

## **Abstract**

International tax law forms in an increasingly globalized world a significant regulator applying to constantly expanding group of entities whose activities are not exclusively tied to the area of one country. On the contrary, due to the continuously increasing link between national economies these entities very often simultaneously operate across multiple territories which often results to not always clearly identifiable tax law implications.

It may be noted that international cooperation between states got over long decades to the fairly high level, especially in terms of prevention of the negative effects of double taxation of income to the subject to income tax. These negative effects were seen, and indeed even today sometimes may be seen in the form of increased tax burden of tax subjects, which is related to unwillingness to cross-border activity. Also especially developed countries very often aim to support such cross-border activities due to a positive impact into their public budgets.

On the other hand, it is still possible to see certain gaps which, if used appropriate by the tax entities open the way to circumvention of rules and general principles on which international cooperation on these issues is based. These problems are primarily based on the concept of tax sovereignty which creates traditional part of state sovereignty. Even though the states were willing to give up some national sovereignty, direct taxation remains in significant extent an exclusive sphere of competence of the individual states.

It is the area of direct taxation that remains an area within which individual states enforce specific measures in relation to the direction of their economic policies. It can be only hardly imagined that in the future there will be a global, respectively at least a substantial regional unification of all the rules essential for the area of international tax law and is therefore more than likely that collisions between individual legislations will occur also in the future.

The unifying objective of this work was to analyze the development and especially the current state of cooperation between the states, both at bilateral and at multilateral level.

In the first chapter, I have placed a main common objective to analyze the key concepts, which are tax sovereignty and the concept of legal persons under national legislation, and also in relation to the concept of entities laid down in the legislation of the international character. Another objective was to analyze the development of the concept of double taxation, including individual measures which are aimed to partially or completely prevent it.

The common objective of the second chapter was to perform a comprehensive analysis of the development and current state of international cooperation on cross-border taxation of corporate income tax from the first bilateral treaties on the avoidance of double taxation and the development of individual model treaties, ending with reflection over whether it should be adopted a multilateral treaty on avoidance of double taxation at the regional or global level. I also analyze the current state of international

cooperation in prevention of negative impacts growing from the use of jurisdictions with low tax burden.

The general objective of the third chapter was to outline the main principles on which international double taxation of corporate income is based, depending on the nature of income and whether there exist an international treaty on avoidance of double taxation among interested states, eventually whether they are members of some international entities. In this chapter significantly attention was paid to the concept of permanent establishment.

There is in my opinion no doubt that the tax sovereignty creates all the problems (double taxation including) in the international tax law. Therefore I consider tax sovereignty a crucial element of tax law conflicts creation, especially in cases where such sovereignty of the state is interpreted very broadly. At the same time, however, I see also the solution of these problems in the sphere of tax sovereignty, namely through embedding the explicit limits of tax sovereignty.

I also came to the conclusion that the current system of international tax law is based on the early twentieth century development, when a crucial role in this area was played by the League of Nations. I see the main problem in the fact that such political entities are not endowed with legally enforceable means by which it would be possible to achieve the required objectives.

With regard to the permanent establishment as a crucial concept applied in the cross-border taxation of corporate income, I came especially on the analysis of the text of the first treaties on the avoidance of double taxation

dated to the turn of the twentieth century to the conclusion that this concept remains almost unchanged. Through the years there have been mostly its refinement and deepening. Due to the continuous development of the methods of cross-border operations a logical question arises, whether the concept of permanent establishment is sustainable for the future. I conclude that I don't expect its replacement by another alternative concept in next years so it will be necessary to take into account not only the wording of the laws but also judgments of national courts and methodological interpretations of the relevant state authorities.