



**FACULTY
OF LAW**
Masaryk University

Tax Theory

Michal Radvan



Why to tax?

- Economy - budget, government policy, international situation: The limits of taxation are in effectiveness of economic system.
- Politics – voters, level of state intervention to social life
- Law – who cares?

Functions of taxes

- fiscal function: to guarantee the incomes of the State and municipal budgets and other (public corporation) budgets
 - Laffer curve
- regulation function: to regulate certain kind of behaviour
- stimulation function: to impress an economic subject

Tax vs. Fee vs. ???

- Tax: an obligatory amount defined by an act with a laid down rate which is more or less regularly collected from the incomes of economic subjects to the public budgets on the irrecoverable principle
- Fee / Charge: an obligatory irrecoverable amount defined by an act and collected by the State or other public corporations for certain legal acts; in contrast to tax this amount is irregular (ad hoc) and the fee payor is eligible to ask for some consideration
- Price, Levy, Custom, Tribute, Toll
- Tax in law: legal relationship with its components subject - object - content

Structural Components

- Subjects
 - a natural person or legal entity whose income, property or legal acts (legal transactions) are object of taxation (taxpayer)
 - a natural person or legal entity that has responsibility to calculate the tax, collect it or withheld it and transfer it in time to the tax administrator (payor)

- Object: a legally relevant situation described by law that is connected with a tax duty
 - usually obvious what the object of taxation is just from the title of the tax
 - incomes, possession or using property, transfers with property, consumption, etc.
- Tax base: the quantity of the object of taxation
 - economic income (for income taxes), value (for VAT, inheritance tax, gift tax, real estate transfer tax, partly excise taxes), area (real estate tax) or something different (for example combination of weight and number of axles or engine capacity for the road tax)

- Tax rate: determines the amount of the tax to the tax base
 - fixed tax rate – fixed amount of money irrespective of the quantity of the tax base,
 - percent tax rate – tax includes several percent of the tax base and there are three possibilities for percent tax rate:
 - linear tax rate – the same percentage for a different tax base,
 - progressive tax rate – the higher the tax base, the higher the percentage,
 - degressive tax rate – the higher the tax base, the lower the percentage

- Correction components: possibilities for the taxpayer not to pay the tax or pay less than it is usual
 - tax reduction and exemptions or even increase of tax duty
- Payment conditions: terms and fundamentals of payment
- Tax administrator
- Budget destination: state budget and local budgets (municipal budgets and region budgets)

Classification of taxes

- according to tax impact: direct taxes and indirect taxes
 - direct taxes: assessed to every taxpayer according to his / her incomes, property and they usually respect the personal situation of the taxpayer
 - income taxes, road tax, real estate tax, transfer taxes, etc.
 - indirect taxes: paid and collected in the prices of goods, service, etc. and does not respect personal situation of the taxpayer
 - VAT and excise taxes

- According to the object of taxation
 - Income taxes – taxes on income of natural persons and legal entities
 - Property taxes – taxes on ownership, holding, lease or using of property
 - Transfer taxes - from transfer or transference of ownership title
 - Subject taxes - paid because of the existence of a subject
 - Turnover taxes - paid from the value added by every processor
 - Excises (excise taxes) are imposed on the consumption of selected commodities



Thank you for your attention

