SUMMARY

Taxes, one of the basic fiscal instruments, form the important part of the revenue of the national budget and thus enable the state to carry out its basic functions concerning especially the allocation of monetary resources into areas like health care, social services, defence and justice.

At the time of socialism the economy in some European countries was in a deep crisis. The states reacted to recession resulting from the ineffective economy by taking loans from abroad. In order to overcome such debts the states started to impose the higher tax rates on the population which enables the economies slowly to grow. As a result, the governments were gradually able to reduce the tax rates, which had a favourable impact on population as well as on enterprises. The ex-socialistic European countries progressively try to catch up the advanced countries and their standart of living and taxation is an indispensable tool how to achieve this purpose. In Europe there were several tax reforms in last years, most of them in ex-socialistic European countries. In those reforms some interesting items occurred that could be taken over in other countries.

Each state has the right to determine the conditions of tax collection from taxable entities within its territory. Tax liability is established by tax laws. In each European country there is a lot of various conceptions of the legal regulations of income taxes. Lawmakers try to solve problems peculiar to their country and they make it either through an original way or through a tested way of another country.

Every income tax has some items that have to be described in the tax law. Those items are subject (taxable person), object (taxable income), tax base, tax rate, tax credits and the way, how the tax should be paid. The tax groove is that the natural persons are subject to income tax on their incomes that are divided in categories like income from employment, income from independent activity, income from movable or immovable property, capital income or income from other

sources. Legal entities are subject to corporate income tax or tax on profit and the tax base is among others their corporate profit. Taxable persons are subject to unlimited tax liability on their income if they are tax residents, or limited tax liability if they are non-residents. Who is a tax resident is determined in international treaties on abolition of double taxation.

Taxable income includes all kinds of income determined in the tax law that the taxpayer received within the period of taxation (usually calendar or business year).

Tax base is the amount of all taxpayer's taxable incomes from which can be deducted certain expenses and allowances. An allowance is an amount one can deduct from his income before paying tax. An allowance is thus a tax-free amount, which reduces the taxable income and thereof also the tax. In several European countries the most important allowances are personal allowances, mortgage interest allowances, allowances for membership fees paid to trade unions or pension insurance allowances. After deduction of all allowable amounts the tax base is taxed at progressive or linear tax rate. There is no country in Europe that would tax his taxpayers at regressive tax rate. The final tax liability can be decreased by some tax credits prescribed in the tax law. The way, how the tax should be paid, means how the tax subject announces to the tax authority the amount of his revenues, how does he figure out the amount of the tax and how does he pay off his tax obligation.

There is a specific legal regulation of income taxes in every European country and nobody can tell if one is worse then another because the instruments that could be useful and advantageous in one country, may be absolutely unavailing and unsuitable in a neighbour's country. That is why the legal regulations of taxes cannot be compared. One can only cognise and learn from foreign tax laws and search for some items that could be used in other countries.