

Flat tax – a legitimate instrument or an unjustified inequality?

Abstract

This paper analyses the impact of the flat-rate scheme as it is regulated in the current and effective legislation. The aim of this paper is to compare the real tax burden on gross profits of both taxpayers - self-employed persons in the flat-rate regime, whose tax liability is equal to the flat-rate tax, and self-employed persons in the standard taxation regime, and employees, assuming that they perform a similar type of income-generating activity as the self-employed persons under examination. To this end, qualitative research is carried out on model situations of self-employed taxpayers with different actual costs of reaching their income level and employees, with the gross profits of these taxpayers set to correspond to the lower- and upper-income thresholds for the different bands of the flat-rate regime.

The first part of the thesis theoretically describes the taxation of natural persons, the second part contains specific calculations and description of partial conclusions for each market situation examined. The third part contains a summary of those partial conclusions that are either valid for the flat-rate scheme across the groups studied or those that are so important that they are relevant for the flat-rate scheme as a whole. The fourth part assesses the inequalities identified through the lens of the case law of the Constitutional Court, in particular in the area of equality in general and in the area of review of tax laws. It is found that the flat-rate scheme introduces situations where similarly economically efficient taxpayers are taxed at different flat-rate tax rates and that the transition between the different bands introduces a step difference in the level of taxation of up to 20 % which cannot be compensated for by a more favourable choice of tax regime. There is no reasonable justification for this situation and it is therefore a case of legislative arbitrariness. At the same time, it has been found that the flat-rate scheme exacerbates the already existing differences in the level of taxation of employees compared to self-employed persons.

Key words: flat tax, taxation of employees, taxation of self-employed persons