have knowledge of tax and accounting areas.

The main aim of my bachelor thesis is to find the comparison of the tax burden for entrepreneurs operating in the Slovak and Czech Republic market and its impact on economics. The paper further focuses on the taxation of corporate income tax. The whole thesis is divided into three parts.

The first part has dealt with the basic theoretical concepts. This section deals with defining the issue of taxes and levies, characteristic of the tax system in the CR, SR feature of the tax system and its development. The part of this thesis will describe and compare the tax burden on entities in the Czech Republic and Slovakia.

In the second, practical part, there has been discussed and evaluated the effects of taxes on products and ratability. There has been shown the costs profit of Chirasys Company located in Dr. Schweitzer Square 194, 916 01 Stara Tura, Slovak Republic.

In the last part of the thesis there have been proposed tax optimization solutions in terms of the undertaking. Comparing the effects of the variables would be moving the company headquarters in the Czech Republic.

Bachelor's thesis will be defended against the leadership of the company Chirasys Company and his trial is part of the thesis. Bachelor's thesis can be used as an incentive for any changes in the enterprise, enabling easier and more efficient realization of future business objectives. The work can also serve as inspirations to those who issue the tax burden in relation to the strategy of the organization are interested.

1 BASIS DEFINITIONS

First I have focused on the explanation of selected terms that are mentioned at work several times. It is therefore necessary to define these concepts and introduce a brief description. Key elements of the tax techniques are also elements which must include any tax law.

1.1 Brief description of terms

In the literature there can be find many definitions of tax. Wide defines tax as: mandatory, by law a predetermined amount to be pumped out of the nominal income of the economic entity. [1, p. 27]

Taxes are one type of revenue state government budgets. Public revenues can be divided into taxes, fees and loans.

Tax is defined as mandatory, non-refundable, payment is determined by law in the public budget. It is a neutral and non-equivalent payment. The tax shall be repeated at regular intervals (e.g. annually paid income tax), or irregular and is payable in certain circumstances (for example, for each transfer of property). [2, p. 16]

Tax is addressed by the law, a particular tax regime is defined by the circle of compulsory subjects, designated due date and accurately determining the amount of tax due within the range predicted statute. For a character is often considered the frequency, respectively repeatability of tax collection. In terms of budget tax system there is regularly recurring of the income. The taxpayer pays tax if its tax liability. Each tax has its own requirements that are placed on prescription and collection of taxes.

1.2 Functions of the taxes

Filling the budget is not the only purpose of taxation, it must meet the full range of functions:

- a) **allocate function** – is traditional and one of the oldest functions of the state. Determines the most efficient tax position in the economy of the source, what factors should be taxed, respectively which markets and taxed as such taxes by most effectively ensure sufficient funds for the needs of government budgets, not to undermine the principles of market economy, as the government has to intervene in the economic process through taxes.
- b) **distribution and redistribution function** – used to avoid large social inequalities. The government must of necessity provide the necessary revenues to government budgets, but also the obligation of an equitable distribution of income and wealth among citizens and avoid double and double taxation.
- c) **social function** – is based on the need to identify and distinguish the amount of tax on family and social circumstances. This is often a significant awareness of the impact of the tax burden on the social status of individuals, families and social groups
- d) **stabilization function** – ensures that in case of instability in the market mechanism can be used to address differences funds obtained through taxes. Its purpose is to allow economic operators more money to invest. Taxes to mitigate business cycle.

1.3 Basic tax issues

Subject taxes - to what the tax is levied. Its content is formed by the taxable amount and based on the determination subject to tax entity tax liability arises. Subject person is usually expressed in the name of the tax law, for example. Law on Income Tax Law on Value Added Tax. It follows that every tax has a different subject to tax.

Taxable entity – one who is liable to pay tax, it may be natural or legal person; it cannot be the organizational unit. Taxpayers are not departments of state. The taxpayer is a taxpayer, the taxpayer and the successor person or entity. Entity tax is defined for each tax separately.

Taxpayer bears tax burden by himself/herself and cannot be transferred to anyone. In any tax law is clearly indicated. He/she always pays the tax himself or of their income or assets.

The taxable person may be a natural or legal person/entity who pays the tax collected by the tax deducted by the taxpayer or the taxpayer and it is responsible for property.

Tax base represents a difference of revenues and expenses incurred in acquiring, securing and maintaining income. This means the base from which the taxpayer or the taxpayer calculates the tax liability. The tax base tax is levied. The tax base can be calculated by taxpayer and tax authority shall only its control or directly determined by the State law. Calculating the tax base for each tax is different. Some taxes are used in addition to the overall tax base and a partial tax base.

Tax rate is an indicator by which is calculated the amount of tax.

1.4 Additional Tax Issues

They are specific formalities tax law of the type, extent and manner of application depends on the nature of the tax. The most important are:

- Registration and reporting obligations of taxpayers - the obligation to register is listed in tax law.
- Management and controlling of the tax - implemented by the tax. The Tax administration to verify documents submitted by taxpayers. Fiscal control is identified and reviewed the facts crucial to determining the correct tax.
- Local jurisdiction - a legal person is the tax administrator, where the legal entity established by an individual is a place of permanent residence.
- This procedure determines when and who is required to file a tax return and report what types of returns and reports.
- Remedy - know the ordinary and extraordinary.
- Ways of paying taxes - in cash or cashless payment.
- Minimum tax - reflects the fact that if the tax does not reach the statutory minimum level, taxable entity fails to account to the tax.
- Exemption - this exemption from the obligation to pay tax in specific cases defined by law.

- Deductible and non-deductible items - the items that reduce or increase the tax base, which is crucial for tax calculation.
- Regulation and tax collection is carried out: tax returns, tax assessments, tax withholding.
- Determination of the tax - it may be relevant tax authority, customs authority or municipality. Membership of the tax on legal persons is governed by its headquarters, with its individual residents.
- Maturity of the tax - a tax payment date of determination. Maturity of the tax law dealing with tax for the tax

1.5 Tax burden and its measurement

The tax burden is the extent to which the tax system drains funds from the proceeds of the taxpayer. Tax loads can be measured, or expressed by macro-economic indicators, such as the tax multiplier, Laffer curve, tax burden and other.

Laffer curve shows the dependence of the total tax collection rate of taxation (or tax rate). Laffer curve captures the elasticity of taxable income. The curve shows that the maximum rate of tax does not maximum revenue for public budgets.

The most common indicators for measuring the tax burden, which reflects the extent of financial resources pumped from the proceeds of the taxpayer, is an indicator of tax allowances. Tracks are usually for one year. The most used indicator of the tax quota is called composite tax rate (a combination of tax allowances I and II), giving the tax burden on operators.

The Slovak Republic shall be expressed in three tax rates:

Tax quota I - tax revenue to GDP (income tax, payroll tax, VAT and others).

Tax quota II – it is income from compulsory contributions to social funds and health care to GDP (unemployment insurance, guarantee insurance, health insurance, pension insurance).

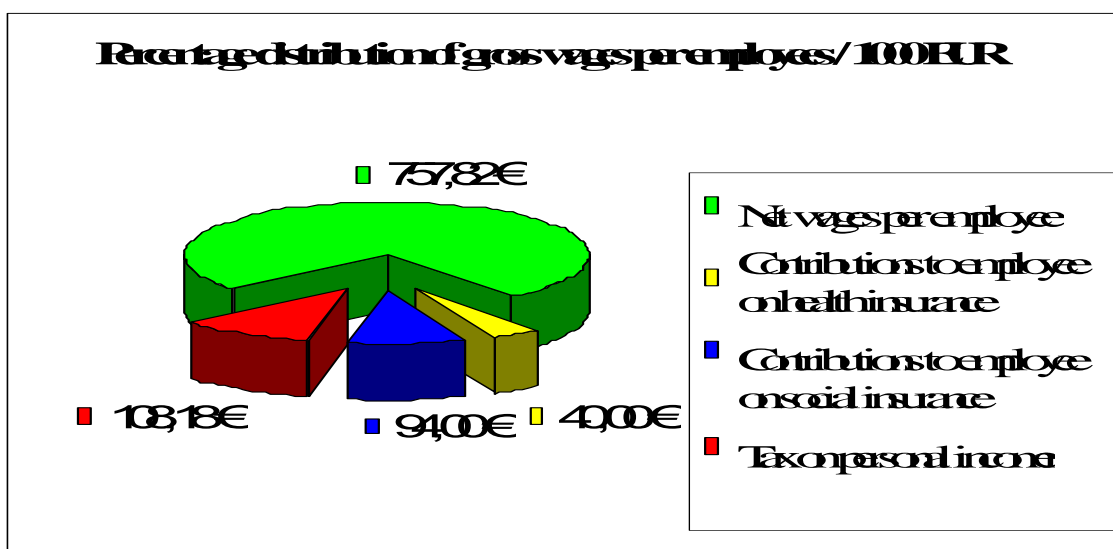
Tax quota III – it is income from other compulsory levies and charges to GDP (license fees, royalties, compulsory liability insurance for damage caused by motor vehicle, highway signs, etc.).

1.6 The impact of taxes on expenses

The cost in the business can be divided according to several aspects. The most common is a breakdown by types of cargo, also known as economic breakdown. The author of the book Cost controlling, Foltinova, states according to the following terms of the cost:

- consumables (materials and energy consumption),
- services (repairs and maintenance, travel and entertainment expenses,
- personnel costs (labor costs, legal and other social costs),
- taxes and fees (road tax, property tax),
- other operating costs (material sold, donations, debt write-off),
- depreciation, provisions and reserves operating costs,
- financial costs, reserves and provisions of financial costs,
- extra costs, income taxes.

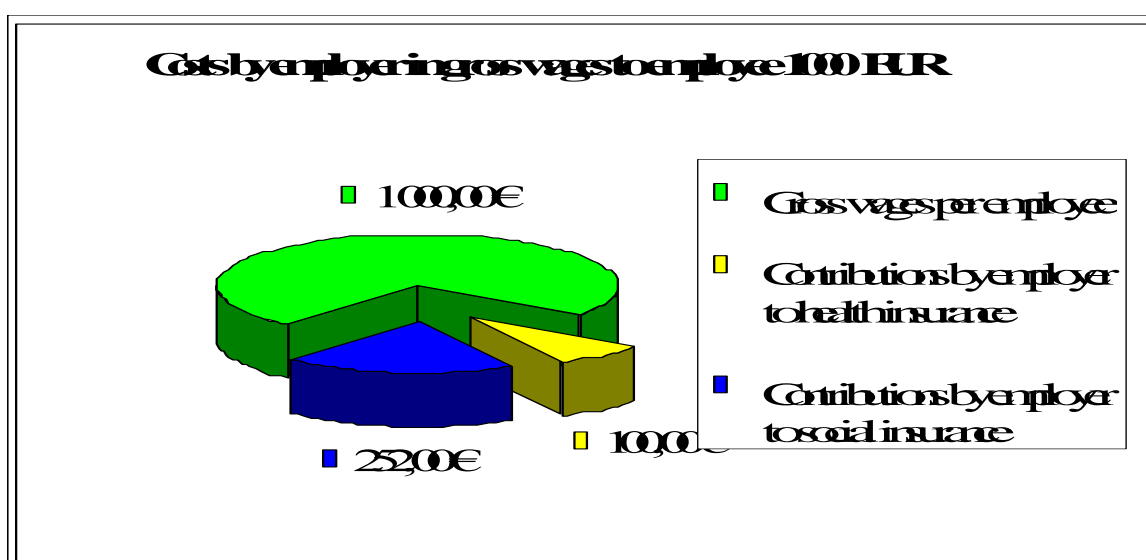
The group income taxes, taxes and fees and contributions to social and health insurance are the part of personnel costs. The proportion of each group of costs is dependent on the business enterprise. The production company will achieve the highest cost of materials and depreciation of production technology and engineering. However, an undertaking which is engaged in consulting activities and his most important production factor is human capital, the highest share of total costs in the group of personnel costs. This group, as already mentioned, includes not only wages for employees and contributions to social and health insurance. The company is obliged to pay each of afforded to pay 10% of health insurance, in which employees are insured and 25.2% in Social Insurance. When added more charges to be paid by the employee, as the other 13.4%, they are not already part of the cost of business.



Graph No 1: Calculation of net salaries and employee costs
Source: [24], own graphic design

The graph has shown that an employee who has granted 1000 EUR gross wages gets in fact only 757.82 EUR. The difference goes to social and health insurance in the form of contributions and the state budget in the form of taxes on personal income, which is not in the amount of 190 EUR, as we have presumed, on the grounds that the tax rate in Slovakia is 19%, but in the amount of 94 EUR, which is 19% of gross salary deductions for social security and health insurance and non-taxable portion of 296.60 EUR.

For the employer is the cost to the employee even higher, as illustrated in the chart below.



Graph No. 2: Calculation of costs to employee
Source: [24], own graphic design

When compared to the previous graphs we can see that while the employee is credited gross wage of 1000 EUR of this amount, he/she gets only slightly more than 757 EUR, but your employer must make a minimum performance value in 1 352 EUR.

Many employers, therefore, are facilitated the situation by employing workers on their work performance agreement, employment agreement or an agreement on temporary work students. The employer is paid the contributions for accident insurance and guarantee, as it significantly reduced cost. At present there is considering the collection of insurance and that kind of income. Of course, employers will increase costs.

Specify the impact of taxation on costs is not as easy as in contributions. It is caused by some types of taxes are not only cost but spending. For this reason it is good to those taxes assessed separately.

Taxes that affect the business costs directly:

The taxes that are part of business costs include property taxes, excise taxes and motor vehicle tax. If the business entity is not subject to excise taxes, that does not carry business aimed at selling, respectively production of goods for which excise duty is levied, the trader often does not know that any excise duty paid, because it is already included in the price of goods. The most frequently encountered in such cases, the excise duty on mineral oils and the excise tax on electricity. The impact of these taxes to the economic result of the company should be calculated based on the units of measure multiplied by the tax rate per unit of measurement. In any business, the share of taxes on the total cost and profit enterprise depends on the size of the company, but also from business.

Among the taxes that affect business costs indirectly especially include value added tax and corporate income tax. The tax on corporate income tax effect occurs when the companies to pay lower taxes increase their costs. These companies are reducing their tax base. The most common ways to increase their costs is stockpiling, purchase of office equipment, respectively purchase of fixed assets, which are calculated in the form of depreciation costs in first year. Of course these are all legitimate ways of reducing the tax base.

Value added tax has a significant impact on costs if the enterprise is taxable. We could argue about its impact on company revenues. Increasing rates of value added products

business become more expensive, causing a decrease in sales, followed by a decline in revenue and a decrease in profit enterprise

If the business entity is not taxable, which means that its turnover for the last 12 consecutive months shall not exceed 49 790 EUR, the value added tax, which is included in the price of purchased goods or services, a part of company costs. In this case, the value added tax is a direct impact on costs.

Tax issues are complex. Businesses, often by reducing the tax base, if necessary avoidance of tax penalties, are hiring outside tax advisors, whose services are not the cheapest, and therefore also incur extra costs for the company.

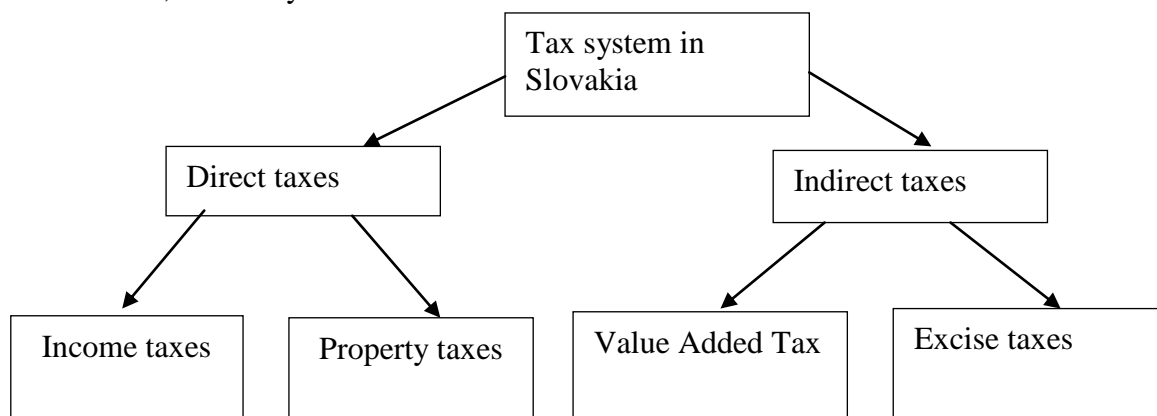
2 TAXATION SYSTEM OF SLOVAKIA AND THE CZECH REPUBLIC

The current tax system has been constantly changing. In this chapter there is paid attention to the tax system of the Slovak Republic, focusing mainly on corporate income tax.

2.1 Tax system of the Slovak Republic

The tax system is the sum of taxes levied in a particular country and over time. It is actually a single tax provided for in the tax laws of the countries. The breakdown of taxes according to the subject of tax is as follows:

In Slovakia, the tax system consists of:



Picture No. 1: Tax system in Slovakia

Source: [3]

Indirect taxes:

Value added tax - is required by law and intended for payment. It regulates the Act. 222/2004 on Value Added Tax. It is a tax that is affecting the end users. It is one of the components of revenue to the state budget. [10, s. 79]

Excise duties are divided on excise duty on wine, beer, alcohol, tobacco and tobacco products, mineral oil, electricity, coal and natural gas. Payer is legal and physical persons or their representatives. The tax is collected in the tax products manufactured or imported.

Direct taxes:

Income taxes - Income personal and corporate income tax. These taxes are laid down in Act no. 595/2003 on income tax. Income tax of physical persons is a direct tax. This charged to all individuals who have income from employment, the business of capital assets and other receipts. Tax on corporate income tax is also direct. They burden the legal persons and other associations, which gain the income due to profit. It is governed by the Act no. 595/2003 on Income Tax. [10, s. 9]

Local taxes here include: property tax - the tax on land, buildings, apartments and office space in an apartment house, a dog tax, use of public space, housing, vending machines, gaming devices, cars in historical part of the cities and their staying in the historic city center, local waste and minor construction waste, nuclear equipment and motor vehicle tax. Local taxes imposed by the municipality. Motor vehicle tax is imposed by a higher territorial unit. A local tax is governed by Act no. 582/2004 on local taxes and local fees for municipal waste and minor construction waste. [10, s. 127]

A very important step in the Slovak tax system came in 2004 when it repealed the inheritance and gift tax. The cancellation of tax and real estate transfer is justified from 1st of January 2005, wherein non-taxable or income or consumption, or property.

Tax revenues were filled to 99% in 2011. Worse selection of mineral oil tax on profits of companies and was subdued liking VAT. Actual tax revenues represent 99% performance of the state budget. Cash performance of duties by the end of 2011 is consistent with the estimated general government deficit at 4.9% of GDP.

Budget exceeded the maximum value added tax and excise duty on tobacco products. The yield corporate income tax (CIT) was 96.9% of budgeted levels, year on year but rose by 28.9%. The underflow budgeted tax could in some way affect the deadline for advance payment of tax for December 2011 has been designated for the second part of January 2012.

2.2 Income tax of legal entity in Slovakia

Tax on corporate income tax is relatively young is governed by Act no. 595/2003 on income tax, which is constantly revised. Taxation of corporate income tax makes it easier

to deliver income to public budgets. It is a universal pension tax, subject to all legal persons.

2.2.1 Fiscal entity of corporation tax

Entity tax of legal entity is defined in § 12 of the Income Tax no. 595/2003. Chartable for the corporation are entities which must be entered in the Commercial Register. Taxpayers as interest associations of legal entities, professional chambers, civil society organizations including trade unions, political parties and movements, state-recognized churches and religious communities and others whose non-profit activity results from a special rule under which they are incurred.

Subject to that tax as well as other subjects, respectively subjects unincorporated not incurred for the purpose of carrying out business activities, but performing different activities, which show a profit. Such bodies may be, for example the public institution, territorial self-government (municipality), movement, political party, etc. [4]

The subject of Tax Corporation is a foreign person, if the income earned from sources in the Slovak Republic.

2.2.2 Subject of income tax of legal person

Subject of corporation tax is defined in § 12 of the Income Tax no. 595/2003. Object of corporation tax liability is characterized as income from operations and disposal of the taxpayer's property. Entities are not based on business taxable income only, which generated a profit. This is the income from sale of property, rents, from advertising, membership fees and income from which tax is levied according to § 43. [10, s. 19]

According to § 12 clauses 7 is not subject to tax:

- income, according to § 50,
- income received by inheritance or donation,
- share profit share arrangement, liquidation share or interest in the outcome of business if they are not subject to tax pursuant to § 3. 2 point. c) a legal person are paid,
- income received by the entry into new shares and shares and the income derived from

the exchange due to their abolition without liquidation of the taxpayer, even if part of the amalgamation, merger or division of property is a company based in EU Member States. [10, s. 19]

The tax system in Slovakia has been introducing the taxation allowances since 2011. There are taxed the selling of surplus allowances at 80%. The tax allowances are recorded between 2011 and 2012. The tax base is the sum of unused allowances during the year and transferred allowances in each month, which is valued at market price.

2.2.3 Tax exemption of corporation

Tax exemption from corporation is characterized in § 13 of the Income Tax no. 595/2003. [10, s. 22]

According to the clause 1 § 13, are exempt income:

- a) taxable persons referred to in § 12 Clause 3 resulting from activities whose purpose of these taxpayers have arisen or which is their main activity excluding revenue from activities that are business and income from which tax is levied according to § 43,
- b) the financial organizations of the lease and sale of assets included in the budget except for the founder of income from which tax is levied according to § 43 and in addition to rental income from the sale of the property included in the budget of the founder if the founder of the budgetary organization is a municipality or higher territorial unit,
- c) state funds, income fund of investments and income Deposit Protection Fund in addition to income from which tax is levied according to § 43,
- d) accruing from the sale of assets in bankruptcy and amortization commitments in bankruptcy or restructuring, which are made pursuant to special legislation, including write-off of liabilities to creditors who have exercised their bankruptcy claims against the taxpayer, a similar procedure is applied for Depreciation of liabilities of the taxpayer, which repeals the abolition of bankruptcy because the bankrupt property is insufficient to cover the expenses and remuneration of the liquidator. [5, s. 29]

The following legal person are exempt from tax under § 13 paragraph Clause 1 :

- a) income from church collections, religious acts and contributions arising registers

- churches and religious communities,,
- b) Member contributions under, statutes, their charter or articles of association adopted by the association of legal entities, professional chambers, civil associations, including trade unions, political parties and political movements,
 - c) interest on overpaid tax caused by the tax,
 - d) payment of the administration of flats owned by housing associations, housing cooperatives managed by them and the administration of apartment owners' flats,
 - e) interest from Treasury accounts payable, income from financial operations carried out by the Agency for Debt and Liquidity Management under a separate regulation,
 - f) funds from grants provided by international agreements binding the Slovak Republic,
 - g) income from public health insurance,
 - h) income (income), a mandatory trading scheme participant who performs work under a separate regulation from the sale of allowances allocated free of charge and registered in 2011 and 2012 under a special regulation. [5, s.29]

2.2.4 Tax base and rate of corporate income tax

Tax base and tax rate of corporation as defined in § 14 and § 15 of the Law on Income Tax no. 595/2003. The tax base is established according to § 17 to § 29 In ascertaining the taxable legal persons - subjects accounts in double entry bookkeeping system - is based on the profit or loss.

If the taxpayer - legal person, which accounts bookkeeping system, respectively taxpayer to keep records of any other way, the tax base is the difference between revenue and expenditure. Profit is the tax base.

The tax base increases by the amount subject to tax purposes are not eligible

+ Deductible items

- Deductible items

Adjusted tax base

Picture No: Calculation of tax base

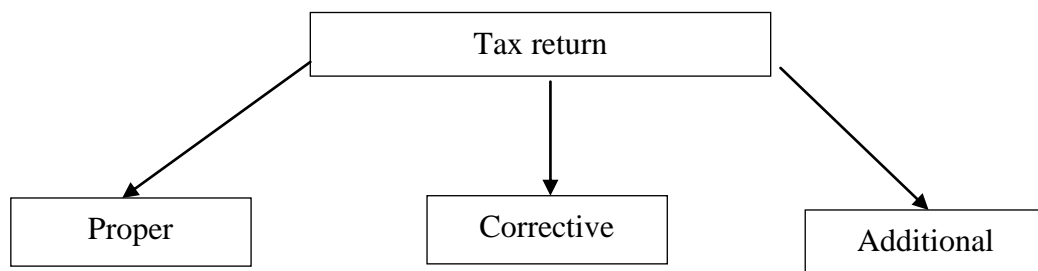
Source: [24], own graphic design

Deductible items can be characterized as such. expenses related to the taxpayer's taxable income or that is linked is not well established, the payment of expenses in excess of limits, paid income tax, increase taxes, non-contractual fines, penalties and other.

Deductions are, for example income not subject to tax, withholding tax taxable income, income that is taxable at the exempt and others. The revised tax base calculated entity their tax liability. For size affects the applicable rate of corporation tax of the person in 2011 at 19%. its.

2.2.5 Time limits and methods of filing tax returns

Tax returns for the previous tax year is required to file a taxpayer within the period according to § 49. The tax return does not give the taxpayer, if the only income under § 13 paragraph. 2 point. a) and income from which tax is levied according to § 43 Physical and legal entities file the relevant tax return. Completed tax returns must comply with all legal requirements, and to be made on a form, the model, the Ministry of Finance of the Slovak Republic. [5, s. 78]



Picture No. 3: Types of tax returns

Source: [3], own graphic design

Tax return is filed within three calendar months after the tax period, unless stipulated otherwise. The deadline for filing the taxpayer must pay the tax according to the Act. 563/2009 (§ 15 and § 16) there is required to file a tax return each to whom the duty is based on the regulations, or the one who to invite to the tax. Before the deadline of filing the tax subject can appeal the tax return.

If a taxable entity finds that the tax should be higher or lower excessive deduction, or recover the taxes lower, as indicated in the field, the tax return is required to file the tax an additional tax return by the end of the month following the findings indicating the period

covered the additional tax return relates. At the same time is granted additional tax due, unless stipulated otherwise.

Adjusting the tax return or an amended tax return is filed on a form or in the form prescribed by § 15. 4 and must be marked as correct or additional.

A taxpayer whose tax is calculated under paragraph 6 cannot exceed 16 596.96 EUR is required to pay from the first month following the tax period, monthly tax advances amounting to 1/12 tax for the previous tax year, and always to the end of the month. The taxpayer settled a year-long period in the tax filing. [5, s. 79]

A taxpayer whose tax in the preceding tax period exceeded 1 659,70 EUR and does not exceed 16 596, 96 EUR, payable quarterly tax advances for the current tax year. [5, s. 80]

2.3 The tax system in the Czech Republic

The tax system in the Czech Republic is similar to systems developed in European countries. Each tax has positive and negative aspects. The tax system can be characterized as the sum of all taxes that are present on its territory and collected. Overview of taxes in the CR: direct taxes, indirect taxes, other taxes.

Local taxes are the Czech legal fee system where fees are: for dogs, spa or recreational residence, use of public space, entrance fees, accommodations, entrance permit for a motor vehicle in selected cities and parts of the city, operated gaming machines, operating system gathering, collection, transport, sorting, recovery and disposal of municipal waste and assess the possibility of building land connection to water mains and sewer construction.

[6, s. 220]

Even local taxes in the Czech Republic are not completely identical to the local taxes that were previously just local charges in the Slovak Republic.

In the Czech Republic there is made up the tax system of:

Value added tax is governed by Act no. 235/2004 on Value Added Tax. The tax applies to goods, property and services under conditions according to this Act. [7, s. 117]

Excise duties are divided into: tax on mineral oils of alcohol, beer, wine and intermediate products and tobacco products. These taxes are governed by Act no. 353/2003 on excise duty. There, the conditions of taxation of these products, excise duty. [7, s. 163]

Ecological, respectively energy taxes - are governed by Act no. 261/2007 on the stabilization of public budgets. The environmental tax is a tax on natural gas and some other gases from fossil fuels and electricity tax. [7, s. 216]

Income taxes - Income tax personal and corporate income tax. These taxes are governed by Act no. 586/1992 on income tax. Corporate income tax paid by all individuals who have income from employment and functional benefits of business or employment of capital, rent and other income taxes corporate income subject to all income from all activities and disposal of the property tax. [7, a. 9]

Property tax – is regulated according 338/1992 of the real estate tax. It regulates the tax on land and buildings. [7, s. 95]

Road tax - is governed by Act no. 16/1993 on vehicle tax. [7, s. 111]

Inheritance tax, gift tax and real estate transfer tax - are governed by Act no. 357/1992 of the inheritance tax, gift tax and real estate transfer tax. [7, s. 102]

2.4 Corporate income tax in the Czech Republic

Corporate income tax is dealing according to Act.586/1992 on Income taxes. Corporate income persons and legal persons are subjected to tax as income from their business.

2.4.1 Object of taxes on corporate income tax

Objects of taxes on corporate income tax in the Czech Republic are dealing with § 18 Coll. of No.586/1992 on income tax. The income corporate tax is made from all activities and further income from the disposal of the property. [7, s. 21]

According to § 18 Clause 2 is not subject to tax:

- a) the acquisition of shares of income received, inheriting, donating real estate or movable property or rights except those with the revenue,
- b) for taxpayers who have built the beneficiaries, the revenue generated with the release of claims to the amount of compensation under a special law, the eligible amount of the issued share a share on revenue of issue of shares in kind,
- c) income from business administration to impose its own radioactive waste except in special rate of income subject to withholding tax under § 36,
- d) income derived by way of just satisfaction awarded by the European Court of Human Rights, of which the CR is required to pay or dispute arising from matters before the European Court of Human Rights, of which the Czech Republic committed itself to pay. [7, s, 21]

2.4.2 Payers of corporate income tax

Payers of corporate income tax in the CR is contained in § 17 of the Income Tax no. 586/1992. Income tax payers are persons who are not individuals and the departments of State under a special law. [7, s. 21]

Exempt from tax is the Central Bank of the Czech Republic. Taxpayers who have their registered office or place of management, which means the address of the place from which the taxpayer is directed, are liable to tax, which applies as income from sources in the CR, as well as income from sources in abroad. Taxpayers who are not in the Czech Republic is established, have a tax liability that applies only to income from sources in the Czech Republic. [7, s. 21]

Taxpayers are persons; they can be divided into two groups. These are groups according to the residence or place of business (tax residents and nonresidents) and according to the purpose of establishment (private and public entities).

Tax resident is legal person having its registered office or place of management in the Czech Republic. They charge to income tax as income from sources in the Czech Republic and income from sources abroad. The tax is a non-resident legal person established abroad, subject to limited tax liability. Income Tax, subject only to income from sources in the Czech Republic.

2.4.3 Income tax period for legal persons

The tax period is described in § 17 of the Law on Income Tax. [7, s. 21]

The taxable period is the calendar year, financial year, the vesting period from the date of merger or transfer of capital to shareholders by the end of the calendar year or financial year in which the merger or transfer of capital to shareholders or the distribution of its registered or accounting period, provided that such accounting for more than a continuous consecutive twelve months. [7, s. 21]

In the Czech Republic, the subjects not allocated to the entities or accounts in a simple double-entry bookkeeping, but based on the profit or loss or the difference between revenue and expenditure for entities which do not keep accounts.

In some cases there are withholding the tax at a single tax base. This method is mainly applied to taxpayers with limited tax liability, but also some of the taxation of income liable to tax. The rate of withholding tax remains the same as for individuals. The entities are separate tax base in particular, income from dividends, dividends, shares in liquidation.

2.4.4 The taxable design of corporate income tax

The taxable amount of income tax is described in § 20 of the Income Tax Act. To determine the tax base pays provision of § 23 to 33 and paragraphs 2 to 6 The tax base is the difference by which revenue with the exception of income not subject to tax and income exempt from tax in excess of expenses and in respect of the accrual basis in a given fiscal period adjusted by the following paragraphs. [7, s. 24]

To determine the tax base is based (§ 23 Clause 2):

- a) the profit or loss (gain or loss), and always without the impact of international accounting standards, for taxpayers who keep accounts.
- b) the difference between revenues and expenditures for taxpayers who do not keep accounting. [7, s. 26]

Profit or difference between revenue and expenditure increases, decreases, it is possible to reduce some of the items referred to in paragraph further. Second profit must be adjusted for items such as entertainment expenses, fines, penalties, traveling over the limit, reserves (except legal) donations, shortages and damages in excess of their allowances and making other adjustments.

If the adjusted tax basis of these items continues with the adjustment of the tax base deduction of items that reduce the amount of the tax base. The base corporate tax may be deducted:

- tax loss,
- expenditure on R & D projects, spending on teaching students,
- value of donations to public benefit purposes to municipalities, county and state governmental entities.

2.4.5 Tax exemption from corporate income tax

Tax exemption from corporate income tax is provided in § 19 of the Income Tax no. 586/1992.

Exempted from tax are follows:

- a) membership fees under a statute, the Statute of formation or articles of association adopted by the association of legal entities, professional chambers with voluntary membership, civic associations, including trade unions, political parties and political movements,
- b) income church collections, revenue from religious acts and contributions of members of registered churches and religious communities,
- c) the revenue of state funds,
- d) income Fund, Children and Youth,
- e) proceeds from lotteries and similar games,
- f) revenue arising from the depreciation of the obligations of the reorganization,

- g) profit-sharing partnership contributions from participating in business,
 - h) income from operations by means of ore account for the financial market,
 - i) interest income accruing health insurance on deposits with banks
- and other cases referred to in Clause 1 § 19 of the Income Tax. [7, s. 22]

2.4.6 The tax rate on corporate income tax

The tax rate is 19% in the paragraph. 2 and 3, not otherwise specified. This tax rate applies to the tax base reduced by items pursuant to § 34 and § 20 Clause 7 and 8, which is rounded down to whole 1000 CZK banknote. [7, s. 25]

The tax rate of 5% of the tax base is used for investment, and foreign mutual fund. This tax rate applies to the tax base reduced by items listed in the Act.

The final step in calculating the tax on corporate income tax is a tax deduction of discounts.

2.4.7 The tax return of corporate income

Tax return and its use is governed by § 38 Law on Income Tax no. 586/1992. Tax return is filed even if the reported zero tax base or tax loss is recognized. [7, s. 59]

Proper tax return is required to give each taxable entity to which the law imposes a tax or an entity which is to be asked by the tax. Taxpayer is required in a proper tax return itself to quantify and give written data, and other factors applicable to the tax assessment. The tax is payable on the last day of the period prescribed for filing the tax return. Tax return shall be filed no later than three months after the tax year.

Before the deadline for filing taxable entity may substitute tax returns already filed, correcting tax return. The management will further proceed under this appeal tax return if the prior fiscal management is considered.

If taxable entity finds that the tax should be higher than the last known tax is required to submit by the end of the month following the month in which it found an amended tax return and at the same time pay a different amount. This obligation shall, unless the

determination of the period for taxes. The last known tax is final tax if the tax was still jurisdiction provided for in the current fiscal so far the management of the tax.

3 TIME SERIES OF TAX AND CONTRIBUTION BURDEN OF LEGAL ENTITY IN CR AND SR OVER THE LAST DECADE

3.1 Contribution burden in the Slovak Republic

Each working citizen has to pay his/her income from a part of social and health insurance. This can ensure that in case of emergency (PN, pension, unemployment,) the State provides a portion of the funds, while his insurance company, in which the employee health insurance reimburses medical expenses. If the citizen is a person working under a contract, the employer pays wages. He/She is also required for each employee to pay additional payments to the health and social insurance. These payments are part of the cost of the employer and a significant share of the company affects profit or loss and the actual price of goods and services.

The total tax burden can be measured as a share of taxes to GDP. This is a very simple and comprehensive index that allows the international mutual comparison. It also provides basic information about how the impact of tax and contributions to international changes the general government balance. Current forecasts of taxes assumed in the period 2010 to 2013 stabilize the overall tax burden would decrease only very slightly up from 27.8% of GDP in 2010 to 27.6% of GDP in 2013.

3.1.1 Health Insurance

Health insurance, legal relations arising in the health insurance premium and the allocation of public health insurance is regulated by Law no. 580/2004 on Health Insurance.

[9, s. 227]

Health Insurance is:

- a) compulsory health insurance, under which the insured provides public health insurance under the conditions stipulated by this Act and health care services related to health care,
- b) individual health insurance, under which the insured provides individual health

insurance health care to the extent specified in the contract under a separate regulation. [9, s. 227]

In public health insurance there is birth and death terminated or declared dead by a natural person residing in the Slovak Republic. The obligation to be insured has a foreign natural person who has permanent residence in the Slovak Republic, but working here. [9, s. 229]

Every insured person is obliged to pay contributions in the form of monthly advance payments of income made by each. Health insurance, which is then insured policyholder of insurance premiums accounting determines whether the insured arrears or overpayment of premiums. Health insurance is carried by health insurance companies.

The policyholder is a natural person who is compulsory public health insurance under the Act on Health Insurance. Compulsory public health insurance is an individual who has permanent residence in the Slovak Republic, this does not apply

- a) is employed abroad and insurance coverage in the State in which the employee operates,
- b) is self-employed abroad and health insurance in the State in which they operate,
- c) stays the long term abroad and the health insurance abroad for permanent residence abroad is considered to stay longer than six consecutive calendar months. [9, s. 227]

Compulsory public health insurance is a natural person who is not resident in Slovakia, where there is health insurance in another EU Member State or in the Contracting State of the European Economic Area and Switzerland:

- a) is employed by an employer having its registered office or permanent establishment in Slovakia, this does not apply if the SR is employed by an employer who uses the diplomatic privileges and immunities under international law,
- b) carries or has the right to engage in SR self-employment according to § 10 paragraph. 1 point. b) and paragraph. 2 and 3,
- c) a person granted asylum,
- d) a student from another Member State or a foreign student studying at a school in Slovakia in an international treaty which is binding for SR
- e) is a minor alien who is staying in Slovakia without a legal representative or natural person responsible for his upbringing and he provides care in a facility which is located on a court decision,

- f) is alien detained in the Slovak Republic,
- g) is in custody or in prison,
- h) it depends on family member that born in another Member State. [9, s. 228]

The policyholder is required to file an application for health insurance in health insurance within eight days from the date of the event giving rise to the emergence of public health insurance. [9, s 229]

Every insured person can be insured up to one of three insurance companies that offer health insurance: General Health Insurance Company DOVERA and Health Insurance Joint Stock Company UNION.

Payers of insurance are governed by § 11 of the Health Insurance Act no. 580/2004. For the purposes of this Act is liable to pay employee insurance, self-employed, employer and state. [9, s. 238]

Insurance is required to pay the person who is public health insurance under this Act and is not an employee, self employed or people for- whom they pay state premiums. [9, s. 238]

Employer is :

- a) a natural person who is required to provide benefit to the employee for the implementation of employment according to § 10 paragraph. 1 point. a) if the territory of the Slovak Republic for permanent residence or permanent residence permit,
- b) a legal person is obliged to provide benefit to the employee for the implementation of employment pursuant to § 10b. 1 point. a) if its registered office or its branch office in the territory of the Slovak Republic,
- c) a natural person whose employment under § 10b. 3
 - 1.individual under subparagraph a) who resides in another Member State or a State with which the Slovak Republic has concluded an international treaty which takes precedence over the laws of the Slovak Republic,
 - 2.legal entity referred to in point. b) Located or established its branch in another Member State or a State with which Slovakia has concluded an international treaty which takes precedence over the laws of SR. [9, s. 239]

The amount of contributions is determined from the so-called the tax base. The assessment base is employee fulfillment provided by employer to the employee under § 10b. 1 point. a) and. 1 to 4 Basis of assessment for self-employment is the portion of the tax base of personal income from employment pursuant to § 10b. 1 point. b) made in the relevant period, not less insurance premiums for health insurance and a coefficient of 2.14. Critical period for determining of the tax base is the calendar year in which the insurance applies.

The assessment base for payment of employer contributions for employees is the basis of assessment of each employee under paragraph. A critical period for modified pursuant to paragraph 9. If the employee during the relevant period or during the same more premium payers, the tax base for the employer during the relevant period shall be counted the proportion of the tax base of the insured. The portion is determined by multiplying the tax base and the employee share of the tax base of the insured provided for in paragraph. 8 and modified by paragraph 9 and the tax base of the insured provided for in paragraph.

[9, s.242]

The minimum amount that must be paid for health insurance is 46.06 EUR in 2011. The maximum amount of insurance for one month is 312.69 EUR. If that is the basis of assessment is less than the minimum wage, so the amount of contributions for each type of insurance is calculated as the percentage of the minimum wage.

Type of insurance	Employer		Employee		SZCO	
	MIN	MAX	MIN	MAX	MIN	MAX
Health	Is not	3xPM	Is not	3xPM	329,06 €	3xPM
Sickness	Is not	1,5xPM	Is not	1,5xPM	329,06 €	1,5xPM
Pension	Is not	4xPM	Is not	4xPM	329,06 €	4xPM
Invalid	Is not	4xPM	Is not	4xPM	329,06 €	4xPM
PvN	Is not	4xPM	Is not	4xPM	329,06 €	4xPM
Injury	Is not	unlimited	Does not pay	Does not pay	Does not pay	Does not pay
Guarantee	Is not	1,5xPM	Does not pay	Does not pay	Does not pay	Does not pay
RF solidarity	Is not	4xPM	Does not pay	Does not pay	329,06 €	4xPM

Table No. 1: The assessment base for payment of contributions to the SP and ZP from 1.1.2011
Source: [16], data processing based

The obligation to pay premium arises:

- a) the date of the public health insurance (§ 4),
- b) the date on which the employee is insured in accordance with § 11 Clause 3,
- c) the date on which the insured is self-employed according to § 11 paragraph. 4,
- d) the day following, which ended obligation to pay premiums for the employee or a self-employed person,
- e) the day following, which ended the state obligation to pay premiums for persons referred to in § 11 par. 7. [9, s. 245]

3.1.2 Social Insurance

Social insurance, the scope of social insurance, legal relations in the implementation of social insurance, social security organization, funding Social Security, State supervision over the implementation of social insurance and litigation concerning Social Security Act is regulated by social insurance no. 461/2003. [8, s. 8]

Social Insurance is:

- a) sickness insurance as insurance against loss or reduction of income from employment and the provision of income due to temporary incapacity, pregnancy and motherhood,
 - b) pension insurance:
 - 1. old-age insurance as insurance to provide income in old age and death,
 - 2. disability insurance as insurance in case of decrease in earning capacity due to long-term ill health of the insured in case of death.
 - c) accident insurance as insurance in case of injury or death due to occupational accident, service accident and occupational diseases,
 - d) guarantee insurance as insurance in case of insolvency of the employer to meet claims and employee contributions to superannuation outstanding employers in the basic fund of contributions to superannuation,
 - e) unemployment insurance as insurance against loss of income from the activity of an employee due to unemployment and to provide income due to unemployment.
- [8, s.8]

Social insurance is administered by the Social Insurance Agency, a public institution established by law no. 274/1994 on Social Insurance. Definition, scope and range of

contributions for social insurance is regulated by Act no. 461/2003, as amended. An insured is an individual who is covered by sickness insurance, pension insurance and unemployment insurance. Policyholder is insured for pension insurance and the individual who received pension insurance period according to § 60 paragraph. 2, 4 and 5. [8, s. 10]

Employer is:

- a) a natural entity who is required to provide employee income listed in § 3. 1 point. a) and. 2 and 3 and has permanent residence in Slovakia, a temporary residence permit or residence permit,
- b) a legal entity who is required to provide employee income listed in § 3. 1 point. a) and. 2 and 3, and its registered office or its branch office in the territory of the Slovak Republic,
- c) a natural entity pursuing a gainful activity pursuant to § 3. 1 point. a) and. 2 and 3. [8, s. 11]

Premiums paid for health insurance: employee, employer, and compulsory sickness insurance self-employed and voluntary sickness insured person. Retirement contributions paid: employee, employer, mandatory pension insurance self-employed, voluntary pension insurance entity and the State Social Insurance.

Insurance pays for disability insurance: employee, employer, mandatory pension insurance self-employed, voluntary pension insured person and the state. Premiums for accident insurance are paid by the employer. The insurance guarantee insurance is paid by employer who is required to guarantee insurance.

The premium for unemployment insurance is paid by: employee, employer, person voluntarily insured in unemployment. The insurance reserve fund to apply: The employer, mandatory pension insurance self-employed, voluntary pension insured person and the state.

The amount of insurance premiums is determined on a percentage basis of assessment of progress in the critical period. The result is rounded down to the nearest cent.

The percentage of premiums for employee and self-employee are presented in the following table.

Type of insurance	Employee contributions	Employer contributions	Contributions of SZCO
Health insurance	4 %	10 %	14 %
Sickness insurance	1,4 %	1,4 %	4,4 %
Pension insurance	4 %	14 %	18 %
Invalid insurance	3 %	3 %	6 %
Unemployment insurance	1 %	1 %	optional
Injury insurance	Does not pay	0,8 %	Does not pay
Guarantee insurance	Does not pay	0,25 %	Does not pay
Reserve fund	Does not pay	4,75 %	4,75%
Sum	13,4%	35,2%	47,15%

Table No. 2: Rates of health and social insurance

Source: [15, 16], data processing based

The basis of assessment is the basis of assessment of the employer's employees. In order to guarantee and accident insurance in the tax base includes the employer pay the employee for the work done on the basis of agreements on work performed outside an employment relationship. The assessment base for payment of employer contributions to accident insurance is not limited to the highest level.

Premiums are paid on account of the Social Insurance in the State Treasury for the calendar month in arrears. If the insurance policyholder took only part of the calendar month, the premium is paid only for that part. Premiums are payable to the eighth day of the calendar month following the calendar month for which premiums are paid. The premium payment is made on the base of the employee in § 4. Clause 2 and the assessment base pursuant to § § 139A and 139B is insurance payable to the eighth day of the calendar month following the calendar month in which income was paid.

Premiums paid by the employer are paid on the date designated for payment of income that is the basis of assessment of the employee. The minimum amount you must pay social insurance per month is 109, 07 EUR and the maximum amount is 905, 3 EUR.

Comparison with recent years	2007	2008	2009	2010	2011
Health insurance	35,32	37,64	41,37	44,73	46,06
Social insurance	83,65	89,16	89,7	96,9	109,07
Total monthly minimum payments of self-employed	118,97	126,8	131,07	141,63	155,13

Table No. 3: Comparison of social and health insurance
Source: [15, 16], own graphic design

3.2 Contribution burden in the Czech Republic

3.2.1 Social Insurance

Law no. 589/1992 on social security premiums and contributions to the state employment policy provides for social security contributions, which include contributions to pension and health insurance, contribution to the state employment policy. [23]

Insurance is the state budget. State budget revenues are also penalties (§ 20), the margins of social security (§ 21) and penalties (§ 22) imposed under this Act. Pension insurance premiums are kept in a separate account in the State Budget Law on State Budget is presented as a separate item of state budget revenues. [23]

The participants of social security, who have taxable income taxpayers are employee contributions, employer and self-employed.

Insurance is required to pay these taxpayers:

- a) employers - natural or legal persons who employ at least one employee, a branch of the State in which employees are employed by or employed under an agreement for work and service offices, they are state employees assigned to perform public service,
- b) employees:
 - 1. employees in employment or agreement on work activities,

2. team members in cooperatives, are subject to a cooperative working relationship,
3. individuals who are appointed or elected to the post of Head of the administration or the statutory functions of the legal person,
4. judges, members of the Chamber of Deputies and the Senate Senators,
5. members of regional councils and municipalities councils boroughs or urban districts spatially disaggregated urban authorities and the capital city of Prague, who are to release the performance,
6. members of the government, president, vice president and members of the Supreme Audit Office, chairman of the Energy Regulatory Office, the financial attribute etc.,
7. volunteers of the foster services,
8. foster parents, who carry out work in foster facilities for service,
9. persons in prison equipped to work,
10. civil service employees by the Act,
11. partners in the employment relationship concluded under foreign law, the shareholders and directors of limited liability companies and limited partnerships, team members, who operate outside the employment relationship as a reward. [23]

Employers are payers of premiums for health insurance, pension insurance premiums and contributions to the state employment policy, if an employee employed in the above paragraph. 3 point. a), contributions to pension schemes, when employing an employee referred to in paragraph. 3 point. b).

The assessment base is important for the calculation of social insurance and to determine dose, for example in case of illness. It sets minimum and maximum assessment base. The basis of assessment is a summary of employee income subject to tax on income of individuals under the Law on Income Tax and is not exempt from this tax. Assessment base of employers are summaries of the assessment bases his staff referred to in § 3 clause 3 point. a) a point. b). The amount of insurance is determined by a percentage of the General Assembly found that the decisive period. [23]

Insurance rates are:

a) for the employer

1.25% of the General Assembly referred to in § 5A. a), of which 2.3% on health insurance, 21.5% for pension insurance and 1.2% of state employment policy, 2.26% of the General Assembly referred to in § 5 point. a), of which 3.3% on health insurance, 21.5% for pension insurance and 1.2% of the state policy of employment, an employer with an average monthly number of employees less than 26 employees, if that rate alone for the calendar year determined according to paragraph. 2,

3.21.5% of the General Assembly referred to in § 5A. b),

b) For the employee 6.5% of the GA,

c) for self-employed

1.29.2% of the General Assembly referred to in paragraph § 5b. 1 to 3, of which 28% of pension insurance and 1.2% of state employment policy, terms of self-employed participants of pension insurance,

2.2.3% of the General Assembly referred to in paragraph § 5b. 4, to the participants of the self-employed health insurance,

d) For a person voluntarily participating in pension insurance 28% of VZ,

e) for foreign employees 2.3% of the GA. [23]

3.2.2 Health insurance

Law no. 592/1992 on general insurance health insurance provides level premiums for general health insurance, penalties, method of payment, monitoring, record keeping and insurance payers establish a special account of the general health insurance. [22]

Rates for health insurance are for in the same amount - 13.5% and are also used to calculate the state of public health insurance policy holders and those without taxable income. The amount of the premium payer is obliged to calculate itself. Rates are rounded to the nearest crown upwards.

Between the employer and employee it is divided. The employer must pay its employees for 9% and also removes the 4.5% that is required to pay employee payroll deductions. [22]

Vesting period is the same for all except the self-employed (calendar year). The other is a calendar month.

The basis of assessment is a summary of employee income from employment and functional benefits that is subject to taxes on personal income and is not exempt from this tax and that his employer is charged in connection with employment. Minimum assessment base is the minimum wage. The maximum assessment base of employee is the amount of 72-times the average wage.

The employer pays part of the premium that is required to pay for their employees. At the same time removes the portion of premium that is required to pay employee withholding from his wages or salary, even without the consent of the employee. Premiums are paid for each calendar month and is payable from 1 to 20 date of the next calendar month. [22]

3.2.3 Social Security Contributions

Each person performing work in the CR is insured by the Czech Social Security Administration. It is the legal requirement for employers to pay from the salary of the employee the contribution to social insurance. There are throwing off 6.5% of the gross salary for the purpose. The employer alone pays for employee social insurance of 25% of his gross salary. This system should provide support to people living in situations that require support in the form of benefit payment or provision of services. [23]

The social security system in the CR is built on three pillars:

Compulsory social insurance - covers the period of sickness benefits, contribution to state employment and pension.

State social support - the most the state involved to cover the cost of food and other basic personal needs of children and families.

Social support - is provided to citizens in a state of emergency that prevents them from meeting their needs in a reasonable range if necessary. Council Regulation 883/04 on the social assistance system does not relate to that.

3.3 The Social Fund

The Social Fund is governed by Act 152/1994 of the Social Fund, which provides for the creation and use of the Fund. The obligation to create a social fund has any business entity which employs workers in employment.

The employer is under this Act shall constitute the fund of 0.6% of the base, which is the sum of gross wages of employees cleared for payment. In case the trader reached in the previous calendar year earnings and fulfilled all tax obligations to all of the tax, relating to it and the obligations of health insurance and social insurance may constitute statutory contribution to the social fund of 1%.

Drawing Social Fund is the tax expenditure and has a direct impact on business costs and income tax. "The employer provides the employee contribution to the fund:"

- catering staff over the range established by special regulations,
- transportation to and from work, participation in cultural and sporting events,
- recreation and services, the employee uses the regeneration of the workforce,
- health care, social assistance and cash loans,
- supplementary pension insurance in addition to contributions to supplementary pension insurance, the employer is obliged to pay under a special regulation,
- further implementation of corporate social policy on employee care

3.4 Development of tax rates of the legal entity in Slovakia and CR

Year / Period	The tax rate on corporation tax	The reduced rate of corporation tax
1993	45 %	-
1994 – 1999	40 %	20 %
2000 – 2001	29 %	15 %, 18 %
2002 – 2003	25 %	15 %, 18 %
2004 – 2010	19 %	-
2011 – till now	19 %	-

Table No. 4: The rates of corporation tax from the tax system of Slovakia to the present
Source: [13], own graphic design

Table No. 4 shows us how evolved incidence of entities is operating in Slovakia since the breakup of Czechoslovakia until the present.

Year /Period	The tax rate on corporation tax
1999	35 %
2000	31 %
2001	31 %
2002	31 %
2003	31 %
2004	28 %
2005	26 %
2006, 2007	24 %
2008	21 %
2009	20%, with the exception of investment, mutual and pension funds, for which the 5%
2010	19 %
2011	19 %

Table No. 5: The rates of corporation tax in the Czech Republic to the present
Source: [21], own graphic design

Table No. 5 describes the evolution of the tax burden on entities operating in the Czech Republic from 1999 to present. Development of tax rates on corporate income shows that the income taxes are still reduced in the last two years, the permanent tax rate is on corporate profits. Its height is 19% of the tax base.

Description	Insurance Rate	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Employee § 16 clause. 8 lett. a)											
Without health insurance	The minimum wage	4 %	4 %	4 %	4 %	4 %	4 %	4 %	4 %	4 %	not intended
Without health insurance	Three times the average monthly	4 %	4 %	4 %	4 %	4 %	4 %	4 %	4 %	4 %	4 %
With HI	MM	2 %	2 %	2 %	2 %	2 %	2 %	2 %	2 %	2 %	not intended
With HI	3xPMM	2 %	2 %	2 %	2 %	2 %	2 %	2 %	2 %	2 %	2 %
Receiving disability retirement	½ MM	2 %	2 %	2 %	2 %	2 %	2 %	2 %	-----	-----	-----
Recipient of disability pension	3xPMM	2 %	2 %	2 %	2 %	2 %	2 %	2 %	-----	-----	-----
Employer § 16 clause 8 Lett. d)											
The employee without health insurance	MM	10 %	10 %	10 %	10 %	10 %	10 %	10 %	10 %	10 %	not intended
The employee without health insurance	3xPMM	10 %	10 %	10 %	10 %	10 %	10 %	10 %	10 %	10 %	10 %
The employee with health insurance	MM	5 %	5 %	5 %	5 %	5 %	5 %	5 %	5 %	5 %	not intended
The employee with health insurance	3xPMM	5 %	5 %	5 %	5 %	5 %	5 %	5 %	5 %	5 %	5 %
The employee receiving a disability pension	½ MM since 1.2.2008	5 %	5 %	5 %	5 %	5 %	5 %	5 %	5 %	5 %	not intended
The employee receiving a disability pension	3xPMM	5 %	5 %	5 %	5 %	5 %	5 %	5 %	5 %	5 %	5 %

Table No. 6: The rates of health insurance in the Slovak Republic from 2002 to 2011

Source: [16], own graphic design

Table No. 6 shows our division and development rates of health insurance in the Slovak Republic. In the Slovak Republic and in the Czech Republic are divided into contributions that are paid by the employees themselves, and who pays for the employee. In the Slovak Republic we divide the rate to normal and depressed rate. Reduced rates apply to employees who have a disability. The rates are not changed at all since 2002 to the present.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sickness Insurance	1,4 %	1,4 %	1,4 %	1,4 %	1,4 %	1,4 %	1,4 %	1,4 %	1,4 %	1,4 %
Pension Insurance	4 %	4 %	4 %	4 %	4 %	4 %	4 %	4 %	4 %	4 %
Pension disability insurance	2,4 %	2,4 %	3 %	2,4 %	2,4 %	2,4 %	2,4 %	2,4 %	2,4 %	2,4 %
Unemployment Insurance	1 %	1 %	1 %	1 %	1 %	1 %	1 %	1 %	1 %	1 %

Table No. 7: Summary of contributions to social insurance for the employee, the employer in Slovakia
Source: [15], own graphic design

Table No. 7 characterizes the distribution and development paid to the Social Insurance for an employee in the Slovak Republic. We found, that a single rate is the one, which changes the disability pension insurance. The change was only in 2004, and then returned to the original amount of 2.4%. Other items, such as sickness, old age pension insurance and unemployment insurance are the same.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sickness Insurance	3,4 %	3,4 %	1,4 %	1,4 %	1,4 %	1,4 %	1,4 %	1,4 %	1,4 %	1,4 %
Pension Insurance	16 %	16 %	16 %	14 %	14 %	14 %	14 %	14 %	14 %	14 %
Pension disability insurance	5,6 %	5,6 %	3 %	3 %	3 %	3 %	3 %	3 %	3 %	3 %
Unemployment Insurance	2,75 %	2,75 %	1 %	1 %	1 %	1 %	1 %	1 %	1 %	1 %
Guarantee Insurance	0,25 %	0,25 %	0,25 %	0,25 %	0,25 %	0,25 %	0,25 %	0,25 %	0,25 %	0,25 %
Injury Insurance	0,8 %	0,8 %	0,8 %	0,8 %	0,8 %	0,8 %	0,8 %	0,8 %	0,8 %	0,8 %
Reserve Fund	2,75 %	2,75 %	2,75 %	4,75 %	4,75 %	4,75 %	4,75 %	4,75 %	4,75 %	4,75 %

Table No. 8: Summary of contributions to social insurance for the employee, the employer in Slovakia
Source: [15], own graphic design

Table no. 8 describes the development and distribution of contributions to Social Insurance, the employer pays for employees in the Slovak Republic. There are changes in the reduction, but also increase the rate of contributions to Social Insurance. The tariff reductions occurred in 2004 in health insurance, disability insurance, pension and unemployment insurance. Increased the payments to the reserve in 2005 by 2%.

Insurance Rate	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Employer	4,5 %	4,5 %	4,5 %	4,5 %	4,5 %	4,5 %	4,5 %	4,5 %	4,5 %	4,5 %
Employees	9 %	9 %	9 %	9 %	9 %	9 %	9 %	9 %	9 %	9 %

Table No. 9: Rates of health and social insurance in the Czech Republic from 2002 to 2011
Source: [22], own graphic design

Table No. 9 contains the development rates of health insurance, employee and employer, which are levied on the territory of the Czech Republic from 2002 to present. There is no change in the amount of contributions to health insurance.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Employer	8 %	8 %	8 %	8 %	8 %	8 %	8 %	6,5 %	6,5 %	6,5 %
Employees										
Sickness Insurance	3,3 %	3,3 %	3,3 %	3,3 %	3,3 %	3,3 %	3,3 %	2,3 %	2,3 %	2,3 %
Pension Insurance	19,5 %	19,5 %	19,5 %	19,5 %	19,5 %	19,5 %	21,5 %	21,5 %	21,5 %	21,5 %
National Employment Policy	3,2 %	3,2 %	3,2 %	3,2 %	3,2 %	3,2 %	1,2 %	1,2 %	1,2 %	1,2 %

Table No. 10: Rates of social contributions of the employee and employer in the Czech Republic
Source: [22], own graphic design

Table No. 10 describes the distribution and evolution rates of contributions to Social Insurance in the Czech Republic from 2002 to present. A change was also part of the employee and employer. In 2008, for the reduced employer contributions to the Social Insurance of the state employment policy, pension contributions were increased. In 2009, employee contributions were reduced by 1.5% and the employer about 1% of health insurance.

4 TAX BURDEN COMPARISON OF LEGAL ENTITY IN SLOVAKIA AND THE CZECH REPUBLIC

At the tax residents is essential, whether they have the place of effective management in Slovakia, taking the place of effective management is considered to be a place where you take control and business decisions of statutory and supervisory bodies of legal person, even if this place was registered in Commercial Register. The criterion of a legal person and the seat of effective management are crucial in the Czech legislation.

The tax liability of taxpayers subject to unlimited tax liability as apply to income derived from sources in Slovakia, as well as income from abroad. In order to avoid circumvention of the law, a resident taxpayer shall be considered a person who, while based in abroad, but the place of effective management in the Slovak Republic and in the Czech Republic, since the conditions are the same for both countries.

Taxpayers with limited tax liability are after all other LE. They have not office or permanent establishment in Slovakia. Taxpayers, who are not in the Slovak Republic and have not their registered office or place of effective management in the Slovak Republic, have a tax obligation that applies only to income from sources in the Slovak Republic. This again applies to taxpayers in the Czech Republic.

In Slovakia, there are the subjects such as *National Bank of Slovakia*, and the National Property Fund subject to tax only of the income on which withholding tax is levied. This means that these entities do not submit a tax return, even in the event that generated net revenues from commercial activities, except for public companies. Unlike the National Bank of Slovakia, other commercial banks in virtue of their activities include but are taxed on corporation tax and their income is taxed. Here is seen the difference with the Czech legislation, which *the Czech National Bank* income exempted completely.

The tax base is in each treatment determined under the provisions common to both taxes. In the Slovak Republic there is the tax base derived from the profit or loss if the entity maintains double-entry bookkeeping. People are leading double-entry by bookkeeping account for most taxpayers. If profit is determined by the difference between income and expenditure recorded in the bookkeeping system.

In the Czech Republic, there are not allocated the subjects to the entities or accounts in a simple double-entry bookkeeping, but based on the profit or loss from taxpayers who keep accounts or the difference between income and expenditure accounts who do not.

In some cases, there is applicable *withholding tax* at a single tax base. This method is mainly applied to taxpayers with limited tax liability, but also some of the taxation of income liable to tax. The rate of withholding tax remains the same as for natural persons; it is 19% in the Slovak Republic and 15% in the Czech Republic. The entities are separate tax base in particular, income from dividends, dividends, shares in liquidation.

The tax rate on corporation tax is linear, it is determined uniformly for all taxpayers, amounting to 19% of the adjusted tax base. This is *the Slovak Republic*, where the tax rate is the same for both natural and legal persons. Starting in 2004, the *Slovak adaptation* abolish certain exceptions in the form of lower application rates than the general, the rates were 15% and 18% of the tax base. This step has been pronounced by a significant tax burden of the taxpayers who, under certain conditions can apply just 15% tax rate.

In *the Czech Republic* there is also a linear tax rate, but also differentiated and its height is 19% of the tax base. For investment funds, mutual funds, pension funds and foreign collective investment fund is a tax rate of 5% of tax base.

The actual tax liability is calculated by multiplying the tax base resulting from the loss over time is reduced by deductions for which are to be regarded in the Slovak income not subject to taxes on income exempt and taxable income tax withholding. Since the tax base beyond the taxpayer may deduct these items, only the tax loss. In the past, there were many concessions that were not retained in contrast to the Czech legislation.

Perhaps the most significant differences between the Slovak and Czech legislation with regard to tax corporate income, calculate the actual tax base. Tax base after the FO as in the Czech Republic, reduced by deductions, but to a lesser extent than in income taxes and FO also called deductibles. Since the tax base after deductible:

- a) a tax loss,
- b) expenditure on research and development projects,
- c) the value of donations to public benefit purposes to municipalities, county, state organizational units and LE based on the CR and LE, which are organizers of public

collections, for the purposes provided by law.

After deducting these items comes the tax base reduced by the deductions, multiplied by the tax rate, calculated from the actual tax burden. Since the tax burden can also deduct the rebate to employees with disabilities. After these deductions we get the final amount of tax.

In Slovakia, there were tax breaks and even the possibility to deduct from the taxable gifts made to public purposes, but the amendment of 2004 was canceled and this option is currently not possible to apply any discount or deduction, except for tax loss. So one might say that legal persons in Slovakia difficult conditions, as the state of its party does not relieve entities.

Discounts have the same function as for legal entities as individuals. Also, the taxpayer reduces their tax liability. The entities are mainly discounts for employers who employ persons of disability, where the amount of rebate is differentiated by the rate of disabled workers. Discount for workers with disabilities is 18 000 CZK per employee. However, there was an employee with more severe disabilities, the discount increases to 60 000 CZK.

Taxes on corporation tax are very similar in Slovakia and the Czech Republic. Against the tax on income of individuals, there are only minimal differences between the two in legislation, and, therefore, that this tax rate, is listed as many foreign investors, and therefore in this group of taxes in force largely similar rules.

	contributions to HIC	contributions to SIC	Income tax LE	contributions to HIC	contribution s to SIC	Income tax LE
	Slovak Republic			Czech Republic		
employee	4 %	8,8 %	-----	4,5 %	6,5 %	-----

Table No. 11: Comparison of a payroll tax burden on the Slovak and Czech Republic in 2011

Source: [22, 23], own graphic design

5 EVALUATION AND OPTIMIZATION OF TAX BURDEN OF LEGAL ENTITY IN THE SLOVAKIA AND THE CZECH REPUBLIC

In general, there is no uniform procedure for tax optimization. In particular, the use of alternatives in the application of tax expenditures to reduce the tax base for the optimum level in those areas where such alternatives exist.

In the Slovak Republic there have businesses in the optimization of large tax reserves. Due to the high tax burden on businesses not only in Slovakia but also in other countries of the EU is an important part of company management and financial planning, tax and contribution optimization.

Tax and levy optimization is a tool that knows the business entity for tax levies and pays only the minimum necessary conditions for the fulfillment of their statutory duties. Tax optimization involves procedures aimed at the company achieved revenues of considering the implementation of activities, purchases and sales of property taxes to the state has done only the minimum necessary. The positive effect of tax optimization is reflected in the longer term after several tax years.

Tax optimization process should be started already when deciding on the actual commencement of the performance of business. The recession is difficult to conclude new contracts and increase production and hence sales. Businesses will therefore focus on costs, which in this period more easily controllable. Taxes and charges are among the costs not directly related to production. It would seem that there is not much cost savings. Not so. This is an area where you can save a lot of cost, only need to have knowledge of tax and accounting areas.

An important decision is whether the entity occupies personnel employed by the labor code or provides a job outside workers, which is as self-employed. Entrepreneur, this decision can avoid paying additional costs associated with employee leave, the cost of work clothes, for food, redundancies and other expenses arising from the implementation of the Labor Code. Businesses that kind of optimization is very often used despite the risk that the tax

office advantageous forms of employment may be reclassified to paid employment if the relationship between employee and employer qualifies dependent activity.

The second option is to optimize the decision to purchase the asset, the cost is on the border between long-and short-term assets. Current assets are to receive one-time costs in its acquisition.

We can optimize the tax liability on the value added tax. It is also an integral part of the Evacuation optimization. It is a possibility of adjusting the amount of statutory premiums in social and health insurance companies are required to pay the company for its employees and self-employed persons for themselves.

Tax optimization is based on some fundamental principles:

- using the institute of tax-free minimum,
- using the institute of non-taxable income,
- using the possibility of the exemption,
- various possibilities of application costs - flat rate expenses demonstrable costs,
- various possibilities of achieving income, particularly in relation to tax levies.

Nowadays too high charges negatively stimulate businesses and entrepreneurs to employ black or to reduce costs at the expense of employment, where the main reason for doing so is far from the global economic crisis.

Tax optimization options are:

- choice of the method of depreciation of tangible assets,
- cessation of depreciation of fixed assets for tax purposes,
- choice of the method of depreciation of intangible assets,
- alternative application of interest on loans for the acquisition of long term,
- individual movable assets and sets of movables in awards to 1,700 EUR with a shelf life longer than one year, in the valuation of intangible assets to 2400 EUR and a shelf life longer than one year,
- technical assessment of the property,
- acquisition of property through purchase or finance leases in terms of depreciation period,

- component depreciation,
- creation of provisions and reserves (in accordance with the Law on Income Tax).

The first tax-optimization tool is selecting the depreciation of tangible assets. Expenses incurred by the company to purchase the asset cannot be treated for tax purposes to include tax expenditures once. These costs affect the tax base gradually over several years through depreciation under the Law on Income Tax. We have booked property, respectively registered the last day of the year, and prove that they were used during this period to ensure that taxable income.

The tax optimization is also used the opportunity to stay the depreciation of fixed assets for tax purposes. The taxpayer is not obliged to apply the tax deductions in the tax expenditure. According to § 22 paragraph Clause 9 of the Income Tax taxpayer may suspend the application of depreciation, and only for one full tax year or more complete tax years, the new tax year the taxpayer continues to depreciate, as it would not be interrupted while total amortization period shall be extended for a period of interruption depreciation. The reason for the suspension of tax depreciation on corporate lives that they can from the tax base for the last time deduct the tax loss and a deduction would have until the next tax year did not transfer.

Under the income tax there is the minimum duration of 36 months of financial leasing. If the taxpayer procured as buying a car, on the write-off required four years. If the vehicle is procured through a financial lease, respectively lease has the option to shorten this period to three years, and it is the acquisition of car leases lasting three years.

Creation of tax deductible reserves and adjustments to expenses is generally considered one of the tax optimization tools, but in many cases of deliberate overestimation of these items, which borders on the illegal activity. The tax expenditure is considered as additions to reserves. for unused vacation, including premiums and contributions that the employer is obliged to pay for the employee, the compilation, verification, disclosure of financial statements and annual report and tax return preparation and more.

We can optimize the corporate tax base in the Czech Republic by:

- a) **Provision for tax purposes** - for the enterprise is the most important reserve for repairs of tangible assets, the amortization period is five years or more. Provision must be made at least two consecutive tax periods.
- b) **Depreciation of fixed assets** - part of the profit or loss as accounting depreciation and tax depreciation are adapted to the idea of law on the distribution of the tax base of the taxpayer.
- c) **Tax losses** - legal entity may apply a tax loss of up to five subsequent tax years, after the period for which had been levied.
- d) **Expenditure on research and development** - are relatively new deductions expenses. The deduction may include legal person twice and the costs and recognized as a deduction from the tax base.
- e) **Donations** - we can deduct from their tax base. It is about providing gifts for public purposes. The minimum limit is intended to present a summary of one gift to the beneficiary, amounting to 2,000 CZK. The maximum limit is set at 5% of the tax base reduced by the deductions
- f) **Contributions to pension and life insurance rider** - the employer contribution to pension and life insurance rider is tax deductible expenses. These contributions are not subject to social and health insurance, because these contributions can be considered as net income for the employee. The combined total of both contributions is more than 24,000 CZK per annum
- g) **Tax heavens** - the goal is to attract foreign capital and making the country an important financial and economic center. Tax havens are used to set up the so-called. Offshore companies benefits such as low taxes, no requirements for minimum capital and greater privacy.

The big cost item is health and social insurance in the business contributions. For legal persons can be optimized wedge through the payment of profit sharing. The shares are not paid on earnings or contributions or income tax. It is preferable to give the employee more than one time pay monthly fees of one-twelfth. An employee or employer does not pay payroll taxes on the value of the maximum basis for social security contributions.

6 IMPACT OF THE CURRENT TAX BURDEN ON COST EFFICIENCY OF PRODUCTS AND ECONOMIC RESULT OF CHIRASYS COMPANY LTD.

Chirasys Ltd. Company was established in November 1993, located in Stara Tura. The company currently has a branch office except in Myjava and Humenne. The company employs forty staff, experts in information technology. Since 1996, the operation of the company expanded beyond the borders of the Slovak Republic

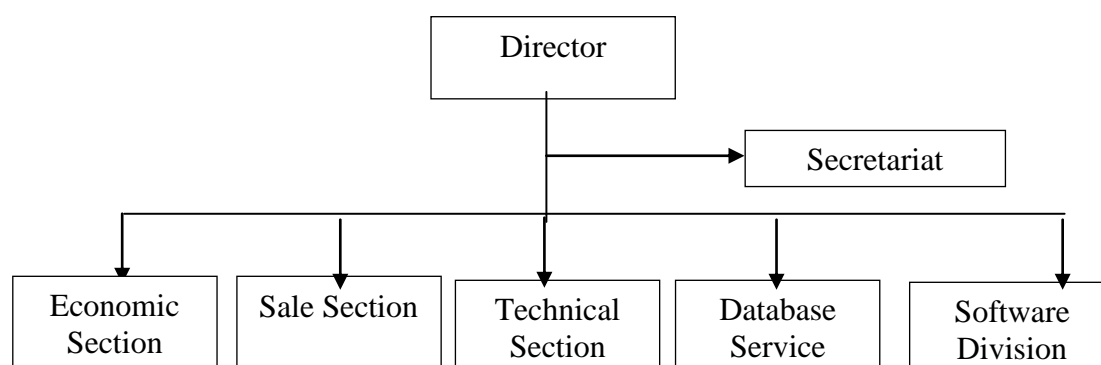
The business of the company is:

- design, implementation and operation of systems for automated data processing,
- the purchase, sale, distribution and brokerage of computing,
- office systems and software,
- consulting and mentoring activities,
- installation and repair of computers and office equipment,
- rental of office machinery and computers,
- installation, maintenance and repair of telecommunication equipment,
- the provision of services on the Internet.

Since 1st of April 1996 , the company has established a subsidiary Chirasys Netsoft based in Opava, in the Czech Republic, with 55% ownership interest in the share capital of the company, which was subscribed for the establishment of 200 000, - CZK. At the extraordinary general meeting of the share in the company decreased to 51% by selling shares to the shareholders.

The basic strategic goal of the company is regulated by the expansion of the market Slovakia and the Czech Republic, the acquisition of new, permanent customers for the provision of comprehensive services in information technology. The core business is the mental work in developing software, consulting, training and design work.

The organizational structure of the firm:



Picture No. 4: Organizational structure of Chirasys Ltd.

Source: [24], own graphic design

Workers are motivated by the performance results of both component, on payment of a 13- by 14-it salary depending on performance and profit on contributions from the social fund for food, for health and recreation, travel to work and that Social Fund is created in addition to the cost of production and allocation of net profit. Management is motivated to achieve good economic results in the form of remuneration, salaries and contractual fees for annual contract salary, depending on the profit.

The average number of employees during the accounting period and the personal cost:

Indicator	Total/employees	managers
Average number	40	7
Payroll costs / € /	217 022	69 209
Social Insurance	66 919	18 356
Social Cost	6 041	863
Personnel Cost	289 982	88 428

Table No. 12: Wages and salaries cost in Chirasys Ltd in 2011

Source: [24], own graphic design

Chirasys Ltd. is legal, so first you must deal with a tax on corporate income tax. To calculate it we need to know the taxable income and expenses. Furthermore, the company charged to tax on motor vehicles, it has the property of passenger cars used for business. This tax also applies to the company for private use of a car in the employee's place of work other than in Stara Tura. Additional burden is the insurance. These health and social insurance are paid from the salaries of employees. The company obviously burden and indirect taxes such as value added tax, excise tax and property tax.

Comparing rates of property taxes in the Czech and Slovak republics, under which tax is calculated from the vehicle. The calculations are shown below.

VW Passat 2,0 Tdi (100 kW)	SR	CR
Rates in domestic currency	201,73	4 200
Rates in EUR	201,73	166,81

Table No. 13: Comparison of taxes on motor vehicles in 2011

Source: [24], own graphic design

The table shows that the tax on motor vehicles is higher in Slovakia, about 201.73 EUR.

Basic information about the Chirasys Ltd. is shown in the table below:

Countries		SR	CR
Profit		20 000	503 560
Currency		EUR	CZK
amortized property	Accounting software	5 000	125 890
	computer assembly	10 000	251 780
	Office Furniture	3 500	88 123
	Vehicles/cars	40 000	1 007 120

Table No. 14: Basic information about the Chirasys Ltd.

Source: [24], own graphic design

Based on data in the table we need to calculate the tax on corporation tax defined as depreciation and amortization will be undertaking in 2011 to influence its level. The difference between book and tax depreciation is in the case of a positive outcome of deductible items in the event of a deduction.

Chirasys Ltd. sets the internal guidelines for depreciation of a car VW Passat 2.0 TDi for six years. Cost is at 40 000 EUR, which represents an annual accounting depreciation of 6 667 EUR.

Depreciation: VW Passat	Slovakia (EUR)	CR (CZK)
Purchase price	40 000	1 007 120
Depreciation rates	0,25	0,2
Accounting depreciation	6 667	167 853
Annual tax depreciation	10 000	201 424
Accounting depreciation in EUR	6 667	6 667
Tax depreciation in EUR	10 000	8 000
The difference in depreciation	- 3 333	- 1 333

Table No. 15: Annual accounts and tax depreciation of passenger cars in 2011
Source: [24], own graphic design

In the table no. 2, there can be found the amount of the deductible in respect of depreciation of the car. The internal guidelines to determine the depreciation period by computer sets 5 years, giving an annual depreciation in the value of 2000 EUR.

Depreciation: computer assembly	Slovakia (EUR)	CR (CZK)
Purchase price	10 000	251 780
Depreciation rates	0,25	0,333
Accounting depreciation	2 000	50 356
Annual tax depreciation	2 500	83 843
Accounting depreciation in EUR	2 000	2 000
Tax depreciation in EUR	2 500	3 330
The difference in depreciation	- 500	- 1 330

Table No. 16: Annual accounts and tax depreciation of computer reports in 2011
Source: [24], own graphic design

On the table there we can conclude that in the Czech Republic, there will be reduced the profit by 1 330 EUR.

Chirasys Ltd. determined the depreciation period of four years in office furniture, which means an annual reduction of property values at 875 EUR. The table shows the difference in optimal depreciation of the Czech Republic, which will increase the profit of 175 EUR.

Depreciation: Office Furniture	Slovakia (EUR)	CR (CZK)
Purchase price	3 500	88 123
Depreciation rates	0,167	0,2
Accounting depreciation	875	22 031
Annual tax depreciation	585	17 625
Accounting depreciation in EUR	875	875
Tax depreciation in EUR	585	700
The difference in depreciation	290	175

Table No. 17: Annual accounts and tax depreciation of office furniture in 2011
Source: [24], own graphic design

Software is intangible property and the entity it was decided to write off at least four years of 1 250 EUR. Since Czech legislation has identified the tax depreciation at 1 665 EUR, a difference of accounting and tax depreciation, results in loss of 415 EUR.

Depreciation: Accounting software	Slovakia (EUR)	CR (CZK)
Purchase price	5 000	125 890
Depreciation rates	0,2	0,333
Accounting depreciation	1 250	31 473
Annual tax depreciation	1 000	41 921
Accounting depreciation in EUR	1 250	1 250
Tax depreciation in EUR	1 000	1 665
The difference in depreciation	250	- 415

Table No. 18: Annual accounts and tax depreciation accounting software in 2011
Source: [24], own graphic design

Based on the knowledge gap between accounting and tax depreciation calculated in the tables we can determine their impact on the tax burden. These differences, as well as other items increasing and decreasing the tax base from corporation tax are found in the following table.

Country	Slovak Republic	Czech Republic
Economic result - Profit	20 000	20 000
Deductible items:		
Entertainment and representation expenses	+800	+800
Donations	+300	+300
Deductible items:		
Regulation of interest on late payments of clients	-900	-900
Payment of property taxes on leased	-300	-300
Differences between book and tax depreciation		
Accounting software	+250	-415
computer assembly	-500	-1 330
Office furniture	+291	+175
Vehicles	-3 333	-1 333
VH, taking into account items	16 608	16 997
The income tax rate	19 %	19 %
Current tax expense	3 155,4	3 229,4
Net profit	16 845	16 771

Table No. 19: Deductibles and additions items Chirasys Ltd.

Source: [24], own graphic design

The cost of health and social insurance paid by employers are tax and accounting costs. Tax is that they are paid by the end of next month. If there is not paid health and social insurance for employee, we talk about increasing of the tax base. The deduction from the profit or loss will act in case of payment of such costs in the next tax period.

7 DESIGN OF TAX AND CONTRIBUTION

OPTIMIZATION IN CHIRASYS LTD. COMPANY

Tax optimization of a sequence of legal recognition of a tax liability that is necessarily the taxpayer have to pay to the state. It is for minimizing the tax liability under the law permitted actions. The tax optimization is reported like a zero tax liability, but shows the optimal tax liability it is appropriate tax liability of turnover, profit and business sectors the overall business environment.

Unrecognized tax liability in the longer term may be imposed on the taxpayer suspicion and distrust of the method of reporting business and financial results.

Means that tax optimization can be divided in several respects. In terms of their position in the law on income taxes:

- deductions from the tax base - included directly in the tax law as of tax allowances, contributions to supplementary pension saving money on utility savings, life insurance premiums, tax credits, tax deduction side, the relief,
- allowing the items to affect the tax base by the taxpayer, as the choice method of depreciation, amortization suspension, the application of tax provisions and reserves, clearing of exchange rates, tax expenses and after payment, the application of standard costs.

Other instruments, which include tax optimization, can be directly taxpayer of a decision not shown in the tax law, such as:

- the choice of form of property acquisition (lease, purchase of assets, the technical evaluation)
- choice of accounting systems and business forms,
- selection of business space
- selection of the marketing year for the period.

If the employment of persons accompanied by high financial expenses because the employer must pay social security contributions (health, pension, health), a logical

consequence of the effort to reduce direct and indirect costs (salary and wage compensation, contributions to employee liability insurance, social benefits) which leads to the use of so-called black labor by employers. In other words, high labor costs employers an incentive to breach the legitimacy of labor relations with employees. In this context, it is necessary to systematically eliminate and prevent the introduction of new forms of hidden financial burden of rising corporate in the form of charging and levying of charges of statutory obligations of all kinds.

The first proposed step to optimize the tax in accordance with the Law on Income Tax in company with Chirasys Ltd. the purchase of fixed assets. Acquisition of own cars in company with Chirasys Ltd. thus increase the income tax expense to reduce the tax base through income tax expense related to purchase of fixed assets. Tangible assets could finance company three options.

The fundamental possibility of completely legal tax optimization is the choice of accounting system. You can select only the self-employed. Simple accounting requires less demands on record keeping and is therefore cheaper, double is more expensive - software costs increases, the number of accounting items and price for their records in case of an external accountant, respectively. cost of internal accounting officer.

In the case of double-entry bookkeeping is possible to reduce the tax basis of the commitments that we have not paid yet - have invested their money to pay. The entrepreneur may, of course, the obligations to pay in future years without affecting the tax base and tax. It also does not have to pay them. According to the law on income tax but in this case after 36 months of their tax base due to increase again. Ultimately, therefore, the amount of tax unpaid invoices once paid. Optimizes but in their tax payment and tax payment is postponed, as he can in a given year greatly help.

Whether leading business is working in accounting system one or another, to optimize the tax in a given year can be particularly "moving" taxable income or expenses from one year to another and vice versa - just depending on the type of accounting.

Options to optimize the tax system in such double entry accounting.:

- purchase of services in the old year - in this way will go to the expense of the old and the old well in optimizing the tax. The commitment, however, meet the new year.

- receipt of cash for invoiced in the performance of the old year in the form of deposits and invoicing into the new year - the total revenue and tax liability of such claims will go into the new year, the portion of cash a company can collect back in the old.

The first option is to purchase its own resources, which is unrealistic for the company. The second alternative is to finance the purchase through an investment credit from banks. The company may be included in tax expenses depreciation and interest on the loan. After applying the tax depreciation and interest on the loan significantly reduces the tax base. Both of these options contribute to a reduction of corporation tax, and thus the tax burden on companies. Companies should have, for the optimization of the recommended accelerated tax amortization method with ten per cent increase in input prices fixed assets due to the need to apply the greatest amount of depreciation in the first years depreciation. If the company Chirasys. r. a. adopted this measure of tax optimization can save a high amount of tax (according to the amount of the cost).

The third option is to finance through financial leasing. Reducing the profit of lease payments for the company brings tax savings. The investment includes a loan advantage of the property immediately becomes part of the assets, which does not apply to financial leasing. The disadvantage may in turn be a big administrative burden and property seizure. It depends on the company to consider all the pros and cons various forms of financing. Another alternative how to save on tax could be by the employment of persons with disabilities. The non-negligible amount of tax rebates may be an effective tool to reduce overall tax liability.

Another proposal is to optimize support for a project of research and development. This proposal has a positive impact on the tax burden for companies with Chirasys Ltd. The result of tax optimization would be the possibility of reducing tax liability by an amount approximately one hundred thousand dollars.

If Chirasys Ltd. uses my suggested solutions could ensure the optimization of tax liability and save on taxes next two years. These proposals need to know the facts and based on the particular situation of optimized business entity. The proposed measures aim to minimize its tax liability for corporate income tax.

Reduction of taxes and duties trimmed to a minimum and thus the current increase in disposable income properly designed and implemented strategies to optimize the tax benefits are indisputable. Such care can also carry some disadvantages or costs. These include::

- Increased cost to tax or economic advisor in connection with the designed and implemented a specific strategy,
- Increased costs for accounting, often associated with an increase in the number of accounting items,
- in some cases smaller, respectively. difficult to view the results achievable business,
- the risk of disallowance of certain options by tax authorities for tax audits, and thus the risk of subsequent additional payments of taxes or penalties.

In practice it is eligible each procedure and tax expense, which can justify the tax audit. Often, the same procedure that you otherwise interpret various tax officials. This means that the right combination of a good economist and a supportive tax inspector is able to deliver mutually satisfactory outcome.

CONCLUSION

Topic tax optimization is very extensive. Not only are corporate Slovakia. Tax optimization dealing with entrepreneurs around the world. The only difference is that the different tax systems and laws give different possibilities of tax optimization. Common to all is the fact: If an entrepreneur wants to make effective use of opportunities provided by the tax system, tax system must be well aware of and monitor its changes. It may be that the amendment to the Act, the conditions change and this fact must adapt its optimization.

Tax policy plays an important role in achieving the government over stimulate or hinder economic activity. Tax policy also provides for a substantial portion of available resources of the state budget. Fiscal and be read resulting tax policy is an important tool in the hands of the state. The importance of this tool in Slovakia has increased with the loss of monetary sovereignty in the area joined the euro area.

Despite the fact that before 1993 were Slovak and Czech Republic the same tax system, the distribution of the two countries went in his way. Although the differences were not significant, but were. In the first decade of the Czech government to respond more timely in its tax system to changing conditions in the economy.

In Slovakia, there was a break up in early 2004, which entered into force on tax reform, which is one of the frequently discussed topics in our home but also abroad. This tax reform was introduced flat tax. The overall benefits of tax reform will be evaluated for several years, but now we can say that among our business has been positively received, even though roztvorila disposable income gap between the populations. It was well received and the professional public at home and abroad.

It is important to note that the flat tax is not a panacea for economic problems, but if correct, can stimulate economic activity. If a flat tax panacea, certainly not only Ireland but also other advanced economies would have long had it.

Efforts to create an optimal tax system is a complex problem faced by each economy. Creating an optimal tax system is a dynamic process that must constantly adapt to

changing conditions within the country and in international context. Due to the number of conflicting requirements, the optimum condition is essentially impossible to achieve.

Although the period since the split of Czechoslovakia into two independent countries is less than two decades, the tax system have occurred many changes. Slovakia has the worse economically system, which was made by "wild privatization" and NON-TRANSPARENT spending of public funds. This inevitably led to increased government deficit. Therefore, Slovakia was forced to precede to radical tax reforms such as the Czech Republic. It was particularly significant increase in the value added tax, which had the greatest impact on citizens. It also increased the income tax, in which there were two major reforms in the law on income tax, in 2004 and 2010, which abolished the many institutes of citizens favorable to them at the same time, reduce the tax burden. Although the Czech Republic has also made amendments to tax laws, there is not so radical and dramatic impact.

The main aim of the bachelor thesis was to compare the tax burden on entities in the Slovak and Czech Republic. In the Czech legislation, there the taxpayer added to gross pay compulsory contributions paid by employers. At first glance it seems that this arrangement is disadvantageous for the citizen. A closer study will find that although the taxpayer's gross wage increases for these contributions, as compared to Slovak citizens favored various deductions that the Slovak legislation does not exist. In Slovakia, the taxpayer deducted the contrary, mandatory contributions paid for it. Discounts on duty are in Slovakia called non-taxable amount will be applied at different stages of calculating the tax liability. In Slovakia, there the non-taxable amount deducted from the tax base in the Czech Republic, although this amount is lower, but counts only from the tax. This phase in which non-taxable amount is deducted, is very important. Tax relief on child adjustment in is higher in the Czech Republic. Discount on disability, which is a significant factor in support disabled people, does not exist in Slovakia. Czech legal entities can, unlike the Slovak legal entities apply discounts, and it does not exist in Slovakia.

The first chapter deals with the thesis in general terms the issue of taxes. Explain how the tax function, which is one of the basic and additional elements of taxes, the tax burden is measured and how.

The second chapter deals with the characteristics of the tax system in Slovakia and the Czech Republic, focusing on the characteristics of the corporate income tax. There is a

defined entity subject of the tax, exemption from income tax, the tax base and tax rate, we know the tax return and the deadline for filing tax returns.

The third chapter describes wedge in Slovakia and the Czech Republic. This chapter describes the social and health contributions in the Slovak Republic, who is the payer of contributions, which are percentálne rates and assessment bases for calculating contributions. Regarding the Czech Republic, describes how Social Security can be divided in this country who is a taxpayer contributions, what are the rates and assessment bases.

The fourth chapter compares the tax burden on the entities of both countries.

The fifth chapter contains the evaluation and optimization of the tax burden on the Slovak and Czech Republik.

The sixth chapter is devoted to characteristics of the company for which I developed the thesis. Characterize the company Chirasys. r. a. dealing in services computing. After each calculation, which have cost so I suggested some measures to improve the tax burden set out in chapter seven.

Comparing the conditions and rates of taxes, we come to the conclusion that the tax systems of both countries can still find many similar but different characters. Same or at least similar to the tax treatment of corporate income tax, namely the same rate - 19%, similar criteria for the taxpayers (almost the same amount of annual turnover) or the possibility of applying for tax rebates.

Income from property is also subject to similar treatment (difference in calculating its tax base).

For road tax and duties on equal terms.

Items subject to excise duties are the same, their rates are already different.

The largest differences are observed in personal income tax. What is different is the rate (15% - CR, 19% - SR) and the amount of the annual income from which is an obligation to

file a tax return (15 000, - CZK - CR 1 779 EUR - SR), just in the amount of annual income is significant difference. In the Czech Republic most of the population filed tax return than is the case in Slovakia.

A special feature is the fact that some taxes that were originally part of the tax system in Slovakia in its current form is missing, while in the Czech Republic are still valid. More particularly, real estate transfer tax, inheritance tax and gift tax. Their effectiveness is currently under discussion and it is likely that a minimum of real estate transfer tax will be shortly in the Slovak Republic reintroduced.

Heritage in Slovakia, although not subject to the special charge, but subject to income taxes to the fact that the heir in the first place (spouses, children) are exempt from paying taxes.

Even such a simplified view of the two tax systems can observe a few facts that can, in practice and have an impact on the business sector, or even to decide whether to select foreign investors as a place of business in the Czech or Slovak Republic.

The first issue is that the tax on personal income in the Czech Republic is 4% lower. The lack of real estate transfer tax, on the other hand, has a rather negative impact, as the state losing substantial revenues from this tax and there is a significant advantage of investors and financial groups. For foreign investors are also essential aspects outside the realm of taxation, to the minimum wage, labor law, tax benefits regime and decant, infrastructure and qualified workforce.

I want to point out that in terms of taxes on corporate profits is the Czech citizen to treatment more favorable and responsive. The immediate consequence of a higher standard of living is in the Czech Republic than in Slovakia.



CHIRASYS spol. s r.o.

Nám. Dr. A. Schweitzera 194

916 01 Stará Turá

Tel.: 034 / 690 5310

Fax: 034 / 690 5370

www.chirasys.sk

sales@chirasys.sk

Lucia Jurčová
Štefanov 494
906 45 Štefanov

Stará Turá, 30. apríla 2012

Hodnotenie práce podnikom

Po preštudovaní bakalárskej práce a zvážení obsahu jednotlivých kapitol si dovoľujem vyhlásiť, že bakalárska práca pani Lucie Jurčovej vystihla zadanú tému veľmi dobre.

Postupnosť jednotlivých oblastí je zvolená v logickej následnosti, kapitoly na seba nadväzujú a postupne danú tematiku rozvíjajú ďalej.

Bakalársku prácu je možné využiť v spoločnosti Chirasys s. r. o., nakoľko opatrenia navrhnuté autorkou práce môžu výrazne prispieť k zlepšeniu a zároveň posilneniu spoločnosti na trhu.

Predstavitelia firmy by mali zvážiť spomínané opatrenia, nakoľko súčasná situácia, týkajúca sa daňového a odvodového zaťaženia, vyžaduje rýchlu reakciu. Prioritou by malo byť spomínané zamestnanie zamestnancov s invalidným postihnutím a kúpa dlhodobého majetku.

S pozdravom

**CHIRASYS S.R.O.**
TOVÁRENSKÁ 61
907 01 MYJAVIA


RNDr. Slavomír Lajda
konateľ spoločnosti

IČO 31 444 458, IČ DPH SK2020382529, bankové spojenie TATRA BANKA, č. ú. 2626270116/1100
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ABSTRAKT

Lucia JURČOVÁ *Komparácia daňového a odvodového zaťaženia u podnikateľov v Slovenskej a Českej republike.* Kunovice, 2012. Bakalárska práca. Evropský polytechnický institut, s.r.o.

Vedúci práce: Ing. Alena Poncarová

Kľúčové slová: dane, daň z príjmu, predmet dane, subjekt dane, sadzba dane, daňová optimalizácia, odvody, daňové zaťaženie, odvodové zaťaženie

Dane sú veľmi široký pojem. Týkajúca sa každého z nás, ak ide o podnikateľa alebo nie.

V bakalárskej práci som písala o daňovej sústave a odvodoch v Slovenskej a Českej republike. Predmetom bakalárskej práce je zameranie sa na daň z príjmov právnických osôb pôsobiacich na slovenskom a českom trhu. V teoretickej časti bakalárskej práce je vymedzenie pojmov v oblasti daní, charakterizované odvody do zdravotnej a sociálnej poisťovne. V praktickej časti bakalárskej práce je uvedené daňové zaťaženie v spoločnosti Chirasys s. r. o., návrh daňovej a odvodovej optimalizácie v spoločnosti Chirasys s. r. o.

ABSTRACT

Lucia JURČOVÁ *Comparison of the tax and contribution burden of businesses in the Slovak and Czech republic.* Kunovice, 2012. Bachelor thesis. European Polytechnic Institute, Ltd.

Supervisor: Ing. Alena Poncarová

Key words: tax, income tax, subject of tax, entity tax, tax rate, tax optimization, contributions, tax burden, contribution burden.

Taxes are very a broad concept. They are relating to each of us, in the case of an entrepreneur or in the case of the normal physical person.

My bachelor thesis has been focused on tax system and contribution burden in Slovakia and the Czech Republic. The main aim of bachelor thesis is characteristic of the income tax of legal entities operating in the Slovak and Czech market. In the theoretical part there has been described the definitions of basic concepts in the field of taxation, characterized by individual contributions to social and health insurance. In the practical part there I have been concentrated on burden in Chirasys Ltd and my proposal to tax and contribution optimization in this company.

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LIST OF ABBREVIATIONS

SpA. – Join Stock Company
etc. – and so on
CR – the Czech Republic
EU – The European Union
GDP - Gross Domestic Product
Expl.. – For example
cl.. – Clause
let. - Letter
LE – legal entity
resp. – respectively
SIC – Social Insurance Company
Ltd.. – Company Ltd.
SR – Slovakia
SZČO – self-employed
e.g.. – it is
sc. – so-called
HIC – Health Insurance Company
VZ (AB) – assessment base

SCHEME, GRAPHS AND TABLES

Scheme No. 1: The tax system of the Slovak Republic

Scheme No 2: Calculation of the tax base

Scheme No. 3: Types of the tax returns

Scheme No. 4: Organizational structure of Chirasys Ltd Company

Table No. 1: The assessment base for payment of contributions to the SI and HI from 1.1.2011

Table No. 2: Rates of health and social insurance

Table No. 3: Comparison of social and health insurance

Table No. 4: The rates of corporation tax from the tax system of the Slovak Republic to the present

Table No. 5: The rates of corporation tax in the Czech Republic to the present

Table No. 6: The rates of health insurance in the Slovak Republic from 2002 to 2011

Table No. 7: Summary of contributions to social insurance for the employee, the employer in Slovakia

Table No. 8: Summary of contributions to social insurance for the employee, the employer in Slovakia

Table No. 9: Rates of health and social insurance in the Czech Republic from 2002 to 2011

Table No.10: Rates of social contributions of the employee and employer in the Czech Republic

Table No.11: Comparison of a payroll tax burden on the Slovak and Czech Republic in 2011

Table No. 12: Wages and salaries cost in Chirasys Ltd in 2011

Table No. 13: Comparison of taxes on motor vehicles in 2011

Table No. 14: Basic information about the Chirasys Ltd.

Table No. 15: Annual accounts and tax depreciation of passenger cars in 2011

Table No. 16: Annual accounts and tax depreciation of computer reports in 2011

Table No. 17: Annual accounts and tax depreciation of office furniture in 2011

Table No. 18: Annual accounts and tax depreciation accounting software in 2011

Table No. 19: Deductibles and additions items Chirasys Ltd.

Graph No. 1: Calculation of net salaries and employer's costs

Graph No. 2: Calculation of the cost to employee

LIST OF ANNEXES

Annex No. 1: Development of tax revenues in 2011 (cash basis in thousands Euros)

Annex No. 2: Tax revenues of state budget in 2010 and 2011

Annex No. 1 : Development of tax revenues in 2011 (cash basis in thousands Euros)

Development of tax revenues in 2011 (cash basis in thousands Euros)

Budget 2011*	Reality**	Divide		% implementation of budget
1	2	3 = 2 - 1		4 = 2 / 1 * 100
Taxes on income, profits, and chap. property	1 929 803	1 875 810	-53 993	97,2
Income tax on individuals ***	110 872	112 095	1 223	101,1
Tax on corporation tax	1 672 937	1 620 461	-52 476	96,9
Income Tax Withholding	145 994	143 254	-2 740	98,1
Domestic taxes on goods and services	6 752 639	6 754 792	2 153	100,0
Value Added Tax	4 668 006	4 753 094	85 088	101,8
excise taxes	2 084 633	2 001 698	-82 935	96,0
The mineral oil excise taxes	1 147 147	1 073 710	-73 437	93,6
mineral oil				
alcohol	214 681	203 786	-10 895	94,9
beer	54 911	57 661	2 750	105,0
wine	3 555	4 031	476	113,4
tobacco	618 593	623 443	4 850	100,8
electricity	14 654	16 031	1 377	109,4
gas	28 725	22 449	-6 276	78,2
coal	2 367	586	-1 781	24,7
Taxes on Int. trade and transactions	33 908	38 903	4 995	114,7
Other tax revenues	70 479	30 788	-39 691	43,7
of which: tax allowances	69 480	29 438	-40 042	42,4
TOTAL TAX REVENUE	8 786 829	8 700 293	-86 536	99,0

* individual taxes are due, including penalties, comparison of budget and the fact

** including sanctions

*** substantial part of it outside the state budget

Annex No. 2: Tax revenues of state budget in 2010 and 2011

Tax revenues of state budget in 2010 and 2011

Cash (including sanctions), in thousands. euro	Reality 2010	Approved Budget 2011	Reality 2011	Difference 2011 - 2010	The growth rate 2011/2010 (in %)	Difference vs. reality. approved budget	% implementation of the approved budget
1	2	3	4 = 3 - 1	5 = 3 / 1 * 100 - 100	6 = 3 - 2	7 = 3 / 2 * 100	
Taxes on income, profits and capital	1 544 698	1 929 803	1 875 810	331 112	21,4	-53 993	97,2
Income tax on individuals	134 849	110 872	112 095	-22 755	-16,9	1 223	101,1
Corporate income tax	1 257 510	1 672 937	1 620 461	362 951	28,9	-52 476	96,9
Income Tax Withholding	152 339	145 994	143 254	-9 085	-6,0	-2 740	98,1
Domestic taxes on goods and services	6 376 229	6 752 639	6 754 792	378 563	5,9	2 153	100,0
Value Added Tax	4 431 605	4 668 006	4 753 094	321 489	7,3	85 088	101,8
Excise taxes	1 944 624	2 084 633	2 001 698	57 074	2,9	-82 935	96,0
mineral oil	1 032 530	1 147 147	1 073 710	41 180	4,0	-73 437	93,6
Alcohol	205 435	214 681	203 786	-1 649	-0,8	-10 895	94,9
Beer	55 922	54 911	57 661	1 739	3,1	2 750	105,0
Wine	4 184	3 555	4 031	-152	-3,6	476	113,4
tobacco and tobacco products	610 036	618 593	623 443	13 408	2,2	4 850	100,8
electricity	14 561	14 654	16 031	1 470	10,1	1 377	109,4
gas	21 272	28 725	22 449	1 177	5,5	-6 276	78,2
coal	684	2 367	586	-98	-14,4	-1 781	24,7
Taxes on international trade and transactions	35 395	33 908	38 903	3 509	9,9	4 995	114,7
Other tax revenues	5 920	70 479	30 788	24 868	420,0	-39 691	43,7
of which: tax allowances	-	69 480	29 438	29 438	-	-40 042	42,4
TAX REVENUE OF STATE BUDGET	7 962 242	8 786 829	8 700 293	738 051	9,3	-86 536	99,0

