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Time and Income Tax Law

Computation of Income - Determination of Tax Base - Protection of Legitimate Expectations

Principle of periodic taxation

Ability-to-pay principle

Computation of Income

Sectional taxation VS Lifetime income taxation Dualism in the computation of taxable income

Accrual method

- = difference of the company's net equity at the end of the business year from the preceding business vear
- = profits and expenses are attributed to the specific period in which the goods were shipped or the services were rendered

Cash method

- = excess of receipts over expenditures
- receipts and expenditure are included in the tax year in which they were actually received or payed by the taxpayer, regardless of when the goods were shipped or the services were rendered

Determi-

Inter-periodic loss compensation Loss carry backward Loss carry forward Losses **Profits Profits**

Reduction of tax progression

lower average

nation of Tay Base

Protection of

Legitimate Expectations

Real' Retroactivity,

= legal provision directly links tax consequences to facts that occurred before the respective provision was officially published

'Tax period-related concept' vs. 'taxable event-related concept'

Legitimate Expectations

= legal provision is both applicable to legal facts that occur after the date of entry into force of this new rule, as well as to legal consequences occurring after the date of entry into force, even though these consequences relate to legal facts that took place before this date

Legal source of constitutional limitations

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Computation of Income

- Sectional taxation vs. lifetime income taxation: Is the ability-to-pay principle assessment periodic or over the lifetime?
- Which impact has the computation method (accrual or cash) on the allocation of expenses and the anticipation of expenses?

Determination of Tax Base

- Which restrictions on inter-periodic loss compensation are convincing from a tax policy perspective and which are not?
- Which options to counteract the effects of a progressive tax scale are possible?

Protection of Legitimate **Expectations**

- 'Real' Retroactivity vs. Legitimate Expectations
- What are the limits of the legislator to retroactively amend
- Principle of Equality, Rule of Law, Legal Certainty ...?

Open questions...