Daňové právo vs. daňové podvody a daňové úniky

Tax Law vs Tax Frauds and Tax Evasion

KOŠICE 2015
TAX EVASION IN THE CZECH REPUBLIC

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Abstract in English language
The objective of this paper is to use analysis to present the issue of tax evasion that is part of the shadow economy. Based on the classification of tax evasion, we focus on deliberate illegal tax evasion, particularly in terms of its culpability. With regard to primary sources of information, we rely in part on legal regulations of the Czech Republic and in part on the Reports on the Activities of the Financial Administration of the Czech Republic and of the Customs Administration of the Czech Republic for the period of 2009 to 2013, including our own practical experience. Tax evasion/avoidance results in annual reduction of public revenue in the amount of EUR 1 trillion in the European Union, with tens of billions of Czech crowns in the Czech Republic. The situation is so alarming that even European institutions have been greatly focusing on the issue for several years now, proposing many measures aimed at reducing tax evasion and avoidance.

Keywords in English language
shadow economy, tax avoidance/tax evasion, tax-related crimes, income tax, value added tax, excise taxes

INTRODUCTION
Tax evasion – a phenomenon that will always exist - to a greater or lesser degree - as long as taxes are imposed by governments on individuals and legal entities. It is clear that higher taxes result in higher tax evasion. Therefore, it is necessary to implement...
such tax policy that does not demotivate taxpayers in terms of tax payments on the one hand, and – on the other hand – the public administration must use such funds as economically as possible. Moreover, it is necessary to spread out the tax burden to maintain not only basic fairness, but also the tax collection effectiveness. However, these antagonistic notions are associated with public choice; public choice, in turn, is in the hands of voters – i.e. those who pay taxes.

Until 1989, the term tax evasion/avoidance was not well-known in Czechoslovakia. Tax inspections, if any, by the financial administration at the time were aimed at detecting potential errors arising from lack of knowledge/information rather than from deliberate intention to get enrichment. Tax evasion/avoidance, as known today, started to appear with gradual transition to market economy. Prior to a tax reform, the most significant problems existed for the sales (turnover) tax. The tax was simplified, with thousands of different rates being consolidated to only four; however, the new situations were absolutely unknown for the tax administrator.2

The increasing trend of tax fraud and/or evasion as well as the variety of their forms started to fully show after the tax reform implementation on 1 January 1993 and then after the accession of the Czech Republic to the European Union (hereinafter the “EU”) on 1 May 2004. To resolve these issues, it is currently necessary to proceed in a coordinated manner and from different perspectives. With advancing globalization, carousel frauds relating to value added tax (hereinafter the “VAT”) and aggressive tax planning represent an ever increasing problem. Carousel frauds relating to VAT consist in unjust claims being made, thereby resulting in lower tax revenue. With regard to aggressive tax planning, we should note that tax planning has been traditionally considered a legitimate practice throughout the world. However, an aggressive form of tax planning has evolved, which utilizes minor technical details of individual tax systems or differences between two or more tax systems in different countries, usually with a view to illegally reduce tax liability. No single country can deal with such problems alone. International cooperation is thus necessary in the aforementioned cases.3

The paper addresses the issue of tax evasion that is part of the shadow economy. Using analysis, it will attempt to present their development and potential solutions. Based on the classification of tax evasion, we focus on deliberate illegal tax evasion, particularly in terms of its culpability. With regard to primary sources of information, we rely in part on legal regulations of the Czech Republic and in part on the Reports on the Activities of the Financial Administration of the Czech Republic and of the Customs Administration of the Czech Republic for the period of 2009 to 2013, including our own practical experience. Tax evasion/avoidance results in annual reduction of public revenue in the amount of EUR 1 trillion in the European Union, with tens of billions of Czech crowns in the Czech Republic. Consequently, individual countries lose some financial funds that could otherwise be used to reduce the tax burden or increase the standard of public goods. At the same time, tax evasion considerably contributes to uneven conditions for business activities, thereby representing failure of individual governments in implementing their economic policy.

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on the one hand, and, on the other hand, leading to efforts of tax entities aimed at coping with the difficult situation in the market by adopting similar tax-related measures as their competition. The situation is so alarming that even European institutions have been greatly focusing on the issue for several years now, proposing many measures aimed at reducing tax evasion/avoidance.

1. DEFINITION OF TAX EVASION

Tax evasion refers to minimization (or even elimination) of tax liability. This may either be legal or illegal. In English texts, it is distinguished between tax avoidance and tax evasion⁴. The difference between the two terms consists in their legality.

Tax avoidance comprises legal activities, usually for the purpose of tax optimization, i.e. for reducing tax payments. Such tax optimization involves utilization of all available legal provisions, including the application of all exceptions and tax reliefs, as well as the utilization of imperfect provisions of tax laws and associated regulations. On the one hand, tax avoidance may result from the utilization of legal regulations directly foreseen by legislators, having thought any and all consequences through; however, on the other hand, it may also arise from unintentional errors.

Tax evasion represents illegal activity that may result in sanctions for tax entities. The extent of such sanctions depends on the extent of such tax evasion or failure to pay taxes, as well as whether deliberate violation of law is in fact proven. Most exposed cases result in sanctions in the form of back tax being assessed by the tax administrator, including late fees and penalties, not in criminal complaints being filed. Not all evasions in this category must automatically represent deliberate, fraudulent activities. Many of them may instead result from lack of knowledge or information, or from negligence and/or lack of caution; these factors are also caused by excessive non-transparency of tax laws associated with different interpretations of the law not only by tax advisory or lawyers, but even by tax administrators themselves.

2. TAX EVASION AS PART OF THE INFORMAL SECTOR (GREY ECONOMY)

Tax evasion is part of the informal sector, the performance of which is not consistently recorded in the reported performance of the economy⁵. According to the applicable methodology of National Accounts ESA 2010, which must be applied by EU Member States, the calculation of gross domestic product (hereinafter “GDP”) also includes an estimate of this sector⁶. It generates revenue for those, who operate it. It concerns economic activities on the borderline or outside of legal rules, aimed at generating profit on foundation that contradicts such rules. It comprises a set of different actions and activities that vary from one another⁷. It does not solely concern tax evasion in the construction sector, where revenue is not reported, personal consumption is included in eligible costs, thereby leading to distorted results of operations and lower tax payments, but also unreported employment, preying on

customers, sales of counterfeit unsafe goods, corruption, smuggling, money laundering, etc. This economic sector often includes a legal component, in addition to illegal production of goods/provision of services; it steers outside the employment system control and often outside of the official weekly working hours. It demoralizes the business environment by creating uneven economic conditions for all involved entities. Withholding of cash revenue from sales represents a typical example. From the financial perspective, the grey economy may be characterized as illegal activities, during which the government loses revenue from taxes, customs duties, and insurance premiums. The government thus loses some financial funds that could otherwise be used to reduce the tax burden or increase the standard of public goods, for example.8

The size of the informal sector cannot be accurately determined; it can only be estimated using statistical methods. It is expressed as a percentage of GDP. In the EU, this percentage went down from 22.4% to 18.5% from 2003 to 2013. However, in absolute numbers, the sector has generated more than EUR 2 trillion annually since 2004 (EUR 2.153 trillion in 2013). With regard to individual Member States of the EU, the highest percentage of the informal sector is reported by Bulgaria (31.2% of GDP in 2013), with Austria reporting the lowest number (75%).9 In the Czech Republic, the indicator has been slightly above 15% of GDP in recent years, i.e. below the average rate for the EU; in absolute numbers, the volume exceeds CZK 600 billion. In 2003, the percentage amounted 19.5%, dropping to 17% of GDP in 2007; there are positive developments in the subsequent period, even though the imposed enforcement measures aimed at the informal sector had only minor effect.10

Chart no. 1: Development of the informal sector in relation to employment in the Czech Republic

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3. TAX EVASION AS CRIME

According to the Criminal Procedure Code\(^1\), government authorities, legal entities, and individuals shall – free of charge, without any undue delay and unless special regulation stipulates otherwise – comply with any requests of law enforcement authorities (hereinafter the "LEA") made in the course of the performance of their tasks. Moreover, government authorities shall immediately notify the Public Prosecutor's Office or police authorities of any facts that might suggest a crime has been committed. This obligation is also imposed on tax administrators, i.e. the Financial Administration of the Czech Republic\(^2\) and the Customs Administration of the Czech Republic\(^3\). These are organizational units of the government established by the Ministry of Finance.

The Criminal Code\(^4\), adopted with effect from 1 January 2010, mentions several tax crimes, including but not limited to Section 240 Reduction of taxes, fees, and similar mandatory payments, and Section 241 Failure to pay taxes, social security insurance premium, and similar mandatory payments.\(^5\) The following precondition applies to both provisions: in order for such illegal activity to be classified as crime, it must be carried out in a greater extent.

The Financial Administration may also file criminal complaints in case of alleged crime pursuant to Section 254 Falsification of information on results of operations and assets, Section 227 Violation of obligation to make a true declaration of assets due to the fact that a tax debtor failed to comply with the obligation to provide statement of assets pursuant to Section 180 of the Tax Code\(^6\) upon the tax administrator’s request so that the existence of such assets and their potential size can be properly assessed for the purpose of tax proceedings.

The Customs Administration of the Czech Republic has a number of other competences. Therefore, in addition to investigating and reporting crimes of tax reduction to the LEA for taxes administered by the Customs Administration\(^7\), it also monitors other tax crimes, specifically Section 244 Violation of regulations regarding labels and other items used to identify goods, including their counterfeits and alterations pursuant to Section 245.

The elements of crime pursuant to Section 244 were introduced in connection with cigarette revenue stamps in 1994 with a view to prevent tax evasions associated with the sales of smuggled cigarettes, with potential criminal sanctions for such conduct. This currently concerns the use of labels intended for identifying not only tobacco products, but also some alcoholic beverages produced in the Czech Republic or another EU Member State as of 2006.

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\(^1\) Provisions of Section 8(1) of Act no. 141/1961 Coll., Criminal Procedure Code, as amended.


\(^3\) Act no. 17/2012 Coll., on the Customs Administration of the Czech Republic, as amended.


\(^5\) These elements of crime were introduced in 1998 due to high arrears of social security/health insurance premiums by employees. However, this also applies to individual income tax from employment.


\(^7\) Excise taxes, environmental tax, and partially also VAT.
By introducing the elements of crime pursuant to Section 245 Counterfeiting and altering labels used to identify goods or items corroborating the compliance with the obligation to pay fees, legislators supplemented Section 244 as it was ascertained that obligations relating to records and control of tobacco labels arising from the Act on Excise Taxes were circumvented, with genuine labels being misused and a lot of counterfeit labels being in distribution. The provision was included in the category of tax crimes due to reduction of excise taxes. As of 2006, the provisions of Section 245 also apply to spirit revenue stamps.

In addition to this, the Customs Administration also investigates nontax crimes — specifically infringement of trademark rights, unauthorized disposal of narcotics and psychotropic substances consisting in their import, export, or transit, etc.

Table no. 1: Development of criminal complaints filed on the ground of reduction of / failure to pay taxes by the Financial Administration of the Czech Republic and cases discovered by the Customs Administration of the Czech Republic

<table>
<thead>
<tr>
<th>Index</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>1013</th>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>§ 240 CC</td>
<td>1 267</td>
<td>1 510</td>
<td>1 325</td>
<td>1 555</td>
<td>1 095</td>
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<tr>
<td>§ 241 CC</td>
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<td>108</td>
<td>107</td>
<td>156</td>
<td>99</td>
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<td>1 618</td>
<td>1 432</td>
<td>1 711</td>
<td>1 194</td>
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<tr>
<td>Amount in mill. CZK</td>
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<td></td>
<td></td>
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<td></td>
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<tr>
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<td>6 452</td>
<td>9 367</td>
<td>4 485</td>
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<tr>
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<td>27</td>
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<td>77</td>
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<tr>
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<td>6 389</td>
<td>6 803</td>
<td>9 447</td>
<td>4 562</td>
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<tr>
<td>Amount per case in mill. CZK</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>§ 240 CC</td>
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<td>4,87</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of cases</td>
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<td>52</td>
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<tr>
<td>Amount in mill. CZK</td>
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<td>191</td>
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<td>1 913</td>
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<td>4,83</td>
<td>3,67</td>
<td>3,93</td>
<td>21,74</td>
</tr>
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</table>


In 2013, the Financial Administration gave 1 194 submissions to the LEA, currently the lowest number since 2009. Moreover, the total loss in the form of tax evasion is the

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lost in the given year. According to tax administrators, this development may be contributed to their timely response, as they discover tax evasion prior to its actual implementation. It also resulted from the fact that the preparation of crime consisting in the reduction of taxes, fees, and similar mandatory payments are not punishable as of 2010\textsuperscript{19}. Consequently, tax administrators specialize in preventing tax evasion, particularly by not paying out unjust excessive VAT claims within the so-called carousel frauds. However, according to the Reports on the Activities for 2009 through 2013, many of these criminal complaints are suspended by law enforcement authorities – partly due to the inability to prove the intention, and partly due to the payment of back taxes by exercising effective repentance pursuant to Section 242 of the Criminal Code, i.e. provisions that supplement tax crimes. Another reason for suspending criminal complaints of tax reduction is the fact that they are submitted to tax administrators after the completion of tax proceedings – i.e. at the time the given decision is already effective.

According to the Reports on the Activities for 2009 through 2013, authorized customs authorities that possess police competences start hundreds of criminal files each year on the basis of alleged crimes, both tax-related and others. Individual cases are then passed on for investigation to authorities of the Police of the Czech Republic\textsuperscript{20} or to the Public Prosecutor’s Office under summary proceedings\textsuperscript{21}. These cases are usually suspended by the LEA as well. Therefore, Table no. 1 only shows new cases of tax reduction crimes discovered by the Customs Administration in the relevant calendar year. The sharp increase in the volume of tax evasion in 2013 relates to the disclosure of extensive excise tax evasion concerning mineral oils.

4. MOST COMMON FORMS OF TAX EVASION IN THE CZECH REPUBLIC

Tax evasion comprises a variety of activities that are subject to different positions by the society. Views of tax entities, members of different interest groups of authors of economic policy, differ in many aspects,\textsuperscript{22} because each of them pursues their own interest as a public choice subject.

According to the Reports on the Activities of the Financial Administration of the Czech Republic, the sectors most commonly affected by tax evasion were as follows in the period of 2009 through 2013: trade and repairs, construction sector, processing industry, and catering and accommodation. There are no significant changes in the list compared to previous years.

With regard to reviewed entities, it most frequently concerns fictitious provision of services in the area of advertising, marketing analyses and economic studies, with a view to make unjust VAT claims (carousel frauds) and to reduce income taxes by reporting them as tax deductions. First cases were already registered in the mid-1990s. At the time, more than 400 companies were simultaneously reviewed by the tax administration on the basis of the following newspaper add: “Would you like to reduce

\textsuperscript{19} With its reintroduction, the tax administrators as well as the Police of the Czech Republic would get an effective tool for fight against tax evasion, particularly in case of the so-called unjust excessive VAT claims.

\textsuperscript{20} Section 162(1) of Act no. 141/1961 Coll., Criminal Procedure Code, as amended.

\textsuperscript{21} Section 179c of Act no. 141/1961 Coll., Criminal Procedure Code, as amended.

your income tax base in an intelligent manner?". Tax evasion relating to VAT and
income taxes amounted to several tens of millions of Czech crowns. Similar cases of
tax evasion have been appearing since.
A separate problem is tax evasion relating to the existence of tax havens, with profits
being transferred in different manners; however, usually in the aforementioned manner,
to jurisdictions that have low or no taxes. This is a global problem, similarly as
aggressive tax planning. Countries must act against such tax evasion together.
According to tax administrators, tax evasion most commonly involves:

- Reduction of tax base, mainly by unauthorized increase of expenses (costs) – e.g.
  by using one-off costs of repair and reconstruction instead of technical
  improvement that must be gradually depreciated, use of entrepreneur’s personal
  costs as tax deductions for business activities, incorrectly maintained or missing
  records of warehouses and stocktaking, acceptance of fictitious invoices,
  inclusion of tangible/intangible assets in direct consumption by listing them as
  several items, fictitious business trips;
- Withholding of revenue – e.g. from lease of apartments or recreational premises,
  from occasional gainful activity;
- Reporting of income as income exempt from taxes, e.g. sale of motor vehicles
  less than a year from the purchase thereof, with the registration of a new operator
  after the one-year period, purchase of used or damaged vehicles from abroad
  directly in the name of future buyers, who thus pay customs duties and VAT
  from the purchase price, although they pay much higher price for their vehicles
  after the repair;
- Fictitious delivery of goods and provision of services, chains thereof, etc. for the
  purpose of reducing income tax, but particularly to get unjust excessive VAT
  claims (carousel frauds);
- Repairs and purchases without any receipt: reduction of both VAT and income
  taxes for entrepreneurs or businesses that provide such services;
- Incorrect description of goods to ensure lower tax payment;
- Payment of wages/salaries to employees in cash and without employment
  contracts;
- Fictitious reporting of losses that have never been incurred: for example, after the
  year end, a company enters into a fictitious contract on exchange risk hedging
  with its parent company / affiliate that results in a loss;
- Overly complicated tax laws;
- Widespread use of cash payments.

In the period under review of 2009 through 2013\(^3\), the Customs Administration of
the Czech Republic most commonly reports tax evasion for selected commodities that
are subject to excise taxes, such as:
- Reporting of imported spirit as a material for production of food products or
  detergents;
- Reduction of the quantity of manufactured products and their sale without any
  tax documents/receipts;

\(^3\) CUSTOMS ADMINISTRATION OF THE CZECH REPUBLIC. Information on the Activities of the
Customs Administration of the Czech Republic. Prague: Customs Administration of the Czech
• Reporting ethanol as another chemical substance or processing of ethanol to get another substance, with later reprocessing and sale;
• Smuggling of alcoholic beverages and cigarettes from abroad or reporting them as other goods (such as construction materials);
• Deliberate reduction of purchase price by foreign supplier in issued invoices;
• Fictitious thefts of goods;
• Inclusion of goods into another customs tariff category with lower import customs duties;
• Reporting goods as goods from a country with preferred tax regime, i.e. with lower customs duties;
• Fictitious export of goods using a counterfeit export certificate, with claim of VAT for export or actual export of overpriced goods to fictitious or even existing foreign customer with subsequent import of the same goods at much lower prices.

CONCLUSIONS

According to the European Union, total tax evasion in all Member States amounts to about EUR 1 trillion per year. Therefore, one of the last action plans of the EU includes an objective to cut this deficit by fifty percent by 2020. Companies look for ways to avoid tax payments not only in EU Member States; they seek various loopholes in applicable regulations or even relocate their registered offices to a country with less stringent tax policies.\textsuperscript{24}

This alarming tax deficit amount corresponds to about EUR 2,000 per each EU citizen annually. The average amount of tax losses in Europe today is higher than the total amount invested by individual Member States in healthcare and corresponds to more than four times the funds paid in respect of education in the EU. The current tax deficit in Europe does not only represent significant public revenue losses, it also endangers the European welfare model that relies on the provision of high-quality public services available to all. Moreover, it also poses a threat to the functioning of the single market and fairness of tax systems within the EU.\textsuperscript{25}

Many economists recommend reducing taxes and simplifying the tax system for the purpose of reducing tax evasion. However, the Czech Republic does not show excessive tax burden, as documented by the level of compound tax quota of 34.1% in 2014, i.e. slightly below the average EU-28 level of 39.4%. Moreover, it should gradually decline from 33.8% expected for this year to 33.6% in 2017, as suggested from the fiscal outlook of the Ministry of Finance.\textsuperscript{26}

The approach of the public to tax evasion is still very benevolent in the Czech Republic. This is affected by the overall atmosphere within the society as well as the tendency of citizens to tolerate and aid tax evasion. The impact of the 1990s with deliberately imperfect tax laws is still apparent in the Czech Republic. Moreover, punishments for tax evasion were reduced as of 2010 – with the effect of the new

\textsuperscript{24} KRUTÍLEK, O., REPISKÁ, M. Boj EU proti daňovým šímkům, aneb daňové ráje. In EUROSKOP, 2013.


Criminal Code\textsuperscript{27}, and the tax evasion preparation is no longer a crime. This was a signal that the resolution of tax evasion is not at the top of politicians' list. However, it is necessary to reintroduce this crime.

However, there have recently been efforts aimed at resolving these problems more radically. One of the main priorities of the present government in the area of fiscal policy is an increase of the tax collection effectiveness and fight against tax evasion. The Ministry of Finance has prepared a set of measures that will considerably limit potential tax evasion, thereby contributing to higher tax revenue with the same tax burden.\textsuperscript{28} It is not possible to resolve the issue of tax havens and aggressive tax planning without the EU coordination.

One of the planned measures to be used within the fight against VAT evasion is the introduction of the so-called "control report" as of 1 January 2016. The fundamental principle behind the measure is to impose an obligation, where both suppliers and customers would have to provide the Financial Administration of the Czech Republic with electronic book entry records together with their VAT statement also for any performance between domestic payers; such records would show all received and paid considerations subject to tax. The control report will thus enable more effective supervision and control – particularly in making excessive deductions.

Another planned measure that will target both VAT frauds and income tax frauds is the introduction of the so-called electronic registration of revenue (hereinafter the "ERR"). For its simplicity, transparency, and effective functioning, the Croatian model has been selected – i.e. delivery of data online via internet connection, without any need for hardware or software certification. The priority consists in optimal and balanced functioning of the entire system, using today's technology, minimizing administrative burden for obliged entities and overall costs, and effective use of data for the tasks of the Financial Administration of the Czech Republic. When the electronic registration of revenue is launched, it will be necessary to ensure the avoidance of the system, including higher motivation for consumers to request receipts from the respective businesses or other entrepreneurs. This measure should be effective as from 1 January 2016 for accommodation and catering, as from 1 April 2016 for retail and wholesale trade, and as from 1 July 2016 for other activities.

In connection with the introduction of the electronic registration of revenue, we recommend further reducing the limit for cash payments, currently at CZK 270 thousand.\textsuperscript{29}

In reaction to increasing number of VAT frauds, an amendment has been drafted that expands the range of goods subject to the so-called reverse charge regime. It will newly be possible to use reverse charge for the delivery of the following goods: mobile telephones, devices featuring integrated circuits, gaming consoles, tablets and laptops, cereals and technical crops, including oilseeds and sugar-beets, delivery of raw or semi-processed metals, including precious metals. Another measure that is also included in the amendment is the introduction of a rapid response mechanism. It enables imposition

\textsuperscript{27} Act no. 40/2009 Coll., Criminal Code, as amended.
\textsuperscript{29} Section 4(1) of Act no. 254/2004 Coll., on Restriction of cash payments and on amendment to Act no. 337/1992 Coll., on Taxes and fees, as amended.
of a reverse charge regime for the period of up to nine months on the basis of a Government Regulation.\textsuperscript{30}

To ensure more meaningful prevention of VAT evasion, it would be beneficial to introduce a nationwide domestic reverse charge, which would have to be reflected in the relevant EU Directive.

Illegal tax evasion will be gradually prevented by strengthening and imposing automatic supervision and identification activities of tax administrators, empowering them with new competences, and improving legal regulations.

Promising cooperation tax administrators and the Police of the Czech Republic in detecting tax frauds started in 2005 by the establishment of the Financial Police organized within the Police of the Czech Republic. However, the department was eliminated by the new government in 2007. The close cooperation of police authorities and tax administrators was renewed last year, with the establishment of the unit called “DANOVA KOBRA” (Tax Cobra), with significant involvement of the Financial Analytical Unit (FAU) of the Ministry of Finance that features access to nonpublic registers and databases. The Czech Republic has thus taken over the Slovak cooperation model for different organizational units of the government.

Moreover, it is necessary to increase the number of tax administrators in the Czech Republic, because they were significantly reduced as of 2010 as a result of the restrictive fiscal policy of the government from 16,000 in the first decade of the new millennium to 14,000 at the beginning of the second decade. This put the tax collection process at risk to an extent that tax arrears increased by about a third from approximately CZK 100 billion per year registered on a long-term basis.\textsuperscript{31}

As part of its tax policy, the government should not increase the indirect tax rates above the level of those prevailing in neighboring countries. This leads not only to higher share of shopping “tourism” in borderland areas with impact on domestic tax revenue, but also to higher efforts of some entities to avoid such taxes and get unjust high “profits” to the detriment of the government as well as other compliant entities.

Naturally, tax evasion could also be reduced by higher criminal punishments, longer periods for assessment or back assessment of taxes, quicker handling of international requests, reintroduction of minimum taxation; moreover, in connection with the recent methanol scandal, spirit revenue stamps should also include excise taxes, similarly as for cigarette revenue stamps, etc.

One of the ways for reducing tax evasion and increasing public budget revenue is to impose the payments of flat-rate taxes for selected professions. A number of EU Member States use flat-rate taxes for tradesmen, taxi drivers, and other professions, irrespectively of whether the given entrepreneurs / businesses report profit or loss – they must pay the tax in any case, because, according to economists, the low-value services are the breeding ground for the informal sector and tax evasion, with tens of billions of Czech crowns in lost public revenue every year. Flat-rate taxes represent one of the reasons why (not only) all EU Member States experience much less problems with nonpayment of taxes than the Czech Republic.


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