



**XXII. ročník mezinárodní odborné konference**

# **TEORETICKÉ A PRAKTICKÉ ASPEKTY VEŘEJNÝCH FINANČÍ**

**Vysoká škola ekonomická v Praze  
Fakulta financí a účetnictví**

**7. – 8. dubna 2017**



**OECONOMICA**  
Nakladatelství VŠE

Vysoká škola ekonomická v Praze  
Fakulta financí a účetnictví

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## Editorial

Dear readers,

In April the Department of Public Finance organizes the International Conference "**Theoretical and Practical Aspects of Public Finance**". Its Scientific and Organising Committees and Department of Public Finance of the University of Economics in Prague successfully invites to Prague outstanding scientists and in other spheres functioning people.

The Conference became this way not only regular event for Czech scientists but also the opportunity for creation of contacts with academics, other scientists, civil servants and other experts for the exchange of experience in broader extent.

We would like to heartily invite you to this Conference and we wish you a nice stay in Prague.

On behalf of the Scientific and Organising Committees and Department of Public Finance of the University of Economics in Prague,



*Květa Kubátová,*

*Chair of the Conference Scientific Committee*

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## Obsah

<i>Ing. Eva Ardielli, Ph.D.</i> .....	9
<b>Performance Evaluation of Culture Sector in the Czech Republic and EU - Member Countries</b> ..	<b>9</b>
<i>Ing. Eduard Bakoš, Ph.D.</i> .....	10
<i>Ing. Petra Dvořáková, Ph.D.</i> .....	10
<b>Voluntary Municipal Associations – the Czech Case</b> .....	<b>10</b>
<i>Ing. Ondřej Bayer</i> .....	11
<b>It is possible to test similarity of tax system by econometric modelling?</b> .....	<b>11</b>
<i>Ing. Bc. Jiří Bečica, Ph.D.</i> .....	12
<b>The financing of culture in the Czech Republic</b> .....	<b>12</b>
<i>Ing. Aneta Borůvková</i> .....	13
<b>Changes in the Typology of Tax Mixes in EU Member States during the Crisis Relative to Implicit Tax Rates</b> .....	<b>13</b>
<i>Ing. Savina Finardi, Ph.D.</i> .....	14
<b>Discussion of Property Taxation in the Czech Republic</b> .....	<b>14</b>
<i>Bc. Ing. Lucie Formanová</i> .....	15
<i>Mgr. Milan Křápek, Ph.D.</i> .....	15
<b>How political business cycle affects the implicit tax rates on labor and consumption in the EU?</b> .....	<b>15</b>
<i>Ing. Eva Gajdošová</i> .....	16
<b>Hospital Effectiveness in the Czech Republic: Strengths and Weaknesses of DEA Approach</b> ...	<b>16</b>
<i>Ing. Jakub Haas</i> .....	17
<i>Bc. Anita Golovkova</i> .....	17
<b>Mid-term financial sustainability of the Czech public health insurance system</b> .....	<b>17</b>
<i>Ing. Martin Holub, Ph.D.</i> .....	18
<b>The assignment of a portion of old-age pension insurance contributions</b> .....	<b>18</b>
<i>RNDr. Tomáš Hudeček, Ph.D.</i> .....	19
<i>doc. Ing. Mgr. Martin Dlouhý, Ph.D., Dr.</i> .....	19
<b>Urban Structures and Municipal Expenditures: First Results</b> .....	<b>19</b>
<i>Ing. Lenka Hyklová</i> .....	20
<b>Administrative costs of environmental taxes in the Czech Republic</b> .....	<b>20</b>

<i>doc. Ing. Milan Jílek, Ph.D.</i> .....	21
<b>Sustainability of Regional Government Debt in Czech Republic</b> .....	<b>21</b>
<i>doc. JUDr. Ing. Radek Jurčík, Ph.D.</i> .....	22
<b>The review procedure in public procurement in the Czech, Polish and Slovak Republics – selected aspects</b> .....	<b>22</b>
<i>Ing. Lucie Kábelová</i> .....	23
<b>Effective Tax Rate of Employees and Self-employed</b> .....	<b>23</b>
<i>doc. Ing. Stanislav Klazar, PhD.</i> .....	24
<i>prof. Ing. Alena Vančurová, PhD.</i> .....	24
<b>The impacts of reintroducing the concept of gross wages as a tax base of personal income tax in the Czech Republic</b> .....	<b>24</b>
<i>Oleg Kravtsov, MBA</i> .....	25
<i>Prof. Ing. Karel Janda, M.A., Dr., Ph.D.</i> .....	25
<b>Time-varying Effects of Public Debt on the Financial Development and Banking Sector in the Central and Eastern Europe</b> .....	<b>25</b>
<i>Ing. Pavla Kubová, Ph.D.</i> .....	26
<i>doc. Ing. Miroslav Hájek, Ph.D.</i> .....	26
<b>Effect of the Continual Annual Increase in Environment Protection Expenditure on Some Components of the Environment</b> .....	<b>26</b>
<i>Doc. Jiří Málek, Ph.D.</i> .....	27
<i>Ing. Quang van Tran, Ph.D.</i> .....	27
<b>Value at Risk calculated with <math>\alpha</math>-stable distribution for Czech stock market index PX</b> .....	<b>27</b>
<i>Ing. Jan Mertl, Ph.D.</i> .....	28
<b>Prepaid schemes in Czech health care system</b> .....	<b>28</b>
<i>Ing. Lucia Mihóková, PhD.</i> .....	29
<i>Ing. Radovan Dráb, PhD.</i> .....	29
<i>Ing. Monika Harčariková, PhD.</i> .....	29
<b>Determinants of Fiscal Consolidation Success</b> .....	<b>29</b>
<i>Ing. Mária Murray Svidroňová, PhD.</i> .....	30
<i>prof. Ing. Beáta Mikušová Meričková, PhD.</i> .....	30
<i>prof. Ing. Juraj Nemeč, CSc.</i> .....	30
<b>Civic participation to fight corruption</b> .....	<b>30</b>

<i>Ing. Nikoleta Muthová</i> .....	31
<i>doc. Ing. Štefan Hronec, PhD.</i> .....	31
<i>Ing. Tomáš Mikuš</i> .....	31
<i>Ing. Alena Kaščáková, PhD.</i> .....	31
<b>Evaluation of the innovation potential of public service providers – the offer of innovation of public services</b> .....	<b>31</b>
<i>Ing. Bohuslav Pernica, PhD.</i> .....	32
<b>The Military Spending and the End-Of-Year Spend-Out Rush</b> .....	<b>32</b>
<i>doc. Ing. Peter Písár, PhD.</i> .....	33
<i>Ing. Martin Varga</i> .....	33
<b>Contribution made by innovative players in R &amp; D in the regions of Slovakia and spending policies supporting innovation</b> .....	<b>33</b>
<i>doc. Ing. Zdeněk Sadovský, CSc.</i> .....	34
<i>Ing. Jitka Matějková</i> .....	34
<b>Labour costs and income inequality in the CR</b> .....	<b>34</b>
<i>JUDr. Ing. Hana Skalická, Ph.D., BA</i> .....	35
<b>How the Procedural Rules of both the Common Corporate Tax Base and the Common Consolidated Corporate Tax Base Directive should be implemented in the Czech Republic?...</b>	<b>35</b>
<i>Ing. Šárka Sobotovičová, Ph.D.</i> .....	36
<i>Doc. Ing. Jana Janoušková, Ph.D.</i> .....	36
<b>Nedoplatky a jejich výše v kontextu daně z nemovitých věcí</b> .....	<b>36</b>
<i>Ing. Veronika Solilová, Ph.D.</i> .....	37
<i>doc. Ing. Danuše Nerudová, Ph.D.</i> .....	37
<b>SMEs and its Compliance Cost of Transfer Pricing: Czech, Slovak and Poland Case</b> .....	<b>37</b>
<i>Ing. Jana Stavjaňová</i> .....	38
<b>The Relationship between Tax Evasion and Economy Development</b> .....	<b>38</b>
<i>Dr. Eng. Aleksandra Sulik-Górecka</i> .....	39
<i>Dr. Dorota Adamek-Hyska</i> .....	39
<i>Assoc. Prof. Dr. Marzena Strojek-Filus</i> .....	39
<b>Consolidated balance sheet of local self-government entity in Poland – legal bases and its usefulness</b> .....	<b>39</b>



<i>Prof. Marek Szczepański</i> .....	40
<b>The impact of pension reforms in Poland on public finances</b> .....	<b>40</b>
<i>prof. Ing. Jan Široký, CSc.</i> .....	41
<i>Ing. Eva Jílková, Ph.D.</i> .....	41
<i>Ing. Jolana Skaličková</i> .....	41
<b>Assessment of the Interactions between Social Security Contributions and Selected Socio-Economic Indicators</b> .....	<b>41</b>
<i>Ing. Zuzana Špinerová</i> .....	42
<b>Sektor stavebníctva a veřejné zákazky na stavebné práce v České republice – vybrané charakteristiky</b> .....	<b>42</b>
<i>Ing. Jan Tecl</i> .....	43
<b>Labor taxes and decision about FDI in the EU</b> .....	<b>43</b>
<i>Doc. Ing. Petr Tománek, CSc.</i> .....	44
<b>Application of the criterion of the number of pupils in the budgetary allocation of taxes for municipalities</b> .....	<b>44</b>
<i>Ing. Gejza Trgiňa</i> .....	45
<b>New wage theory</b> .....	<b>45</b>
<i>doc. Ing. Václav Urbánek, CSc.</i> .....	46
<b>Baumol's Cost Disease in Education</b> .....	<b>46</b>
<i>prof. Ing. Jaroslav Vostatek, CSc.</i> .....	47
<b>Czech Tax Mix and Welfare Regimes of Labour Taxation</b> .....	<b>47</b>
<i>Ing. Hana Zídková, Ph.D.</i> .....	48
<i>Ing. Jana Tepperová, Ph.D.</i> .....	48
<b>How effective is Registration of sales?</b> .....	<b>48</b>
<i>Ing. Jarmila Zimmermannová, Ph.D.</i> .....	49
<i>doc. Ing. Miroslav Hájek, Ph.D.</i> .....	49
<i>JUDr. Ladislav Rozenský</i> .....	49
<b>Carbon taxation in the European countries</b> .....	<b>49</b>

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## Performance Evaluation of Culture Sector in the Czech Republic and EU - Member Countries

Culture and Arts represent the essential part of human existence, especially in terms of historical, symbolic, aesthetic and spiritual values. Despite its undisputed social importance this sector is also becoming more important from economic perspective in the last years. The cultural sector can be described as a growing segment of the economy with high rates of GDP growth and dynamic development of employment. This fact reinforces the importance of the sector within the European Union, as GDP growth and a high level of employment belong among the primary goals of the Community, in accordance with European legislation and key EU documents.

Despite all the importance of the cultural sector, economic benefits are difficult to quantify. From this reason, the paper is focused on the problematic of performance evaluation of the cultural sector. The evaluation is based on the usage of MCDM methods (TOPSIS and WSA) and offers the interesting results of performance comparison for cultural sector on the international level – in the case of EU member countries.

Key words: Cultural sector, evaluation, MCDM methods

Jel: H11, H41, Z18

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## Voluntary Municipal Associations – the Czech Case

The Czech Republic has very fragmented structure of public administration. The structure of municipalities according to their size shows that vast majority of municipalities have less than 1,000 inhabitants. This factor significantly affects the financing of their activities, because it is an important principle for allocation of shared taxes. Revenues of municipalities limit their management and provision of services for citizens. This can be solved by establishing voluntary municipal associations (VMAs) as one of the possible forms of municipal cooperation. The main goal of this paper is to describe voluntary municipal associations in the Czech regions and seek to scope a research agenda on VMAs by identifying data sources that can reveal the extent of VMAs in the Czech Republic. Partial objective is to point out potential problems in data reporting, which makes VMAs analysis difficult. The results of preliminary research demonstrate a variety of region approaches to collecting data on VMAs.

Key words: municipalities, inter-municipal cooperation, voluntary municipal association, compound indicator of inter-municipal cooperation intensity

Jel: H77, R58

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## It is possible to test similarity of tax system by econometric modelling?

The paper deals with possible approach to testing the similarity of the tax system using regression parameters from macro-econometric model. To test the similarity is used VAT revenue in the Czech Republic, Poland and the Slovak Republic. The actual method is based on the design of ADL-ECM model with selected explanatory variables. The first part is devoted to the description of the data and the methodology chosen, the second part of the paper deals with derived models. The last section is devoted to evaluation of results.

Key words: Tax revenue, VAT, ADL-ECM model

Jel: H20

## The financing of culture in the Czech Republic

The paper assesses the cultural sector in the Czech Republic from the point of view of provision, structure and financing of the collective public goods. The aim is to evaluate the number and operation of organizations in the cultural sector, whose promoter is the State and the self-governing regions in the territory of the Czech Republic. The main objective is the evaluation of State spending and then of each self-governing region in the Czech Republic, which financially provide for the functioning of the organizations in its territory. Spending undertaken from regional budgets is assessed per one permanently living inhabitant of the region in the years 2010-2014, and in the percentage terms of total spending made in individual regions within that period. The result is a finding that State spending in the cultural sector is gradually growing in those years, on the other hand particularly in the case of financing churches and religious societies and spending on science and research in culture. In terms of the self-governing regions, diametrical differences were detected in spending undertaken to support organizations in culture in percentage terms compared to the total spending of individual regions, but also per capita. The highest percentage of spending on culture is undertaken in the Zlín Region and Pilsen Region. Per capita, then it is the capital city of Prague, followed by the Zlín Region. The least funds in culture, both in percentage terms, and per capita are implemented in the South Moravian Region and Moravian-Silesian Region. These regions are below half the average observed for all the regions in the Czech Republic and the annual value of spending is around the boundary of one percent of total spending in the region, and two hundred Czech crowns per capita.

Key words: contributory organization, culture, spending, budget, region, population

Jel: H 39, H 76, L 31, L 83, P 35, Z 18

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## Changes in the Typology of Tax Mixes in EU Member States during the Crisis Relative to Implicit Tax Rates

This paper examines whether fallout from the crisis has prompted changes in the way taxes are structured in EU Member States. Changes are evaluated by employing a method of mathematical statistics – cluster analysis. The main objective is to evaluate whether countries have migrated between groups (clusters) as a result of the crisis. The analysis focuses on changes between the “pre-crisis” period (2006-2007) and the “early crisis” period (2008-2009). The structures are analysed on the basis of the implicit tax rates of consumption and labour in their decomposed form (i.e. this covers only part of the tax mix). The then 27 Member States of the European Union are compared on the strength of Eurostat data.

Key words: tax mix, implicit tax rate, cluster analysis

Jel: H20

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## Discussion of Property Taxation in the Czech Republic

Paper deals with the analysis of taxation and structure of the tax mix in the Czech Republic. The main goal of this paper is to analyse other possibilities how to increase tax revenues from property taxes on the one hand, and how to decrease labour taxation on the other hand. Current labour taxation in the Czech Republic is one of the highest in the OECD countries, that leads to tax avoidance and tax evasions.

Key words: Property Taxes, Labour Taxation, Tax Mix

Jel: H20

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## How political business cycle affects the implicit tax rates on labor and consumption in the EU?

This paper deals with the influence of the political business cycle on implicit tax rates on labor and consumption in 28 EU countries between 2000 and 2012. The first aim of this paper was to analyze the development of implicit tax rates in relation to the timing of parliamentary election dates on a global level. Moreover, we focused on determining whether there are any differences in results between old and new European Union member states. Based on t-test we identified the effect of PBC in the case of new EU countries in both implicit tax rates, whereas we did not confirm it in old EU countries. Based on the results, we can conclude that the influence of PBC is more common in countries described as “new democracies”.

Key words: political business cycle, tax burden, implicit tax rates, labor, consumption, European Union

Jel: D72, E62, H20



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## Hospital Effectiveness in the Czech Republic: Strengths and Weaknesses of DEA Approach

The paper deals with strengths and weaknesses of using DEA (data envelopment analysis) method for hospital effectiveness measurement. One of the main conditions for achieving proper results is the homogeneity of analysed decision making units, so the main research question is: how this might change results? It is concluded, that fundamentals of results are the same, but sometimes different results might appear and so on possible other final conclusions. Using DEA method is not recommended due to this problem.

Key words: Effectiveness, DEA, Hospital, Healthcare

Jel: I10, H51

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## Mid-term financial sustainability of the Czech public health insurance system

This paper deals with the forecast of the Czech public health insurance system in the period of 2018-2020. In recent years, the expenditures on healthcare have been exploding very quickly. The strong growth of the Czech economy has provided sufficient resources for covering of the expenditures rally. The authors strive to answer the question, what will happen if the economy swings to the recession. Two alternative scenarios are constructed to project two types of an economic slump. The paper indicates the risk for the state budget as well as the risk of delays in payments to health care providers. Both risks could be mitigated by immediate increasing the reserve ratio of the health insurance companies.

Key words: public health insurance, state budget

Jel:

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## The assignment of a portion of old-age pension insurance contributions

In response to the issue of declining birth rates, the Czech government is currently exploring measures aimed at supporting families with children via the tax and social security systems, with concern to which this paper provides an analysis of a specific proposal suggested by the Expert Commission for Pension Reform consisting of the assignment of a portion of contributions to the old-age pension insurance scheme. The paper presents a detailed analysis of this proposal from the micro-economic as well as the macro-economic perspective, and considers it in the context of current pension system theory.

The results of the detailed analysis indicated that the proposed measure is both inappropriate and inconsistent with respect to the objectives it purports to fulfil, i.e. the provision of support for families with children. Indeed, it will provide this target group with only marginal advantages and, moreover, does not cover all types of family coexistence. The paper concludes that more suitable measures are available in the context of current tax and social policies that would more effectively result in the achievement of the various targets set.

Key words: non-contributory periods, old-age pension, social contributions, family policy

Jel: H55, J26, G22

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## Urban Structures and Municipal Expenditures: First Results

The objective is to investigate the relationship between the type of urban structure and the current municipal expenditure. For this purpose, we defined seven types of urban structure that can be found at the level of city blocks. In the next step, we de-fined different types of municipal expenditure that were estimated by the data from the questionnaire that was sent to several Czech cities and Prague city districts. Finally, the municipal expenditure was calculated for each urban structures. The most expensive urban structure per hectare from the view of municipality is the urban structure of estates and high rises, which is caused by the large proportion of public space. If the population density is taken into account and municipal expenditure are calculated per inhabitant, the least costly urban structure is the urban block structure followed by the organic urban structure (historical centre), which is given by high population density and lower size of public space. The urban structure of single family houses is the most costly urban structure per inhabitant.

Key words: population density, municipal expenditure, urban structure

Jel:

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## Administrative costs of environmental taxes in the Czech Republic

Administrative costs of environmental taxes are more and more discussed topic. These costs should be understood as part of the tax entity, so by the tax administrator. The aim of this thesis is to evaluate the administrative costs of environmental taxes in the Czech Republic from the perspective of the tax administrator. These costs are analyzed by customs offices, Ministry of Finance, General Directorate. In the Czech Republic there are no statistics to this problem, therefore, was used for research interviewing form.

Key words: Administrative costs, environmental taxes, excise taxes

Jel: H23

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## Sustainability of Regional Government Debt in Czech Republic

Analysis of debt sustainability at the level of subnational government is not very frequent, however, it gained importance with the increased concern about government debt sustainability in the wake of the recent economic crisis. The aim of the paper is to test the sustainability of regional government debt in Czech Republic. Czech regional governments have been established in the year 2000, thus having rather short history of operation. Nevertheless, their rising debt, albeit being still relatively low, is a source of concern.

The analysis concludes that the level of debt ratio is low, however it is rapidly rising. The unit root tests suggest that the non-stationarity cannot be ruled out for debt ratio of regional governments and that the debt variable cannot be considered as mean reverting. This conclusion is further supported by the result of the dynamic panel regression analysis, where the lagged debt ratio coefficient has a negative sign and is statistically significant in two specifications. Therefore, it is unlikely that the debt sustainability condition postulated by Bohn (1998) is met by Czech regional government budgetary behavior.

Key words: regional government debt, government debt sustainability, fiscal reaction function

Jel: E62, H74

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## The review procedure in public procurement in the Czech, Polish and Slovak Republics – selected aspects

In the article, the author focuses on selected aspects of the review procedure for public procurement in the Czech, Polish and Slovak Republics. Review procedure and its effective providing relate to the efficient procurement. Among the requirements of practice and doctrine are its speed, professionalism and the possibility of claiming damages for breach of public procurement law. Author focused on this aspect. Then, author deals with how is review procedure quick and focuses on comparison of legislation within these countries.

Key words: public procurement, review procedure, damage

Jel: J32

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## Effective Tax Rate of Employees and Self-employed

The aim of this paper is to calculate and discuss effective tax rate of employees and self-employed for personal income tax in the Czech Republic. These calculations show how the tax burden in the Czech Republic differs between employees and self-employed and thus clearly indicate possible distortions that might exist in effective taxation. In this paper, the effective tax rate in the Czech Republic is also compared to other European Union Countries.

Key words: personal income tax, effective tax rate, self-employed, employees, tax burden, lump-sum expenses,

Jel: H25



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## The impacts of reintroducing the concept of gross wages as a tax base of personal income tax in the Czech Republic

Using analytical tool "safely untaxed tax base" we estimate redistributive impact of proposed changes in personal income taxation based on the plans of the Czech Social Democratic Party. We also compare impacts of other potential variants of changes in the basic elements of tax technique (reintroduction of the concept of gross wages, changes in the structure of nominal rates, adjustments in the basic personal tax credit).

The database of the Ministry of Labour and Social Affairs consists of 980,000 employees. 25% of employees do not pay income tax (according to the legislation in 2017) due to the generous tax credit. Data for the self-employed persons are drawn from Ministry of Finance (ADIS). About 400,000 of them certainly do not apply the tax (72% of all self-employed persons).

Returning to the tax system of 2007 (which was based on the concept of "gross wage", lower tax credit and progressive tax rates) would lead to a significant reduction in the number of people with zero tax (as a result there would be only a few percent).

Key words: Super-gross wage, Gross wage, Tax base, Personal income tax, Tax reform, Tax incidence, Incidence of Social security contribution, Safely untaxed tax base.

Jel: H23, H22

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## Time-varying Effects of Public Debt on the Financial Development and Banking Sector in the Central and Eastern Europe

In this paper we investigate the time varying effects of domestic public debts on the financial development, private credit and banking performance in the countries of the Central Eastern Europe, Balkan and Baltics region. By analyzing the empirical relationships among indicators and ratios of financial development and banking performance, we test their time-varying responses to changes in public debt through the described transmission channels. The econometric results suggest that the most significant determinant of private debt is the growing public debt over the short-midterm horizon. This might imply the crowding-out effect of public debt on private credit in the region. The growth of public debt positively impacts the banking sector efficiency only over the short-term period, while we observe only minor time effects in responses to changes in public debt on the financial stability indicators.

Key words: public debt, private credit, financial development, Central Eastern Europe

Jel: H63, G21

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## Effect of the Continual Annual Increase in Environment Protection Expenditure on Some Components of the Environment

Environment protection expenditure represents one of relatively widespread and frequently used indicators of care for the environment. Continual statistic records of capital expenditure on environment conservation show that annual investment costs are significantly increasing. This favourable trend is caused by the action of laws enacted to protect the environment and particularly by normative instruments contained in the legislation. The main objective of the paper is to evaluate whether the increasing capital expenditure on environment conservation has a favourable influence on some environment constituents (specifically air, water and waste production). The data were analyzed by using the elementary statistical analysis, correlation analysis and the calculation of Pearson's correlation coefficient combined with the regression analysis and index of determination. The elementary statistical analysis was also used to capture the trend of capital expenditure for environment protection in the Czech Republic. A correlation between the trend of investment costs for environment protection and emissions of carbon dioxide and other glasshouse gases was not proved by contrast to the dependence of waste production on the development of investment costs for environment protection. As to the area of wastewater, an indirect correlation was found (anti-correlation).

Key words: environment conservation, environment protection expenditure, sustainable development

Jel: Q50, Q56, H23

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## Value at Risk calculated with $\alpha$ -stable distribution for Czech stock market index PX

In this paper we calculate two value at risk measures VaR and CVaR (conditional VaR) for returns of a hypothetical portfolio mimicking behavior of the Czech stock market index PX. We assume that the logarithmic returns of daily Czech stock index PX from January 2000 to March 2017 follow an  $\alpha$ - stable distribution whose parameters need to be estimated from data. They are used to calculate VaR and CVaR of the returns of index PX. These calculated VaR and CVaR values are then compared to the corresponding values computed when the distributions are assumed to be normal and empirical. The results shown that the VaR when returns are alpha stable distributed is always the smallest one and these differences increase with the decreasing probability levels of  $p$  and above all the results are particularly essential in the case of calculated CVaR values.

Key words: stable distribution, VaR, CVaR, parameter estimation, fat tails

Jel: G10, G120

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## Prepaid schemes in Czech health care system

We see that no single recommendation for the private health financing schemes' configuration can be given based on comparative review of recent literature. The aim of this paper is to show the possibilities of using prepaid schemes of health financing as an extension of universal health care system. It is based on the approach that those schemes should provide voluntary extension and increase individual utility while not discriminating by initial health status of a client. They are not viewed as a total replacement for other schemes of private expenditure (co-payments, private insurance, etc.), rather as a significant option useful for a number of scenarios that are not currently resolved well in Czechia. It works with a hypothesis that the absence of such scheme's recognition in health policy is one of the factors that limits the possible increase of private health expenditure in Czechia that is macroeconomically feasible.

Key words: health insurance, universal health care system, prepaid schemes

Jel: I13, H20, H51

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## Determinants of Fiscal Consolidation Success

The real development show that the number of fiscal consolidations is comprehensive and that performed fiscal adjustments differ among countries. Despite the differences, all consolidations are focused on the fiscal sustainability ensurement. In this context the important issue of consolidation process is its success. The objective of this paper is based on research review in accordance of the EBHC methodology to identify successful consolidation episodes in EU member countries and using a probit and bivariate Heckman selection model to analyse determinants of consolidation's success. Based on the review, carried out in order to identify the successful fiscal episodes, according to two selected criteria, analysis has proven that from al-together 35 successful consolidations were a one-year adjustments preferred and were more successful than gradual consolidation episodes. Using the Heckman bi-variate two step selection model the selection bias could be controlled. The paper was developed within the project VEGA 1/0967/15.

Key words: fiscal consolidation, successful consolidation, determinants, probit model, bivariate Heckman probit selection model, EU member countries.

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## Civic participation to fight corruption

Corruption is an omnipresent problem in all countries, especially connected with public sector and public finance. The goal of this paper is to analyze a selected case of civic participation aimed at fighting the corruption in the Slovak Republic. When fulfilling the goal, we also present preliminary research information collected within the frames of SOLIDUS project - Solidarity in European societies: empowerment, social justice and citizenship. The study uses a qualitative approach to investigate the research question and analyses the original collected survey data from own research as a part of SOLIDUS project. One of important factors greatly influencing the existence of corruption is a high tolerance of citizens for abuse of power and lack of transparency. Research results suggest as a possible solution mobilization and education of citizens in fighting corruption through activities of independent non-governmental organizations.

Key words: corruption, public finance, civic participation, solidarity

Jel: H39, D73

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# Evaluation of the innovation potential of public service providers – the offer of innovation of public services

The objective of the paper is the evaluation of innovations offered by local public services based on the use of information-communication technologies using the concept of evaluating the innovative potential of the organization. Evaluation of the innovation potential of the executive branch of local government through the concept of a value chain and the diamond model provides us with the answer to the research question: the process of development and implementation of innovative concepts of public services fails for reasons of low motivation and innovation potential of the providers of local public services. The conclusion can therefore be deduced that local governments, concurrent with employee initiative, will monitor the needs of their citizens and implement the mechanisms of innovation of local public services in their own development strategy which will result in innovation of local public services based on the needs of citizens.

Key words: diamond model, innovations, innovative potential, municipality, value chain.

Jel:



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## The Military Spending and the End-Of-Year Spend-Out Rush

In order to spend public money in accord with the 3E-concept, the government should avoid any end-of-year spend-out rush; so the budget execution should be smooth during the FY. A really good governing Chief Funds Manager should ensure spending of 1/12 of FY appropriations per a month ideally. Otherwise, the budget execution would generate wasting of public money, e.g., due to Treasury Bills issuing. As a case study, the paper deals with defence budget execution in Czechia within 1996–2016 and the ability of four Chiefs Funds Managers at Ministry of Defence to prevent from the end-of-year spend-out rush is scrutinized. As a benchmark for the end-of-year spend-out rush, the situation of spending more than 1/3 of FY appropriations in the last quarter of the FY is considered. No one of the Chief Funds Managers was able to prevent the budget execution from the end-of-year-spend-out-rush phenomenon. The Ministry of Defence spent 1/3 its run cost during the last FY quarter ordinary; moreover, 1/2 of the capital budget was spent in the last three months of FY and incapability of the Chiefs Funds Managers to coordinate and control planning, budgeting and budget execution generated a lot of unexpected balances. In particular, the portion of unexpected balances was increasing whenever government made effort to raise the defence spending up in order to meet its 2-pct-GDP commitment to NATO. The analyse proved that after more than the 25 years lasting defence and security sector reform there has been no success to spend money on defence in accordance with the 3E-concept as usual in the West countries.

Key words: defense spending, budget execution, the end-of-year spend-out rush, budget rules

Jel: P21, H56, H6

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## Contribution made by innovative players in R & D in the regions of Slovakia and spending policies supporting innovation

Efficient and effective spending policies of the state in supporting innovation positively influence the growth of innovation performance and its regions. It is a stimulating business environment, with the aim of increasing investment in R & D, as well as other actors in the field of investing and actively engaged in it (especially the public sector, universities and educational institutions, private non-profit sector). The existence and importance of promoting innovation changed the proportion of spending on R & D of innovation basic actors in a stream of recent years. At EU level, the private business sector spent the largest amount of expenditure on R & D, as is the case for most regions of Slovakia and even the whole country. It is however important to emphasize the importance of public support from the EU funds on that development of expenditure. The aim of this paper is to examine the extent of the investments of innovative actors in R & D in Slovak regions compared to the EU and identify impact of subsidies from structural funds. We can note a significant change in the ratio of analyzed spending in R & D and strong influence of the educational institutions due to the high allocation of financial resources from EU funds in the field of science and research. We see the opportunities in the implementation of effective public policies and application of programs and innovation policy supported by national resources in terms of sustainability in the future

Key words: innovations, innovation processes, research and development.

Jel: B22

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## Labour costs and income inequality in the CR

The focus in this paper is on labour costs and the progression of employee taxation at various income levels, as expressed by a commonly used indicator of overall labour taxation. In addition, calculations based upon an indicator created by the authors are presented. The authors believe this indicator does a better job of assessing labour costs in the CR, that is to say, the indicator reflects actual labour taxation by providing information on the percentage of all tax payments incurred per CZK 1.00 of net wage. The significance and meaning of the proposed introduction of a progressive tax is analyzed from the standpoint of income equality to assess its potential effect.

Key words: employee, total taxation, motivation, income equality

Jel: E 62,D 14, H 24, H 71

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## How the Procedural Rules of both the Common Corporate Tax Base and the Common Consolidated Corporate Tax Base Directive should be implemented in the Czech Republic?

In October 2016, the European Commission introduced the proposals on both the Directive on the Common Corporate Tax Base and the Directive on the Common Consolidated Corporate Tax Base. Currently, the Member States give their statements to these proposals. The aim of this paper is to analyze how the Czech Republic should implement the procedural rules of these directives. In particular, which body should be authorized to administer the taxpayers, which authority will be entitled to perform tax audit, which authority will be authorized to issue tax assessment, which remedies will be available for taxpayers and which body should have a power to decide them.

The paper uses standard methods of scientific work as method of description, comparative analysis, and methods of synthesis, deduction and induction.

Key words: CCTB, CCCTB, Tax Administration, Tax Audit, Principal Tax Authority, Competent Tax Authority

Jel: K34, K41, H21

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## Nedoplatky a jejich výše v kontextu daně z nemovitých věcí

Daň z nemovitých věcí není v České republice daní významnou z hlediska veřejných rozpočtů, nicméně dotváří daňovou soustavu a zajišťuje stabilní daňové výnosy, které jsou příjmem obcí, na jejichž území se dané nemovitosti nacházejí. V rámci teoretických přístupů i empirických studií je význam této daně často diskutovaným tématem. Cílem této statě je deskripce vývoje nedoplatků na dani z nemovitých věcí v kontextu předpisů daně. Zhodnoceno je také postavení daně z nemovitých věcí z hlediska daňových příjmů obcí a na základě výsledků výzkumu je identifikován dopad nedoplatků na příjmy obce. Lze konstatovat, že bagatelní nedoplatky daně z hlediska státu nejsou významné, nicméně z hlediska minorit mohou tvořit podstatnou část rozpočtu.

Key words: Klíčová slova: Daň z nemovitých věcí; Daňové nedoplatky; Obecní rozpočty.

Jel: H71

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## SMEs and its Compliance Cost of Transfer Pricing: Czech, Slovak and Poland Case

Current literature revealed that compliance costs of taxation are regressive with regard to firm size and significantly higher in case of enterprises with foreign branch or subsidiary in comparison with enterprises which are not internationalized. Moreover, compliance costs are increasing through strict and difficult transfer pricing rules among European countries. Unfortunately, current literature does not cover study determining compliance costs of transfer pricing issue. Therefore the aim of paper is to determine compliance costs of transfer pricing issues in case of SMEs and Medium-sized enterprises in the selected countries. The results are based on the questionnaire distributed between Czech, Slovak and Poland parent companies having subsidiaries in Europe and Czech, Slovak and Poland subsidiaries having parent company in Europe. The survey of compliance costs of transfer pricing revealed that compliance costs of transfer pricing are very significant and in case of SMEs represent range between 32.5 % (Slovak Republic) up to 98.9 % (Czech Republic) of corporate tax collection based on the costs indicator and the range of 20.1 % (Slovak Republic) up to 51.7 % (Czech Republic) of corporate tax collection based on the time indicator.

Key words: Small and medium sized enterprises, transfer pricing rules, compliance

Jel: M1, H26, F23, G38

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## The Relationship between Tax Evasion and Economy Development

Tax evasion has been in a forefront of economic studies in the last years as the debt crisis had spread out across Europe and governments were looking for additional financial resources. Governments are particularly interested in how much they are losing and in measures which may be adopted to decrease tax evasion. However, researchers focus also on the relationship between tax evasion and economy. Determinants of tax evasion are important to either know the design tools for tax evasion reduction or to concentrate the policy effort on specific areas. The impact of tax evasion on the growth of the economy may then surprisingly show that tax evasion is not harmful for the economy at whole.

This paper summarizes both the theoretical and empirical work on tax evasion and economy relationship and by using VAT gap illustrates the possibility of positive impact of VAT evasion on economy.

Key words: tax evasion, VAT gap, economic growth

Jel: H26, O46, E62

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## Consolidated balance sheet of local self-government entity in Poland – legal bases and its usefulness

The consolidated balance sheet of the local self-government entity reflects fully and integrally its assets and financial situation. Moreover, it covers, in most cases, the following undertakings: the local self-government entity, self-government budgetary entities (including the office), self-government budgetary establishments, independent public (self-government) health care units, self-government cultural institutions (e.g. public libraries, theatres, museums), controlled companies or partnerships, co-controlled companies or partnerships and companies or partnerships under substantial influence (e.g. community partnerships, special purpose vehicles established under public private partnership).

The aim of the paper is to present basic problems of consolidated balance sheet of the local self-government entity. The study focuses predominantly on the purposes, various accounting principles and usefulness of a consolidated balance sheet of a local self-government entity.

Key words: consolidated balance sheet, local self-government entity

Jel: B22



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## The impact of pension reforms in Poland on public finances

The cognitive aim of this article is to analyze the impact of the pension reform introduced in Poland since 1999 on the state of public finances. The author also intends to estimate the expected costs of re shortening of the statutory retirement age in Poland, which will happen from October 2018.

The study shows that shortening of the statutory retirement age in Poland since October 2018 will have a negative impact on the labor market and the state of public finance in Poland - both in the short and long term. Polish case shows that even economically viable pension reforms (for example gradual lengthening of the statutory retirement age for men and women) can be reversed. Poland is also gradually withdrawing from the partial privatization of the public pension system, which has proved to be detrimental to the public finance. This proves how complex and difficult it is to reform pension systems and how serious the consequences of underestimating the actual cost of these reforms may be.

Key words: pension reforms, statutory retirement age, public finance.

Jel: H53, J26.

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## Assessment of the Interactions between Social Security Contributions and Selected Socio-Economic Indicators

Social security contributions represent an important levy of a tax nature both from the perspective of revenues of the state budget and from the perspective of the burden of individual taxpayers. The paper aims to identify some of the relations and links between macroeconomic indicators of the size of social security contributions which are designed on the basis of mutual indicators of the gross domestic product and also to compare the size of social security contributions to selected socio-economic indicators.

Using general scientific methods, the correlation analysis and the conformity of the order of economic and socio-economic indicators, the paper identifies the relevant dependencies of selected indicators on a sample of selected EU states and can serve as a starting point for further research in this area.

Key words: Social Security Contribution, Tax Quota, Inequalities, Living conditions, Correlation analysis.

Jel: H11, H23, E20

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## Sektor stavebníctva a veřejné zakázky na stavebné práce v České republice – vybrané charakteristiky

Prostřednictvím zadávání veřejných zakázek je soukromým firmám alokovaný podstatný objem veřejných prostředků získaných v prevažné míře zdaněním. Průspěvek prezentuje vybrané charakteristiky odvětví stavebníctva a veřejného obstarávání stavebních prací. Analyzuje situaci v oblasti veřejného obstarávání a vývoj vybraných kvantitativních ukazovatelů v sektoru stavebníctva s ohledem na veřejné zakázky v České republice v období let 2007 - 2015. Po zařazení problematiky do teoretického rámce následuje analýza vývoje vybraných indikátorů v uvedeném období.

Key words: veřejná zakázka na stavebné práce, sektor stavebníctva, Česká republika

Jel: H57, L74

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## Labor taxes and decision about FDI in the EU

This paper analyses the relationship between tax variables and foreign direct investments. There are many studies with analysis of influence of corporate income tax, but only few with focus on individual taxation and social security contributions.

The analysis is done for the decision if do FDI or do not do and about decision about amount of FDI. On the decision about realization of FDI has impact GDP and GDP per capita of home and partner country and distance between countries. On the amount of FDI have positive impact GDP variables (except PDG per capita of home country) and other variables – e.g. differences in corporate tax rate. Negative impact has distance between countries. The impact of social security payment is not obvious, because it differs based on the fact of average wage of employee.

Key words: FDI, taxation, individual taxation.

Jel: F21, H24

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## Application of the criterion of the number of pupils in the budgetary allocation of taxes for municipalities

**Abstract.** The paper is focused on the evaluation of the impact of one of the criteria in the budgetary allocation of taxes to municipalities in the Czech Republic, namely the criterion of sharing taxes per pupil. By means of this criterion are the municipalities receiving the funds to finance the operating costs of schools. Besides the sources of the budget tax allocation the municipalities receive e.g. the financial resources in the form of individual grants for investments in education. In the paper is evaluated, how corresponds the existing criterion of tax sharing per pupil of 7% of total shared taxes to the costs of education in municipalities and there are also proposed changes that would objectified the financing of education in municipalities.

**Key words:** tax, municipal budgets, tax sharing, student, education

**Jel:** H71, H72, I21

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## New wage theory

This paper is about labour market and its behaviour. It is a new conception which take into account a new signs typical for current economics. In paper I try to observe labour from totally different perspective thus I had to create many new variables and set bindings among them. In model we count with trend variables (premise of partial rationality) which are close to theoretical optimum (absolute rationality).

If we are on trend's product economy we don't suffer from any significant economic losses which can lead in long period to lower or higher products (discrepancies). Overall economy balance is result of many consequences like value of labour and capital, companies and households behaviour, labour unions etc. Short time effects are determined by curves  $w_S$  a  $w_D$  representing both sides (employees and employers). Model also works with long term effects which are affected by slope of wage-price mechanism representing in model by M-C curve.

Key words: wage, labour market, aggregate wages, implicit balance of capital and labour

Jel: E Macroeconomics

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## Baumol's Cost Disease in Education

This paper describes theory and evidence of Baumol's cost disease, i.e. the productivity difference between manufacturing and services sectors, in the words of W. Baumol, progressive and stagnant sectors. The sectors with the productivity below the economy's average are stagnant and will tend to have above average cost increases. The results of this cost disease are above-average price increase, in some cases also decline of quality and financial problems. After explaining consequences of this productivity gap, the article deals with cost disease in higher education. Education costs have grown unceasingly throughout the developed economies and it can be expected that this growth will continue for the foreseeable future. However, there is also hope that technological changes in higher education can mitigate Baumol's cost disease and help to decrease pressures on public budgets.

Keywords: cost disease, productivity, services sector, higher education

Jel: E24, I22, I28

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## Czech Tax Mix and Welfare Regimes of Labour Taxation

To great extent, tax models are interconnected with welfare regimes of individual social security branches. This is shown in tax mixes – as these are significantly different in four basic welfare regimes and labour taxation models: a liberal, conservative, social-democratic and neo-liberal model. By the OECD definition, tax wedges do not include contributions to mandatory private insurance and savings.

Regarding welfare regimes, the Czech tax mix is indistinct, the assumptions of the 1993 reform have not been fulfilled and complex reforms of pensions and health care have not been realized. Therefore, we focus “only” on options of simple rationalization of labour taxation including social security contributions that will how-ever reflect in the reported tax mix.

Key words: Czech tax mix, labour costs, welfare regimes, social security contributions

Jel: H24, H55, J32



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## How effective is Registration of sales?

The registration of sales is a topical issue of the tax policy and one of the recent measures against the shadow economy and tax evasion. This paper describes briefly the registration of sales and its aims and its main objective is to discuss the estimated and actual VAT revenues from the registration of sales in the field of restaurant services and hotel industry.

Key words: registration of sales, VAT, tax revenues, estimates

Jel: H2

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## Carbon taxation in the European countries

This paper is focused on using the concept of carbon tax in the European countries with detailed overview of CO<sub>2</sub> tax proposals the Czech Republic. The introductory section presents fundamental scientific studies, and current scientific articles dealing with the issue of environmental and carbon taxation. The methodology of the paper is focused on the comparative analysis using the Eurostat data, the national statistical data and the conceptual documents. Results of the comparison show that the use of carbon tax is currently not uniform and both subjects of taxation and tax amounts in the individual countries differ. The comparison with the development of emission allowance prices within the EU ETS indicates that nearest to this market price are carbon taxes in Norway and Island, where they are also systematically linked with the EU ETS system. In the Czech Republic, the carbon tax has not been introduced so far, only various tax rates have been discussed in respect to interconnection with the EU Emission Trading System.

Key words: CO<sub>2</sub> taxation, tax rate, emission allowances, EU ETS, comparison

Jel: H23

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