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MPF_ATAX TAXATION
WORKBOOK

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Part I. Fundamentals of international taxation

Task I.1. Give answers to multiple choice questions. Only one correct answer is possible.

1. Which of the following statements correctly explains the difference between tax evasion and tax avoidance?
 - a) Both tax evasion and tax avoidance are illegal, but tax evasion involves providing National Tax Office with deliberately false information.
 - b) Tax evasion is illegal, whereas tax avoidance involves the minimization of tax liabilities by the use of any lawful means.
 - c) Both tax evasion and tax avoidance are illegal, but tax avoidance involves providing National Tax Office with deliberately false information.
 - d) Tax avoidance is illegal, whereas tax evasion involves the minimization of tax liabilities by the use of any lawful means.

2. Which of the following statements correctly explains the difference between tax and fee?
 - a) Both tax and fee are obligatory irrecoverable amounts collected by the National Tax Office, but tax is more or less regularly collected from the incomes of economic subjects.
 - b) Both tax and fee are collected by the National Tax Office, but tax is obligatory amount which arises from the incomes of economic subjects.
 - c) Both tax and fee are irrecoverable amounts collected regularly by the National Tax Office, but in case of fee economic subjects are eligible to ask for some consideration.
 - d) Both tax and fee are collected by the National Tax Office, but fees are recoverable amounts.

3. Which of the following statements correctly explains substance of particular tax functions?
 - a) All three functions – fiscal, regulation and stimulation – affect the effectiveness of economy, but only fiscal function deals with redistribution of funds raised.
 - b) All three functions – fiscal, regulation and stimulation – affect the effectiveness of economy, but only stimulation function is designed to insure incomes for state and municipal budgets.
 - c) Regulation function allows to transfer money between economical subjects and public funds.
 - d) Stimulation function allows to transfer money between economical subjects and public funds.

4. Which of the following statements correctly explains substance of correction components?
 - a) Correction components are some lawful possibilities for the taxpayer to minimize his tax liabilities, which, however, may sometimes have a reverse effect.
 - b) Correction components are some unlawful possibilities for the taxpayer to minimize his tax liabilities.
 - c) Correction components are some lawful and unlawful possibilities for the taxpayer to minimize his tax liabilities.
 - d) Correction components are some lawful possibilities for the taxpayer to avoid his tax liabilities.

5. Czech tax administration knows two types of taxpayers:
 - a) (1) a natural person whose income, property or legal acts (legal transactions) are objects of taxation, and (2) a legal entity that has responsibility to calculate the tax, collect it or withheld it and transfer it in time to the tax administrator.
 - b) (1) a legal entity whose income, property or legal acts (legal transactions) are objects of taxation, and (2) a legal entity that has responsibility to calculate the tax, collect it or withheld it and transfer it in time to the tax administrator.

- c) (1) a natural person and legal entity whose income, property or legal acts (legal transactions) are objects of taxation, and (2) a legal entity that has responsibility to calculate the tax, collect it or withheld it and transfer it in time to the tax administrator.
 - d) (1) a natural person and legal entity whose income, property or legal acts (legal transactions) are objects of taxation, and (2) a natural person and a legal entity that has responsibility to calculate the tax, collect it or withheld it and transfer it in time to the tax administrator.
6. Which of the following statements correctly explains substance of tax base?
- a) Tax base stands for the quantity of the object of taxation.
 - b) Tax base stands for the condition of tax payment.
 - c) Tax base stands for the amount of tax payment
 - d) Tax base stands for the quantity of tax reductions and exemptions.
7. Which of the following statements correctly explains substance of particular tax rates?
- a) Regressive tax rate sets lower percentage for higher tax base.
 - b) Digressive tax rate sets lower percentage for higher tax base.
 - c) Digressive tax rate sets lower percentage for lower tax base.
 - d) Regressive tax rate sets higher percentage for lower tax base.
8. Which of the following statements correctly explains substance of conditions of tax payment?
- a) Conditions of payment stand for terms of tax payment; some taxes are paid in one term, others can be paid in several part payments; advance payments are not allowed.
 - b) Conditions of payment stand for terms of tax payment; some taxes are paid in one term, others can be paid in several part payments; some payments are made in advance.
 - c) Conditions of payment stand for terms of tax payment; all payments are paid in one term and advance payments are not allowed.
 - d) Conditions of payment stand for terms of tax payment; all payments are paid in several terms and advance payments are not allowed.
9. Which of the following statements correctly names tax administrators in the Czech Republic?
- a) In the Czech Republic there is only one tax administrator – National Tax Office.
 - b) In the Czech Republic there are several tax administrators – National Tax Office, courts or customs offices.
 - c) In the Czech Republic there are several tax administrators – National Tax Office, courts or customs offices - and the latter two (courts and customs) are subjected to the National Tax Office.
 - d) In the Czech Republic there are several tax administrators – National Tax Office, courts or customs offices - and all are equally subjected to Ministry of Finance.
10. Which of the following statements correctly explains the difference between direct and indirect taxes?
- a) Both direct and indirect taxes are paid by an individual or organization to the imposing entity, but an indirect tax cannot be shifted to another individual or entity.
 - b) Both direct and indirect taxes are paid by an individual or organization to the imposing entity, but a direct tax cannot be shifted to another individual or entity.
 - c) Both direct and indirect taxes are paid by an individual or organization to the imposing entity, but direct taxes can also be defined as fees that are levied equally upon taxpayers, no matter their income.
 - d) Both direct and indirect taxes are paid by an individual or organization to the imposing entity, but direct taxes increase the overall price of labor, consumption and capital.

11. Which of the following statements correctly describes the success of convergence of systems of direct and indirect taxation across EU member-states?
- a) Both systems – DT and inDT – have been harmonized to a large extent across EU member-states.
 - b) Both systems – DT and inDT – remain almost the sole responsibility of individual EU member states.
 - c) inDT system has been harmonized to a large extent across EU member-states and DT system remains almost the sole responsibility of individual EU member states.
 - d) DT system has been harmonized to a large extent across EU member-states and inDT system remains almost the sole responsibility of individual EU member states.
12. Which of the following statements correctly defines tax resident in the Czech Republic?
- a) Tax residents – natural persons with a residential or permanent address in the CR and taxable income arising from sources in the CR.
 - b) Tax residents – natural persons with a residential or permanent address in the CR and taxable income arising from sources in the CR and abroad.
 - c) Tax residents – natural persons and legal entities with taxable income arising from sources in the CR regardless of their residential or permanent address (for natural persons) and country of domicile (for legal entities).
 - d) Tax residents – legal entities domiciled in the CR with taxable income arising from sources in the CR.
13. Which of the following statements correctly describes the role of OECD and EU in international regulation of double taxation and tax planning activities of MNCs?
- a) Due to its longstanding expertise (e.g. Model Tax Treaty of 1963, Model Tax Convention of 1992, BEPS project of 2012) today OECD is playing a leading role in international regulation of double taxation and tax planning activities of MNCs, including regulation of such relations between OECD member countries, between OECD member countries and non-member countries, and even between non-member countries.
 - b) Due to its longstanding expertise (e.g. Model Tax Treaty of 1963, Model Tax Convention of 1992, BEPS project of 2012) today EU is playing a leading role in international regulation of double taxation and tax planning activities of MNCs, including regulation of such relations between EU member countries, between EU member countries and non-member countries, and even between non-member countries.
14. Which of the following statements correctly describes substance of transfer price?
- a) A transfer price is what one unit of a business charges another unit of the same business for a good or service. The transfer price is usually close to the prevailing market rate when different divisions of the same business are evaluated separately for profit and loss.
 - b) A transfer price is what one independent business charges another independent business for a good or service. The transfer price is market rate when individual businesses are evaluated for profit and loss.
 - c) A transfer price is what one unit of a business charges another unit of the same business for a good or service. The transfer price is substantially above the prevailing market rate when different divisions of the same business are evaluated separately for profit and loss.
 - d) A transfer price is what one independent business charges another independent business for a good or service. The transfer price is substantially below the prevailing market rate when individual businesses are evaluated for profit and loss.
15. What is the change in consolidated profit and overall tax rate paid by MNC if a manufacturer, which is a resident in country A with CIT of 40%, changes its selling unit price for finished product for an associated distributor, which is a group company resident in country B with CIT of 10%, from 550 to 350. Cost of a

manufacturer in country A and selling price of an associated distributor in country B are 300 and 600 respectively?

- a) The consolidated profit remains 200, but the overall tax rate increases from 15% to 35%.
- b) The consolidated profit changes from 195 to 255 and the overall tax rate increases from 15% to 35%.
- c) The consolidated profit changes from 195 to 255 and the overall tax rate decreases from 35% to 15%.
- d) The consolidated profit remains 200, but the overall tax rate decreases from 35% to 15%.

16. Which of the following statements correctly describes BEPS?

- a) BEPS is special project launched by OECD addressing six key areas of concern in field of base erosion and profit shifting: mismatches in entity and instrument characterization, taxing profits from the delivery of digital goods and service, intra-group debt financing and captive insurance, transfer pricing, harmful preferential tax regimes, preferential selective regimes in countries attracting investment away from countries with an ordinary tax system.
- b) BEPS is special project launched by EU addressing six key areas of concern in field of base erosion and profit shifting: mismatches in entity and instrument characterization, taxing profits from the delivery of digital goods and service, intra-group debt financing and captive insurance, transfer pricing, harmful preferential tax regimes, preferential selective regimes in countries attracting investment away from countries with an ordinary tax system.
- c) BEPS is special project launched by EU addressing six key areas of concern in field of base erosion and profit shifting: tax revenues, tax sovereignty, tax fairness for EU member and non-member countries, tax competition, tax discrimination, taxation of labor and capital.
- d) BEPS is special project launched by OECD addressing six key areas of concern in field of base erosion and profit shifting: tax revenues, tax sovereignty, tax fairness for OECD member and non-member countries, tax competition, tax discrimination, taxation of labor and capital.

17. Which of the following statements correctly describes the arm's length principle?

- a) The arm's length principle is based on the comparison of conditions that are made or imposed between two related enterprises (seller and buyer) with conditions which would be made between two independent enterprises, then any profit which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of the enterprise (seller) and taxed accordingly.
- b) The arm's length principle is based on the comparison of conditions that are made or imposed between two independent enterprises (seller and buyer) with conditions which would be made between two related enterprises, then any profit which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of the enterprise (seller) and taxed accordingly.
- c) The arm's length principle is based on the comparison of conditions that are made or imposed between two related enterprises (seller and buyer) with conditions which would be made between two independent enterprises, then any profit which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, should not be included in the profits of the enterprise (seller) and taxed accordingly.
- d) The arm's length principle is based on the comparison of conditions that are made or imposed between two independent enterprises with conditions which would be made between two related enterprises, then any profit which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, should not be included in the profits of the enterprise (seller) and taxed accordingly.

18. Which of the following statements correctly describes four freedoms upon which the European Union is based?
- a) free movement of goods and services, free movement of people and free capital flows.
 - b) free competition, free trade, free financial markets and free justice.
 - c) free fiscal and monetary policies, free trade and free capital flows
 - d) free fiscal and monetary policy, free competition and free employment
19. Which of the following institutions ensure functioning of the EU fiscal system? -
- a) the EU Council through Economic and Financial Affairs Configuration (EcoFin) and the EU Court of Justice.
 - b) the EU Council through Tax Office and the EU Court of Justice.
 - c) the EU Council through Financial Markets Supervisory Board and the EU Court of Justice,
 - d) the EU Council through Commerce Chamber and the EU Court of Justice
20. Which of the following statements correctly describes the success of convergence of systems of direct and indirect taxation across EU member-states?
- a) Both systems – DT and inDT – have been harmonized to a large extent across EU member-states.
 - b) Both systems – DT and inDT – remain almost the sole responsibility of individual EU member states.
 - c) inDT system has been harmonized to a large extent across EU member-states and DT system remains almost the sole responsibility of individual EU member states.
 - d) DT system has been harmonized to a large extent across EU member-states and inDT system remains almost the sole responsibility of individual EU member states.
21. Which of the following directives are aimed to harmonize DT across EU member-states?
- a) the parent-subsidiary directive, the merger directive, the interest and royalty directive.
 - b) the profit shifting directive and base erosion directive.
 - c) the merger directive, the goodwill directive, the interest and royalty directive.
 - d) the parent-subsidiary directive, the profit shifting directive.
22. Which of the following statements correctly explains the difference between tax systems in the EU and in the OECD member-states?
- a) Both tax systems in the EU and OECD member-states are developed according to the same pattern - major tax burden is placed on labor, but in the one of the EU such burden is lower than that one in the OECD.
 - b) Both tax systems in the EU and OECD member-states are developed according to the same pattern - major tax burden is placed on labor, but in the one of the EU such burden is higher than that one in the OECD.
 - c) Both tax systems in the EU and OECD member-states are developed according to the same pattern - major tax burden is placed on consumption, but in the one of the EU such burden is lower than that one in the OECD.
 - d) Both tax systems in the EU and OECD member-states are developed according to the same pattern - major tax burden is placed on consumption, but in the one of the EU such burden is higher than that one in the OECD.
23. Which of the following statements correctly explains the difference between the efficiency of tax systems in the EU and in the OECD member-states?
- a) Tax rates across EU are higher than in OECD, but overall EU economy's growth rate is lower than that one of OECD.

- b) Tax rates across EU are lower than in OECD, but overall EU economy's growth rate is higher than that one of OECD.
 - c) Tax rates across EU are the same as in OECD, but overall EU economy's growth rate is lower than that one of OECD.
 - d) Tax rates across EU are higher than that one in OECD, but overall EU economy's growth rate is the same as that one of OECD.
24. Which of the following statements correctly describes the state the EU fiscal system?
- a) Despite some small remaining differences, in general, the tax systems of the European countries are highly harmonized.
 - b) There seems to have been relatively little movement toward tax harmonization except in a few areas.
 - c) Some parts of EU fiscal system are highly harmonized (e.g. tax ratios, tax structure by legal and economic categories), while others still require further convergence (e.g. allocation of revenues across levels of government).
 - d) There is no convergence between fiscal systems of EU member-states – they are subject of sovereignty.
25. Which of the following statements correctly describes the state fiscal systems in groups of European countries at the beginning of 1970s (pre-convergence state)?
- a) Nordic countries had the highest fiscal burden, given by heavy taxation of consumption; Rhine countries had above average fiscal burden (in terms of cross-European comparison), given mainly by heavy social contributions; Anglo-Saxon countries and Mediterranean countries had an average and below average fiscal burdens respectively.
 - b) Nordic countries had the highest fiscal burden, given by heavy taxation of consumption; Anglo-Saxon countries had above average fiscal burden (in terms of cross-European comparison), given mainly by heavy social contributions; Rhine countries and Mediterranean countries had an average and below average fiscal burdens respectively.
 - c) Nordic countries had the highest fiscal burden, given by heavy taxation of labor and capital; Anglo-Saxon countries had above average fiscal burden (in terms of cross-European comparison), given mainly by heavy social contributions; Rhine countries and Mediterranean countries had average fiscal burdens.
 - d) Nordic countries had the highest fiscal burden, given by heavy taxation of consumption; Anglo-Saxon countries had above average fiscal burden (in terms of cross-European comparison), given mainly by heavy social contributions; Rhine countries and Mediterranean countries had average fiscal burdens respectively.
26. Which of the following statements correctly describes the effect which a shift to “dual income tax system” had on fiscal systems of individual groups of European countries at the beginning of 1970s?
- a) The shift to the “dual income tax system” had the largest effect for fiscal systems of Mediterranean countries by rising their national tax burdens up to the European average; the lowest effect was for Anglo-Saxon and Nordic countries, whose tax burdens were left at the starting point.
 - b) The shift to the “dual income tax system” had the largest effect for fiscal systems of Rhine countries by rising their national tax burdens up to the European average; the lowest effect was for Anglo-Saxon and Mediterranean countries, whose tax burdens were left at the starting point.
 - c) The shift to the “dual income tax system” had the largest effect for fiscal systems of Nordic countries by rising their national tax burdens even further; the lowest effect was for Anglo-Saxon and Mediterranean countries, whose tax burdens were left at the starting point.
 - d) The shift to the “dual income tax system” had the largest effect for fiscal systems of Mediterranean countries by rising their national tax burdens up to the European average; the lowest effect was for Anglo-Saxon and Rhine countries, whose tax burdens were left at the starting point.

27. Which of the following statements correctly describes the changes in fiscal policies of EU member-states which were for first time introduced in 1980s and implemented in 1990-2000s?
- a) rate-cutting in combination with base-broadening reforms both in the personal and corporate income taxes; reduction of the tax burden on lower-paid labor; the reorientation of business tax incentives to selective objectives and the use of the tax system to correct market failures (for instance R&D, SMEs etc).
 - b) rate-increase in combination with base-cutting reforms both in the personal and corporate income taxes; increase of the tax burden on high-paid labor; the reorientation of business tax incentives to selective objectives and the use of the tax system to correct market failures (for instance R&D, SMEs etc).
 - c) rate-cutting in combination with base-broadening reforms both in the labor and consumption taxes; reduction of the tax burden on lower-paid labor; the reorientation of business tax incentives to selective objectives and the use of the tax system to correct market failures (for instance R&D, SMEs etc).
 - d) rate-increase in combination with base-cutting reforms both in the corporate income and capital income taxes; increase of the tax burden on high-paid labor; the reorientation of business tax incentives to selective objectives and the use of the tax system to correct market failures (for instance R&D, SMEs etc).
28. Which of the following statements correctly describes modern challenges which fiscal systems of EU member-states face today?
- a) Decreasing European economy's growth rate in combination with the highest in the world tax burden.
 - b) High tax burden imposed on SMEs and intangible assets.
 - c) Tax competition between EU member-states, base evasion and profit shifting by MNCs.
 - d) All mentioned above.
 - e) All mentioned in A and B.
29. Which of the following statements correctly describes the modern tax mix of EU?
- a) Taxes on labor contribute for more than half of the total tax revenue, consumption taxes for about one-third and taxes on capital for just about a quarter of the total tax revenue.
 - b) Taxes on consumption contribute for more than half of the total tax revenue, labor taxes for about one-third and taxes on capital for just about a quarter of the total tax revenue.
 - c) Taxes on corporate income contribute for more than half of the total tax revenue, consumption taxes for about one-third and taxes on personal income for just about a quarter of the total tax revenue.
 - d) Taxes on labor contribute for more than half of the total tax revenue, consumption taxes and capital taxes account for the remaining share in the equal proportion.
30. Which of the following statements correctly describes the modern state of PIT (personal income tax) in EU?
- a) The average effective tax rate on labor in the EU area appears to be higher than in the OECD area, even if during the 1990s and 2000s many EU countries introduced measures to lower the tax burden, mainly financed through the shifting of the tax burden from labor to capital and to activities that cause pollution.
 - b) The average effective tax rate on labor in the EU area appears to be lower than in the OECD area as a result of measure which during the 1990s and 2000s many EU countries introduced in order to lower the tax burden mainly through the shifting of the tax burden from labor to capital and to activities that cause pollution.

- c) The average effective tax rate on labor in the EU area appears to be lower than in the OECD area as a result of measure which during the 1990s and 2000s many EU countries introduced in order to lower the tax burden mainly through the shifting of the tax burden from personal income to corporate income and to activities that cause pollution.
 - d) The average effective tax rate on labor in the EU area appears to be higher than in the OECD area, even if during the 1990s and 2000s many EU countries introduced measures to lower the tax burden, mainly financed through the shifting of the tax burden from personal income to corporate income and to activities that cause pollution.
31. Which of the following statements correctly describes the modern model of PIT in EU?
- a) Today all EU member states use the pure comprehensive personal income tax model.
 - b) Today all EU member states use hybrid personal income tax model.
 - c) Today some EU member states the pure comprehensive personal income tax model, others use hybrid personal income tax model.
32. Which of the following statements correctly describes the effect of family status on personal income tax liability in EU?
- a) Family status is taken into account, but only in form of tax schedule that varies according to family status (tax unit is an individual or a family).
 - b) Family status is taken into account, but only in form of tax credits and allowances related to the presence of dependent children.
 - c) Family status is taken into account, but only in form of cash transfers related to the presence of dependent children.
 - d) Family status is taken into account in all forms - tax schedules, tax credits and allowances, and cash transfers.
33. Which of the following statements correctly describes the modern model of CIT in EU?
- a) Majority of EU countries have adopted a digressive corporate income tax. Generally these measures are targeted to stimulate entrepreneurship and to correct financial market failures that can create obstacles to SMEs in raising new capital.
 - b) Majority of EU countries have adopted a flat corporate income tax. Generally these measures are targeted to stimulate entrepreneurship and to correct financial market failures that can create obstacles to SMEs in raising new capital.
 - c) Majority of EU countries have adopted a progressive corporate income tax. Generally these measures are targeted to stimulate entrepreneurship and to correct financial market failures that can create obstacles to SMEs in raising new capital.
34. Which of the following statements correctly describes the substance of tax competition among EU member states?
- a) Due unanimity of requirement in the area of direct taxation, particularly corporate income taxation, many states start to compete with each other for attraction and retention of investments.
 - b) Due unanimity of requirement in the area of direct taxation, particularly personal income taxation, many states start to compete with each other for attraction and retention of human capital and investments.
 - c) Due unanimity of requirement in the area of indirect taxation, particularly VAT, many states start to compete with each other for attraction and retention of capital.
 - d) Due unanimity of requirement in the area of direct taxation, particularly social contributions, many states start to compete with each other for attraction and retention of human capital and investments.

35. Which of the following statements correctly defines Central and Eastern European economies (given by V4 countries)?
- a) CEE - a group of countries that underwent a transformation, or a transition, from being centrally planned to becoming market economies. Today all of them are EU members.
 - b) CEE - a group of countries that underwent a transformation, or a transition, from being centrally planned to becoming market economies. Today most of them are EU members.
 - c) CEE - a group of countries that underwent a transformation, or a transition, from being centrally planned to becoming market economies. All of them are CIS (Commonwealth of Independent States) members, many of them are also EU members.
 - d) CEE - a group of countries that underwent a transformation, or a transition, from being centrally planned to becoming market economies. All of them are CIS (Commonwealth of Independent States) and EEU (Eurasian Economic Union) members, many of them are also EU members.
36. Which of the following statements correctly describes the USSR economic model?
- a) All of the nation's wealth was owned by the state. The citizens were not expected to save and accumulate assets because the state, often through the public enterprises in which most citizens worked, would take care of them in old age or in illness. They did not need to save as a precaution for being unemployed, because there was no official unemployment. The state enterprises were required to absorb any citizen who wanted a job.
 - b) Most of the nation's wealth was owned by the state. Although the citizens were not expected to save and accumulate assets because the state, often through the public enterprises in which most citizens worked, would take care of them in old age or in illness, nevertheless all were required to pay social contributions into National Pension Fund.
 - c) Most of the nation's wealth was owned by the state. Although the state enterprises were required to absorb any citizen who wanted a job, still there was hidden unemployment – there were always some number of people who were working in an industry that didn't utilize their skills properly and those who refused to work.
 - d) All of the nation's wealth was owned by the state. The citizens were not expected to save and accumulate assets because the state, often through the public enterprises in which most citizens worked, would take care of them in old age or in illness. Although the state enterprises were required to absorb any citizen who wanted a job, still there was hidden unemployment – always there was some number of people who were working in an industry that didn't utilize their skills properly and those who refused to work.
37. Which of the following statements correctly describes the USSR labor tax model?
- a) Taxes on labor income were collected directly from the state enterprises, by simply adjusting the cash transfers that they received from the central bank to pay the wage bill.
 - b) Taxes on labor income were paid by the state enterprises, by transferring some fraction of gross profit into national and local budgets.
 - c) There were no labor income taxes in the USSR.
38. Which of the following statements correctly describes the modern particularities of CEE tax systems?
- a) CEE tax burdens are at EU average, high budgetary deficits, above average taxation of labor and consumption, move towards fiscal decentralization, large number of environmental taxes.
 - b) CEE tax burdens are above EU average, low budgetary deficits, below average taxation of labor and consumption, move towards fiscal decentralization, large number of environmental taxes.
 - c) CEE tax burdens are below EU average, high budgetary deficits, below average taxation of labor and consumption, move towards fiscal centralization, large number of environmental taxes.

- d) CEE tax burdens are at EU average, low budgetary deficits, taxation of labor, consumption and capital is at EU average, move towards fiscal decentralization, large number of environmental taxes.

Part II. Personal income tax

Task II.1. Give answers to multiple choice questions. Only one correct answer is possible.

1. Which of the following statements gives correct example(s) of income from dependent activity?
 - a) agriculture production, forestry and fish farming.
 - b) winnings from lotteries, betting and other similar games.
 - c) rewards paid to members of the authorities of legal entities.
 - d) private life insurance benefit.

2. Which of the following statements correctly describes income from dependent activity?
 - a) The income is even 1% of the market price of a motor vehicle in each month if the employee can use it for business.
 - b) The income is even 1% of the input price of a motor vehicle in each month if the employee can use it for business and for himself.
 - c) The income is even 1% of the market price of a motor vehicle in each month if the employee can use it for business and for himself.
 - d) The income is even 1% of the input price of a motor vehicle in each month if the employee can use it for business.

3. Which of the following statements gives correct example of income that is not liable to the personal income tax from dependent activity?
 - a) motor vehicle for work and personal needs.
 - b) contribution to school tuition.
 - c) meal vouchers.
 - d) rent of a flat (over 3500 CZK).

4. Which of the following statements gives correctly describes the withhold payroll advance (tax advance from employee's wage)?
 - a) The withhold advance is 15% of sum of the net wage and social security and health insurance which the employer has to pay for the employee.
 - b) The withhold advance is 15% of sum of the gross wage and social security and health insurance which the employer has to pay for the employee.
 - c) The withhold advance is 15% of sum of the net wage and social security and health insurance which the employee has to pay for the employee.
 - d) The withhold advance is 15% of sum of the gross wage and social security and health insurance which the employee has to pay for the employee.

5. Which of the following statements gives correct example(s) of income from self-employment?
 - a) agriculture production, forestry and fish farming.
 - b) winnings from lotteries, betting and other similar games.
 - c) rewards paid to members of the authorities of legal entities.
 - d) private life insurance benefit.

6. Which of the following statements gives correctly describes the approach applied to calculation of expenses incurred while generating income from self-employment?
 - a) Taxpayer must always estimate accurately direct expenses incurred to generate, assure and maintain the incomes. Lump sum expenses are not allowed in the Czech Republic.

- b) Taxpayer must always estimate accurately direct and indirect expenses incurred to generate, assure and maintain the incomes. Lump sum expenses are not allowed in the Czech Republic.
 - c) Taxpayer must always estimate accurately direct expenses incurred to generate, assure and maintain the incomes. Lump sum expenses are allowed in the Czech Republic.
 - d) Taxpayer must always estimate accurately direct and indirect expenses incurred to generate, assure and maintain the incomes. Lump sum expenses are allowed in the Czech Republic.
7. Which of the following statements gives correct example(s) of income from capital assets?
- a) agriculture production, forestry and fish farming.
 - b) winnings from lotteries, betting and other similar games.
 - c) rewards paid to members of the authorities of legal entities.
 - d) private life insurance benefit.
8. Which of the following statements gives correctly describes rental income?
- a) Income from rent is income from the rent of immovable and movable property, except for occasional rent.
 - b) Income from rent is income from the rent of immovable property, except for occasional rent.
 - c) Income from rent is income from the rent of movable property, except for occasional rent.
 - d) Income from rent is income from the rent of immovable and movable property.
9. Which of the following statements gives correct example(s) of other income (i.e. not from employment, self-employment, capital assets or rent)?
- a) agriculture production, forestry and fish farming.
 - b) winnings from lotteries, betting and other similar games.
 - c) rewards paid to members of the authorities of legal entities.
 - d) private life insurance benefit.
10. Which of the following statements gives correctly describes condition(s) under which gratuitous income can be tax-exempt in the Czech Republic?
- a) Gratuitous income can be tax-exempt if it is obtained from: (1) relative in a straight line; (2) the person with whom the taxpayer has lived for at least 3 years before obtaining gratuitous income in joint household; and (3) acquired on occasion provided their value does not reach 15 000 CZK.
 - b) Gratuitous income can be tax-exempt if it is obtained from: (1) relative in a secondary line; (2) the person with whom the taxpayer has lived for at least 2 years before obtaining gratuitous income in joint household; and (3) acquired on occasion provided their value does not reach 15 000 CZK.
 - c) Gratuitous income can be tax-exempt if it is obtained from: (1) relative in a straight and secondary line; (2) the person with whom the taxpayer has lived for at least 1 year before obtaining gratuitous income in joint household; and (3) acquired on occasion provided their value does not reach 15 000 CZK.
 - d) Gratuitous income can be tax-exempt if it is obtained from: (1) relative in a straight and secondary line; (2) the person with whom the taxpayer has lived for at least 3 years before obtaining gratuitous income in joint household; and (3) acquired on occasion provided their value does not reach 15 000 CZK.
11. Which of the following statements gives correctly describes the participation in the Czech social security system?
- a) Foreigners who work for a Czech employer or are on the payroll of a branch office of a foreign company do not participate in the Czech social security system.

- b) All foreigners who work for a Czech employer or are on the payroll of a branch office of a foreign company participate in the Czech social security system.
 - c) Foreigners who work for a Czech employer do not participate in the Czech social security system, but those who are on the payroll of a branch office of a foreign company in the Czech Republic - participate in the Czech social security system.
 - d) Foreigners who work for a Czech employer participate in the Czech social security system, but those who are on the payroll of a branch office of a foreign company in the Czech Republic – they do not participate in the Czech social security system.
12. Which of the following statements gives correctly describes the assessment bases of social security and health insurance for employees in the Czech Republic?
- a) The assessment base of social security and health insurance for employee is sum up of his income that is subjected of the personal income tax.
 - b) The assessment base of health insurance for employee is sum up of his income that is subjected of the personal income tax. The assessment base of social security is his partial tax base for the income from dependent activity.
 - c) The assessment base of social security for employee is sum up of his income that is subjected of the personal income tax. The assessment base of health insurance is his partial tax base for the income from dependent activity.
 - d) The assessment base of social security and health insurance for employee is his partial tax base for the income from dependent activity.

Task II.2. Provide calculus and give answers to examples below.

Example No. 1

Vladimir works as CFO for Sreder Brno, a.s. (here and after “Sreder”). He lives in Hradec Kralove, but he works in Brno five days per week. Vladimir has signed the declaration for personal tax credits with Sreder. He earns CZK110,000 per month. He does not have children and he is not married. He pays mortgage: in 2017 he paid CZK240,000, CZK198,000 out of which were used for reduction of his mortgage liability.

The following information is applicable to the calculation of Vladimir’s 2017 payroll tax:

- (1) Sreder rented a flat in Brno for Vladimir and paid CZK12,500 per month for it.
- (2) Sreder provided Vladimir with a business car Skoda Fabia for business and private use. Skoda was acquired by the Company in 2012 for CZK270,000. Its accounting residual value in 2017 is CZK120,000 and its tax residual value is CZK85,000.
- (3) Sreder paid 50% of Vladimir’s 6-months membership in Big One Fitness club. The total price of the membership was CZK5,000.
- (4) Sreder paid CZK250 per 1 hour each month for Vladimir’s massage session with physiotherapist.
- (5) Sreder contributed CZK60,000 to Vladimir’s private health insurance during the year.
- (6) During the year Vladimir was sent on a business trip to Graz and Linz. The whole business trip had duration 5 working days. Sreder provided Vladimir with meal voucher in amount of CZK1500 per each day of the business trip. Additionally to this Sreder also provided cash for daily needs in amount of CZK700 per each day of the business trip. Vladimir participated neither on meal vouchers nor on cash for daily needs. *Note: the ER between EURO and CZK on the date of meal voucher and cash issue slip was 1 euro = 27 CZK.*
- (7) Sreder paid exam fee in amount of CZK2,100 for Vladimir to become a certified accountant.
- (8) Sreder paid CZK25,500 for Vladimir’s weekend stay in Grand hotel in Munich as business annual partners meeting organized by Sreder.

Task 1: Calculate the amount of social security and health care insurance contributions payable by Vladimir and by Sreder for 2017.

Task 2: Calculate the payroll tax payable by Vladimir in 2017.

Example No. 2

Pavel works as project manager for Siemens, a.s. (here and after "Siemens"). He lives in Rousinov, but he works in Brno five days per week. Pavel has signed the declaration for personal tax credits with Siemens. He earns CZK58,000 per month. He is married to Jana and they have two children: 10-year-old daughter and 2 year-old son. Jana is housewife and in 2017 she had occasional annual income in amount of CZK34,000.

The following information is applicable to the calculation of Pavel's 2017 payroll tax:

- (1) Siemens paid private carrier for Pavel's 125 round trips from Rousinov where he has permanent residence to Brno in 2017. The contract price paid by the company was CZK27,000.
- (2) Siemens paid 100% of Pavel's 6-months membership in Big One Fitness club. The total price of the membership was CZK5,000.
- (3) Siemens contributed CZK1,000 each month starting from September for placement of Pavel's 10-year daughter in private secondary school.
- (4) Siemens contributed CZK3,000 each month starting from May for placement of Pavel's 2-year son in private kindergarten.
- (5) During the year Pavel was sent on three business trips: to Prague, Olomouc and to Ostrava. Each trip had duration 1 working day. Siemens provided Pavel with meal voucher in amount of CZK140 per each business trip. Pavel contributed CZK57 to each meal voucher.
- (6) Siemens paid CZK1,500 for Pavel's rent of canoe for participation in canoe race at Prehrada in Brno as team building activity of the Company.
- (7) Siemens paid Pavel CZK50,000 as bonus for bringing his friend as new colleague in IT.

Task 1: Calculate the amount of social security and health care insurance contributions payable by Pavel and by Siemens, a.s. for 2016.

Task 2. Calculate total tax basis of Pavel for 2017.

Example No. 3

Jakub works as assembling specialist for Zetor, a.s. (here and after "Zetor"). He lives and works Brno five days per week. Jakub has not signed the declaration for personal tax credits with Zetor. He earns CZK35,000 per month. He lives with Veronika in common household but they are not married yet. Veronika is high-school student.

The following information is applicable to the calculation of Jakub's 2017 payroll tax:

- (1) Zetor rented a room for Jakub in the dormitory in Prague where Jakub spends 2 days per week while working in Prague new manufacturing facility of Zetor. The rest of time (3 days) Jakub works in Brno. Zetor paid CZK3,500 per accommodation in Prague per each month.
- (2) Zetor provided Jakub with a business car Skoda Roomster for business use. Skoda was acquired by Zetor in 2012 for CZK270,000. Its accounting residual value in 2017 is CZK120,000 and its tax residual value is CZK141,000.
- (3) Zetor paid 30% of Jakub's 1-hour massage session with physiotherapist each month. Total price of 1-hour session was CZK350.

- (4) Zetor often supplies tractors and their spare parts to CIS countries. Its assembling specialists are often sent on business trips to these countries. Because of this Zetor contributed CZK1,500 each month from September to December for Jakub's participation in Russian language courses organized by private language school.
- (5) During the year Jakub was sent on a business trip to Tokyo. The whole business trip had duration 15 working days. Zetor provided Jakub with meal voucher in amount of CZK1,625 per each day of the business trip. Additionally to this Zetor also provided cash for daily needs in amount of CZK650 per each day of the business trip. Jakub participated neither on meal vouchers nor on cash for daily needs. *Note: the ER between USD and CZK on the date of meal voucher and cash issue slip was 1 usd = 27 CZK.*
- (6) Zetor paid CZK6,500 for Jakub's participation in 2-day training at private courses about changes in TUD and GOST 2016.
- (7) Zetor paid CZK500 for Jakub's participation in 5-day Healthy days program organized Zetor.

Task 1: Calculate the amount of social security and health care insurance contributions payable by Jakub and by Zetor for 2017.

Task 2: Calculate the payroll tax payable by Jakub in 2017.

Example No. 4

Jan works as technical engineer for ABB, a.s. (here and after "ABB"). He lives in Slavkov u Brna, but he works in Brno five days per week. Jan has not signed the declaration for personal tax credits with ABB. He earns CZK35,000 per month. He is divorced and he has 5-year old son who lives with his ex-wife.

The following information is applicable to the calculation of Jan's 2017 payroll tax:

- (1) ABB paid private carrier for Jan's 250 round trips from Slavkov u Brna where he has permanent residence to Brno in 2017. The contract price paid by the company was CZK50,000.
- (2) ABB paid 50% of Jan's 6-months membership in Big One Fitness club. The total price of the membership was CZK5,000.
- (3) ABB contributed CZK31,000 to Jan's private health and CZK18,000 to Jan's private pension insurance during the year.
- (4) During the year Jan was sent on three business trips: to Prague, Olomouc and to Ostrava. Each trip had duration 1 working day. ABB provided Jan with meal voucher in amount of CZK200 per each business trip. Jan contributed CZK50 to meal vouchers.
- (5) ABB paid CZK1,500 for Jan's rent of canoe for participation in canoe race at Prehrada in Brno as team building activity of ABB.
- (6) ABB paid Jan CZK20,000 as bonus for bringing his friend as new colleague in IT.

Task 1: Calculate the amount of social security and health care insurance contributions payable by Jan and by ABB for 2017.

Task 2. Calculate total tax basis of Jan for 2017.

Example No. 5

Libor works as senior financial controller for EXE, a.s. (here and after "EXE") He lives in Hradec Kralove, but he works in Brno five days per week. Libor has signed the declaration for personal tax credits with EXE. He earns CZK89,000 per month. Libor is married to Marta and they have two sons: 2-year-old Filip and 7-year-old Kristof. Marta is housewife. Libor pays mortgage: in 2017 he paid CZK240,000, CZK198,000 out of which were used for reduction of his mortgage liability.

The following information is applicable to the calculation of Libor's 2017 payroll tax:

- (1) EXE paid 100% of Libor's 6-months membership in Big One Fitness club. The total price of the membership was CZK5,000.
- (2) EXE paid 50% of Libor's 1-hour massage session with physiotherapist each month. Total price of 1-hour session was CZK300.
- (3) EXE contributed CZK53,000 to Libor's private health insurance and CZK37,000 to Libor's private pension insurance during the year.
- (4) EXE contributed CZK3,000 each month starting from September for placement of Libor's 2-year son in private kindergarten.
- (5) EXE contributed CZK1,500 each month starting from September for placement of Libor's 7-year son in private elementary school.
- (6) During the year Libor was sent on three business trips: to Prague, Olomouc and to Ostrava. Each trip had duration 1 working day. EXE provided Libor with meal voucher in amount of CZK140 per each business trip. Libor contributed CZK57 to each meal voucher.
- (7) EXE paid exam fee in amount of CZK2,100 for Libor to become certified accountant.

Task 1: Calculate the amount of social security and health care insurance contributions payable by Libor and by EXE, a.s. for 2017.

Task 2: Calculate the payroll tax payable by Libor in 2017.

Example No. 6

Filip works as IT specialist for Zdas, a.s. (here and after "Zdas"). He lives in Ostrava, but he works in Brno two days per week. Filip has not signed the declaration for personal tax credits with Zdas. He earns CZK43,000 per month. Filip lives with Katka in common household (they are not married) with two children: 2-year old Martin as their common child and 8-year-old Pavla from Katka's previous marriage. Katka works as bank clerk in KB, a.s. In his free time, Filip provides web design services as private entrepreneur.

The following information is applicable to the calculation of Filip's 2017 payroll tax from employment in Zdas:

- (1) Zdas provided Filip with a business car Skoda Fabia for business and private use. Skoda was acquired by the Company in 2012 for CZK270,000. Its accounting residual value in 2017 is CZK120,000 and its tax residual value is CZK120,000.
- (2) During the year Filip was sent on three business trips: to Prague, Olomouc and to Ostrava. Each trip had duration 1 working day. Zdas provided Filip with meal voucher in amount of CZK200 per each business trip. Filip contributed CZK50 to meal vouchers.
- (3) Zdas gave to Filip two theater tickets in value of CZK300 each as Christmas gift.
- (4) Zdas paid Filip CZK20,000 as bonus for bringing his friend as new colleague in IT.

The following information is applicable to the calculation of Filip's 2017 payroll tax from self-employment as web designer:

- I. Incomes earned by Filip during 2017:
 - i. Filip designed 10 web pages for CZK5,000 each
 - ii. Filip designed 2 logos for CZK15,000 each
 - iii. Filip built 7 search engines for CZK7,500 each
 - iv. Filip built and installed 5 pay-per-click marketing systems for CZK18,000 each

- v. Filip delivered 2 e-commerce integrations for CZK25,000 each
- II. Filip's documentary costs incurred while providing web design services during 2017:
- i. a drive into town by car to meet some of Filip's clients: total 12,000 km, to clients 7,800 km; 0.4 l * 31 CZK/l
 - ii. a trip to the shop for milk and bread during Filip's work day: CZK150 per day, 231 days per year
 - iii. cost of utilities when Filip used his home as his office: CZK3,500 per month
 - iv. cost of Internet when Filip used his home as his office: CZK800 per month
 - v. cost of mobile when Filip used his personal mobile for calls with his clients: CZK1,000 per month
 - vi. cost of ticket to public transport when Filip travelled by public transport to meet some of his clients: CZK4,600 per year
 - vii. an eye test to track Filip's eyesight: CZK5,200 per year

Note: From November to March (inclusive) Filip had been travelling across South America. During this period Filip had unpaid leave at work.

Task 1: Calculate the amount of social security and health care insurance contributions payable by Filip as employee of Zdas and by Zdas for Filip for 2017.

Task 2. Calculate the payroll tax payable by Filip as self-employed web designer for 2017.

Example No. 7

Michal works as installation engineer at Skoda Mlada Boleslav, a.s. (here and after "Skoda"). He lives and works in Mlada Boleslav. Michal has signed the declaration for personal tax credits with Skoda, a.s. He earns CZK37,000 per month. He is married to Nadia and they have two daughters: 6-year-old Anna and 18-year old Olga. Nadia works as HR specialist at Klaydon International, a.s. and she doesn't use child tax credits (i.e. child tax credits are used by Michal).

As part of its employment benefit program Skoda contributed CZK12,000 to Michal's private health insurance during the year. Also Skoda gave to Michal two theater tickets in value of CZK300 each as Christmas gift.

In his free time, Michal provides car repairing services as private entrepreneur and on performance agreement. In 2017 Michal provided 5 hours of car repairing service each month for Kladno, s.r.o. for CZK500 per hour.

The following information is applicable to the calculation of Michal's 2017 payroll tax from self-employment as private car repairer:

- I. Incomes earned by Michal during 2017:
 - i. Michal delivered 1,040 hours of break repairing works for CZK700 per hour
 - ii. Michal delivered 56 of oil changes for CZK1,500 per change
 - iii. Michal delivered 760 hours of tire repairs for CZK700 per hour
 - iv. Michal delivered 36 checkups of preventive maintenance for CZK1,000 per checkup
 - v. Michal delivered 18 pre-purchase checkups for CZK2,000 per checkup
- II. Michal's documentary costs incurred while providing car repairing services during 2017:

- i. a drive into town by car to meet some of Michal's clients: total 35,000 km, to clients 27,000 km; 0.4 l * 31 CZK/l
- ii. a trip to the shop for milk and bread during Michal's work day: CZK120 per day, 5*56 days per year
- iii. cost of utilities when Michal used his home as his office: CZK5,500 per month,
- iv. cost of Internet when Michal used his home as his office: CZK300 per month
- v. cost of mobile when Michal used his personal mobile for calls with his clients: CZK450 per month
- vi. cost of ticket to public transport when Michal travelled by public transport to meet some of his clients: CZK1,600 per year
- vii. vertebrologist test to track Michal's degenerative disc disease: CZK7,200 per year
- viii. instruments bought by Michal in 2017 for providing car repairing services: CZK89,000 per year
- ix. work supplies (e.g. oil, chemicals) bought by Michal in 2017 for providing car repairing services: CZK77,030 per year

Task 1: Calculate the amount of social security and health care insurance contributions payable by Michal as employee of Skoda and by Skoda for Michal for 2017.

Task 2. Calculate total tax basis of Michal for 2017.

Example No. 8

Lucie works at the position of Claims control associate at Knoft International, a.s. (here and after "Knoft"). She lives permanently in Rousinov, but works in Brno five days per week. Lucie hasn't signed the declaration for personal tax credits with Knoft, a.s. She earns CZK25,000 per month. She is not married and she has no children.

The following information is applicable to the calculation of Lucie's 2017 payroll tax:

- (1) Knoft paid private carrier for 125 round trips for Lucie from Rousinov where she has permanent residence to Brno in 2017. The contract price paid by Knoft was CZK27,000.
- (2) Knoft paid 50% of Lucie's 6-months membership in Big One Fitness club. The total price of the membership was CZK5,000.
- (3) Knoft paid CZK300 for Lucie's participation in the Christmas party organized by Knoft.

In her free time, Lucie as private entrepreneur provides services of dance instructor. The following information is applicable to the calculation of Lucie's 2017 payroll tax from self-employment as dance instructor:

I. Incomes earned by Lucie during 2017:

- i. Lucie provided 208 hours of group dance classes for CZK150 per hour
- ii. Lucie provided 54 hours of individual dance classes for CZK350 per hour
- iii. Lucie designed 6 dances for CZK5,000 per dance
- iv. Lucie provided 186 hours of meditation classes for CZK800 per hour
- v. Lucie provided 42 hours of lecture on dance history for CZK350 per hour

II. Lucie's documentary costs incurred while providing dance instructor services during 2017:

- i. a drive into town by car to meet some of Lucie's clients: 7,200 km * 0.4 l * 31 CZK/l
- ii. a trip to the shop for milk and bread during Lucie's work day: CZK125 per day, 285 days per year

- iii. cost of utilities and Internet when Lucie used her home as her office (to work online and to conduct meditation classes): CZK2,300 per month
- iv. cost of mobile when Lucie used her personal mobile for calls with her clients: CZK350 per month
- v. cost of ticket to public transport when Lucie travelled by public transport to meet some of her clients: CZK4,600 per year
- vi. music and exercise videos bought by Lucie in 2017 for preparing and conducting of her classes: CZK3,250 per year
- vii. dancing wear and scenic costumes bought by Lucie in 2017 for preparing and conducting of her classes: CZK21,400 per year
- viii. continuing education courses and seminars bought by Lucie in 2017 for preparing and conducting of her classes: CZK15,500 per year

Note: From June to August (inclusive) Lucie had been travelling across Central Asia. During this period Lucie had unpaid leave at work.

Task 1: Calculate the amount of social security and health care insurance contributions payable by Lucie as employee of Knoft and as self-employed dance instructor for 2017.

Task 2. Calculate the payroll tax payable by Lucie as employee of Knoft for 2017.

Example No. 9

Tomas works as constructor engineer for Siemens, a.s. (here and after “Siemens”). He lives and works in Brno. He earns CZK35,000 per month. He is married to Linda and they have 7-year-old daughter. Linda teaches at public primary school and she uses child tax allowance for their daughter.

The following information is applicable to the calculation of Tomas’s 2017 payroll tax:

- (1) Siemens paid CZK250 per 8 hour each month for Tomas’s English classes in private language school.
- (2) Siemens paid CZK1,500 for Tomas’s rent of canoe for participation in canoe race at Prehrada in Brno as team building activity of Siemens.

In his free time, Tomas as private entrepreneur provides services of fitness trainer. The following information is applicable to the calculation of Tomas’s 2017 payroll tax from self-employment as fitness trainer:

- I. Incomes earned by Tomas during 2017:
 - i. Tomas provided 23 fitness consultations for CZK1,200 per consultation,
 - ii. Tomas provided 260 hours of group fitness training for CZK400 per hour
 - iii. Tomas provided 104 hours of individual fitness training for CZK700 per hour
 - iv. Tomas provided 15 nutrition consultations for CZK1,000 per consultation
 - v. Tomas delivered 156 hours of massage therapy for CZK500 per hour
- II. Tomas’s documentary costs incurred while providing fitness trainer services during 2017:
 - i. a drive into town by car to meet some of Tomas’s clients: $11,400 \text{ km} * 0.21 * 31 \text{ CZK/l}$
 - ii. a trip to the shop for milk and bread during Tomas’s work day: CZK75 per day, 5*28 days per year
 - iii. cost of utilities when Tomas used his home as his office (to store equipment, to do massage and to work online): CZK4,200 per month

- iv. cost of Internet when Tomas used his home as his office (to give on-line consultations): CZK500 per month
- v. cost of mobile when Tomas used his personal mobile for calls with his clients: CZK600 per month
- vi. cost of ticket to public transport when Tomas travelled by public transport to meet some of his clients: CZK2,100 per year
- vii. music and exercise videos bought by Tomas in 2017 for preparing and conducting of his trainings: CZK3,250 per year
- viii. sports wear bought by Tomas in 2017 for preparing and conducting of his trainings: CZK4,100 per year
- ix. continuing education courses and seminars bought by Tomas in 2017 for preparing and conducting of his trainings: CZK7,500 per year

Task 1: Calculate the amount of social security and health care insurance contributions payable by Tomas as employee of Siemens and as self-employed fitness trainer for 2017.

Task 2. Calculate the payroll tax payable by Tomas as self-employed fitness trainer for 2017.

Example No. 10

Josef works as IS architect for Malware Protection, s.r.o. (here and after "Malware"). He lives and works in Brno. Josef has signed the declaration for personal tax credits with Malware. He earns CZK41,000 per month. He is not married and he has no children.

The following information is applicable to the calculation of Josef's 2017 payroll tax:

- (1) Malware provided Josef with a business car (Skoda Fabia) for business and private use. Skoda was acquired by the Company in 2012 for CZK270,000. Its accounting residual value in 2017 is CZK120,000 and its tax residual value is CZK56,000.
- (2) Malware paid CZK500 Josef's weekend stay in the Forest Camp as Team building activity organized by Malware.

In his free time, Josef as private entrepreneur provides web development. The following information is applicable to the calculation of Josef's 2017 payroll tax from self-employment as web developer:

- I. Incomes earned by Josef during 2017:
 - i. Josef provided website management services: 3 one-time actions for CZK20,000 per action and permanent annual maintenance for CZK3,000 per month for 2 permanent clients
 - ii. Josef delivered 2 website relocations for CZK18,000 per relocation
 - iii. Josef delivered social network management services: 3 one-time actions for CZK25,000 per action and permanent annual maintenance for CZK3,500 per month for 1 permanent client
 - iv. Josef developed 2 custom apps for CZK 30,000 per app
 - v. Josef delivered 4 website disaster recoveries for CZK15,000 per recovery
- II. Josef's documentary costs incurred while providing web development services during 2017:
 - i. a drive into town by car to meet some of Josef's clients: total 9,450 km, to clients 2,100 km; $0.21 * 31$ CZK/l
 - ii. a trip to the shop for milk and bread during Josef's work day: CZK110 per day,
 - iii. cost of utilities when Josef used his home as his office: CZK5,000 per month
 - iv. cost of Internet when Josef used his home as his office: CZK800 per month

- v. cost of mobile when Josef used his personal mobile for calls with his clients: CZK550 per month
- vi. cost of ticket to public transport when Josef travelled by public transport to meet some of his clients: CZK4,600 per year
- vii. vertebrologist test to track Josef's degenerative disc disease: CZK5,200 per year

Note: From January to February (inclusive) Josef had been hiking in New Zealand. During this period Josef had unpaid leave at work.

Task 1: Calculate the amount of social security and health care insurance contributions payable by Josef as employee of Malware and by Malware for Josef for 2017.

Task 2: Calculate total tax basis of Josef for 2017.

Example No. 11

Marketa works at the position of HR manager for DSG International, a.s. (here and after "DSG"). She lives and works in Prague permanently. Martina has signed the declaration for personal tax credits with DSG International. She earns CZK43,000 per month. She is divorced and she lives with her 16-year-old daughter in common household.

The following information is applicable to the calculation of Marketa's 2017 payroll tax:

- (1) DSG paid 50% of Marketa's 6-months membership in Big One Fitness club. The total price of the membership was CZK5,000.
- (2) DSG paid 30% of Marketa's 1-hour massage session with physiotherapist each month. Total price of 1-hour session was CZK350.
- (3) During the year Marketa was sent on three business trips: to Prague, Olomouc and to Ostrava. Each trip had duration 1 working day. DSG provided Marketa with meal voucher in amount of CZK200 per each business trip. Marketa contributed CZK50 to meal vouchers.
- (4) DSG paid exam fee in amount of CZK2,100 for Marketa to become certified HR manager.
- (5) DSG paid CZK500 for Marketa's participation in 5-day Healthy days program (class of smoothy making, class of yoga, check with optometrist etc.) organized by DSG.

In her free time, Marketa provides coaching and training services for 3d parties. In 2017 Marketa provided the following services:

- a) Under performance agreement with Origami, a.s., Marketa delivered 20 hours of HR training services for total contract price of CZK27,000.
- b) Under contract of employment with ABY, a.s. Marketa delivered 10 hours of coaching services for managers each month during 2017 for CZK500 per hour.

Task 1: Calculate the amount of social security and health care insurance contributions payable by Marketa as employee of DSG and by DSG for Marketa for 2017.

Task 2: Calculate total tax basis of Marketa for 2017.

Example No. 12

Igor works as Data warehouse specialist for Erixon DSG, a.s. (here and after "Erixon"). He lives and works in Prague. He earns CZK45,000 per month. He is married to Petra and they have 18-year-old daughter. Petra works as Invoice control specialist in Erixon.

The following information is applicable to the calculation of Igor's 2017 payroll tax:

- (1) Erixon paid 50% of Igor's 1-hour massage session with physiotherapist each month. Total price of 1-hour session was CZK300.
- (2) Erixon paid CZK750 for Igor's weekend stay in the Forest Camp as Team building activity organized by Erixon.

In his free time, Igor provides web design and related services. In 2017 Igor provided 20 hours of web-design services for CZK27,000 to Asko, s.r.o. under performance agreement.

The following information is applicable to the calculation of Igor's 2017 payroll tax from self-employment as web designer:

- I. Incomes earned by Igor during 2017:
 - i. Igor designed 10 web pages for CZK5,000 per page
 - ii. Igor designed 2 logos for CZK15,000 each
 - iii. Igor optimized 7 search engines for CZK7,500 per engine
 - iv. Igor installed 5 pay-per-click marketing systems for CZK18,000 per installation
 - v. Igor delivered 2 e-commerce integrations for CZK25,000 per integration
- II. Igor's documentary costs incurred while providing web design services during 2017:
 - i. a drive into town by Igor's private car to meet some of his clients: total 12,000 km, to clients 7,800 km; $0.4 \text{ l} * 31 \text{ CZK/l}$
 - ii. a trip to the shop for milk and bread during Igor's work day: CZK150 per working day
 - iii. cost of utilities when Igor used his home as his office: CZK3,500 per month
 - iv. cost of Internet when Igor used his home as his office: CZK800 per month
 - v. cost of mobile when Igor used his personal mobile for calls with his clients: CZK1,000 per month
 - vi. cost of ticket to public transport when Igor travelled by public transport to meet some of his clients: CZK4,600 per year
 - vii. an eye test to track Igor's eyesight: CZK5,200 per year

Note: From January to April (inclusive) Igor had been travelling across South America. During this period Igor had unpaid leave at work.

Task 1: Calculate the amount of social security and health care insurance contributions payable by Igor as employee of Erixon and as self-employed web developer for 2017.

Task 2. Calculate the payroll tax payable by Igor as employee of Erixon for 2017.

Example No. 13

Jana works as IS fraud analyst for Vemos, a.s. (here and after "Vemos"). She lives and works in Ostrava, Jana has not signed the declaration for personal tax credits with Vemos. Her gross wage is CZK32,000 per month. Jana is divorced and she lives with her 15 year-old son in common household.

The following information is applicable to the calculation of Jana's 2017 payroll tax:

- (1) During 2017 Jana was sent on three business trips: to Prague, Olomouc and to Ostrava. Each trip had duration 1 working day. Vemos provided Jana with meal voucher in amount of CZK200 per each business trip. Jana contributed CZK50 to meal vouchers.

(2) Vemos gave to Jana two theater tickets in value of CZK300 each as Christmas gift.

In her free time, Jana provides web development and related services as private entrepreneur. The following information is applicable to the calculation of Jana's 2017 payroll tax from self-employment:

I. Incomes earned by Jana during 2017:

- i. Jana delivered website management services: 4 one-time actions for CZK20,000 per action and permanent annual maintenance for CZK3,000 per month to 2 permanent clients
- ii. Jana delivered 2 website relocations for CZK18,000 each
- iii. Jana delivered social network management: 1 one-time actions for CZK25,000 and permanent annual maintenance for CZK3,500 per month to 4 permanent clients
- iv. Jana developed 2 custom apps for CZK30,000 each
- v. Jana delivered 4 website disaster recoveries for CZK15,000 per recovery

II. Jana's documentary costs incurred while providing web development services during 2017:

- i. a drive into town by car to meet some of Jana's clients: total 9,450 km, to clients 2,100 km; $0.21 * 31$ CZK/l
- ii. a trip to the shop for milk and bread during Jana's work day: CZK110 per work day
- iii. cost of utilities when Jana used her home as her office: CZK5,000 per month
- iv. cost of Internet when Jana used her home as her office: CZK800 per month
- v. cost of mobile when Jana used her personal mobile for calls with her clients: CZK550 per month
- vi. cost of ticket to public transport when Jana travelled by public transport to meet some of her clients: CZK4,600 per year
- vii. an eye test to track eyesight test to track Jana's degenerative eye disease: CZK3,100 per year

Besides programming and machine learning, Jana is interested in investing. Five years ago she accomplished investing courses from FIO Banka, a.s., and bought 53 stocks of AVG, a.s. In 2017 AVG, a.s. paid CZK150 of dividend per each of its stocks issued and hold by shareholders.

Note: From September to October (inclusive) Jana had been hiking in New Zealand. During this period Jana had unpaid leave at work.

Task 1: Calculate the amount of social security and health care insurance contributions payable by Jana as employee of Vemos and by Vemos for Jana 2017.

Task 2: Calculate total tax basis of Jana for 2017.

Example No. 14

Martina works at the position of Logistics specialist at ABB, a.s. (here and after "ABB"). She lives and works in Rousinov permanently. Martina has signed the declaration for personal tax credits with ABB, a.s. She earns CZK29,000 per month. She is not married and she has no children.

The following information is applicable to the calculation of Martina's 2017 payroll tax:

- (1) During 2017 Martina was sent on three business trips: to Prague, to Olomouc and to Ostrava. Each trip had duration 1 working day. ABB provided Martina with meal voucher in amount of CZK140 per each business trip. Martina contributed CZK57 to each meal voucher.
- (2) ABB paid CZK500 for Martina's participation in 5-day Healthy days program (class of smoothie making, class of yoga, check with optometrist etc.) organized by ABB.

Besides her flat in Rousinov, Martina also also owns a flat in Brno which she inherited from her grandparents 10 years ago and which she rents to three students studying in MU. During 2017/18 she received CZK14,000 from her tenants each month. Martina's documentary costs incurred while renting her flat in Brno during 2017 were as follows: CZK26,000 for utilities, CZK5,000 for Internet, CZK2,100 for garbage cleaning, CZK8,000 for refurbishing of kitchen.

In her free time, Martina as private entrepreneur provides services of dance instructor. The following information is applicable to the calculation of Martina's 2017 payroll tax from self-employment as dance instructor:

I. Incomes earned by Martina during 2017:

- i. Martina provided 210 hours of group dance classes for CZK150 per hour
- ii. Martina provided 34 hours of individual dance classes for CZK250 per hour
- iii. Martina designed 2 dances for CZK5,000 per dance
- iv. Martina provided 186 hours of individual meditation classes for CZK200 per hour
- v. Martina provided 12 lectures on dance history for CZK350 per lecture

II. Martina's documentary costs incurred while providing dance instructor services during 2017:

- i. a drive into town by Martina's private car to meet some of her clients: $7,200 \text{ km} * 0.4 \text{ l} * 31 \text{ CZK/l}$
- ii. a trip to the shop for milk and bread during Martina's work day: CZK125 per day
- iii. cost of utilities when Martina used her home as her office (to work online and to conduct meditation classes): CZK2,300 per month
- iv. cost of Internet when Martina used her home as her office: CZK350 per month
- v. cost of ticket to public transport when Martina travelled by public transport to meet some of her clients: CZK4,600 per year
- vi. music and exercise videos bought by Martina in 2017 for preparing and conducting of her classes: CZK3,250 per year
- vii. dancing wear and scenic costumes bought by Martina in 2017 for preparing and conducting of her classes: CZK21,400 per year
- viii. continuing education courses and seminars bought by Martina in 2017 for preparing and conducting of her classes: CZK15,500 per year

Task 1: Calculate the amount of social security and health care insurance contributions payable by Martina as employee of ABB and as self-employed dance instructor for 2017.

Task 2: Calculate total tax basis of Martina for 2017.

Example No. 15

Lukas works as installation engineer at Tatra Koprivnice, a.s. (here and after "Tatra"). He lives and works in Koprivnice. Lukas has signed the declaration for personal tax credits with Tatra. He earns CZK33,000 per month. He is married to Kristina and they have 6-year-old daughter. Kristina is housewife. In her free time Katka provides occasional German translations and proof-reading. In 2017 Katka earned CZK80,000 from providing these occasional survives.

During 2017 Lukas was sent on a business trip to Graz and Linz. The whole business trip had duration 5 working days. Tatra provided Lukas with meal voucher in amount of CZK1500 per each day of the business trip. Additionally to this Company also provided cash for daily needs in amount of CZK700 per each day of the

business trip. Lukas participated neither on meal vouchers nor on cash for daily needs. *Note: the ER between EURO and CZK on the date of meal voucher and cash issue slip was 1 euro = 27 CZK.*

In his free time, Lukas provides car repairing services as private entrepreneur and on performance agreement. In 2017 Lukas provided 2 hours of car repairing service each month for AutoService, s.r.o. for CZK1,200 per hour.

The following information is applicable to the calculation of Lukas's 2017 payroll tax from self-employment as private car repairer:

I. Incomes earned by Lukas during 2017:

- i. Lukas delivered 1,040 hours of break repair services for CZK700 per hour
- ii. Lukas delivered 56 oil changes for CZK1,500 per change
- iii. Lukas delivered 760 hours of tire repairs for CZK700 per hour
- iv. Lukas delivered 36 preventive maintenance checkups for CZK1,000 per checkup
- v. Lukas delivered 18 prepurchase checkups for CZK2,000 per checkup

II. Lukas's documentary costs incurred while providing car repairing services during 2017:

- i. a drive into town by Lukas's private car to meet some of his clients: total 35,000 km, to clients 27,000 km; $0.4 \text{ l} * 31 \text{ CZK/l}$
- ii. a trip to the shop for milk and bread during Lukas's work day: CZK120 per day
- iii. cost of utilities when Lukas used his home as his office: CZK5,500 per month,
- iv. cost of Internet when Lukas used his home as his office: CZK300 per month
- v. cost of mobile when Lukas used his personal mobile for calls with his clients: CZK450 per month
- vi. cost of ticket to public transport when Lukas travelled by public transport to meet some of his clients: CZK1,600 per year
- vii. vertebrologist test to track Lukas's degenerative disc disease: CZK7,200 per year
- viii. instruments bought by Lukas in 2017 for providing car repairing services: CZK55,000 per year
- ix. work supplies (e.g. oil, chemicals) bought by Lukas in 2017 for providing car repairing services: CZK27,120 per year

Lukas monthly transfers CZK1,000 to his saving account and once per year CZK2,500 to his fixed deposit account. In 2017 Lukas received CZK120 of interests from his savings account at Komerční banka, a.s. and CZK560 of interests from his fixed deposit account at FIO Banka, a.s.

Task 1: Calculate the amount of social security and health care insurance contributions payable by Lukas as employee of Tatra and by Tatra for Lukas 2017.

Task 2: Calculate total tax basis of Lukas for 2017.

Part III. Corporate income tax

Task III.1. Give answers to multiple choice questions. Only one correct answer is possible.

1. Which of the following statements gives correct example(s) of taxpayers of corporate income tax?
 - a) companies (limited partnerships, limited liability companies, public limited companies and co-operative societies), churches, schools, organizational components of state.
 - b) companies (limited partnerships, limited liability companies, public limited companies and co-operative societies), churches, political parties, organizational components of state.
 - c) companies (limited partnerships, limited liability companies, public limited companies and co-operative societies), churches, hospitals, organizational components of state.
 - d) companies (limited partnerships, limited liability companies, public limited companies and co-operative societies), churches, theatres, organizational components of state.

2. Which of the following statements correctly describes tax base?
 - a) The taxpayer can read the final tax base from entity's financial statements. It is the same as its economic profit.
 - b) The taxpayer can read the final tax base from entity's financial statements. It is not the same as its economic profit - the later one should be reduced by deductible items.
 - c) The taxpayer cannot read the final tax base from entity's financial statements. It is not the same as its economic profit - the later one should be reduced by deductible items.
 - d) The taxpayer cannot read the final tax base from entity's financial statements. It is not the same as its economic profit - the later one should be reduced by tax depreciation.

3. Which of the following statements gives correct example(s) of expenses which according to ITA are considered as ineligible to generate, assure and maintain income:
 - a) shortages and damages within compensation.
 - b) representation expenses (travel, entertainment, gifts) exceeding the amounts stated by ITA
 - c) expenses connected with work use of motor vehicles by employees.
 - d) preschool facilities fees for employees' children within the amounts stated by ITA and labor code.

4. Which of the following statements gives correct example(s) of items which according to ITA are considered as deductible from the tax base:
 - a) tax loss which was recorded and assessed in one previous taxable period.
 - b) 100% of costs for R&D.
 - c) 100% of costs for the acquisition of assets for vocational training, if the assets are used for the training of more than 60% of the time of its operation in three consecutive tax periods.
 - d) 50 % of costs for the acquisition of assets for vocational training, if the assets are used for the training between 30% and 60% of the time of its operation in three consecutive tax periods.

5. Which of the following statements correctly describes the deadline for submission by the taxpayer its/his tax return?
 - a) The taxpayer must submit its/his tax return at the latest one month following expiry date of the taxable period.
 - b) The taxpayer must submit its/his tax return at the latest two months following expiry date of the taxable period.
 - c) The taxpayer must submit its/his tax return at the latest three months following expiry date of the taxable period.

- d) The taxpayer must submit its/his tax return at the latest on the expiry date of the taxable period.
6. Which of the following statements correctly describes the position of CIT taxpayer toward the choice of taxable period?
- a) CIT taxpayer cannot choose, whether he will use a calendar year or an economic year as a taxable period. He should use only calendar year.
 - b) CIT taxpayer cannot choose, whether he will use a calendar year or an economic year as a taxable period. He should use only economic year.
 - c) CIT taxpayer can choose, whether he will use a calendar year or an economic year (which must begin on the first day of any month and must be twelve months long) as a taxable period.
7. Which of the following statements correctly describes the role of tax depreciation (amortization)?
- a) Tax depreciation (amortization) has to be considered for calculation of corporate income tax base and, hence, corporate income tax liability. It reflects the actual condition of the real assets as well as accounting depreciation (amortization) does.
 - b) Tax depreciation (amortization) has to be considered for calculation of corporate income tax base and, hence, corporate income tax liability. Accounting depreciation (amortization) reflects the actual condition of the real assets much better than it.
 - c) Tax depreciation (amortization) has to be considered for calculation of corporate income tax base and, hence, corporate income tax liability. It reflects the actual condition of the real assets much better than accounting depreciation (amortization).
8. Which of the following statements correctly describes the depreciation of the following items – land, pieces of art, cultural heritage?
- a) Land, pieces of art and cultural heritage are depreciated.
 - b) Pieces of art and cultural heritage are depreciated, land – not.
 - c) Land is depreciated, pieces of art and cultural heritage - are not.
 - d) Land, pieces of art and cultural heritage are not depreciated.
9. Which of the following statements correctly describes the obligation the combining entities to fill their tax returns?
- a) The defunct company has the no obligations regarding filing a tax return for the period preceding the decisive day. The acquiring company has the obligation to file a tax return for the period preceding the decisive day.
 - b) Both defunct and acquiring company has the obligation to file a tax return for the period preceding the decisive day.
 - c) The defunct company has the obligation to file a tax return for the period preceding the decisive day. The acquiring company has the obligation to file a tax return for the period preceding the decisive day as well as for the period starting from that date.
 - d) Both defunct and acquiring company has no the obligation regarding filing a tax return for the period preceding the decisive day.
10. Which of the following statements correctly describes the obligation of acquiring company to fill its tax return?
- a) Acquiring company has to submit the tax return according to normal rules for submitting the tax return of corporate income tax.
 - b) Acquiring company has to submit the tax return for a period ending on the day, preceding the decisive day by the end of the month following the month with the decisive day.

- c) Acquiring company has two possibilities for submitting a tax return depending on the decisive day:
 (1) if the decisive day is the 1st day of a calendar or an economic year, the company submits the tax return according to normal rules for submitting the tax return of corporate income tax; (2) otherwise the company must submit tax return of corporate income tax for a period ending on the day, preceding the decisive day by the end of the month following the month with the decisive day.
11. Which of the following statements correctly describes the acquisition approach regarding tax provisions, tax reserves, tax depreciation and amortization, tax loss and tax deductible items that have not yet been claimed?
- a) Items such as tax provisions, tax reserves, tax depreciation and amortization, tax loss, tax deductible items that have not yet been claimed and others are disbanded together with defunct company.
 b) Items such as tax provisions, tax reserves, tax depreciation and amortization, tax loss, tax deductible items that have not yet been claimed and others are transferred from the defunct company to the acquiring company.
12. Which of the following statements correctly indicates the moment when tax evasion takes place?
- a) Most tax evasion takes place when taxpayers - individuals or firms – earn their income.
 b) Most tax evasion takes place when taxpayers - individuals or firms – spend their income.
 c) Most tax evasion takes place when taxpayers - individuals or firms – earn and spend their income.
 d) Most tax evasion takes place when taxpayers - individuals or firms - are required to report income or spending to the tax authorities.
13. What are the main possibilities for tax evasion?
- a) declaration of exaggerated incomes received and underdeclaration of claims for deductions or allowances against tax.
 b) underdeclaration of incomes received and false or exaggerated claims for deductions or allowances against tax.
 c) underdeclaration of incomes received and claims for deductions or allowances against tax.
 d) declaration of exaggerated incomes received and claims for deductions or allowances against tax.
14. Which of the following statements correctly names the category of personal income which is highly exposed to tax evasion?
- a) Nearly all tax systems are highly exposed to tax evasion by the employed.
 b) Nearly all tax systems are highly exposed to tax evasion by the self-employed.
 c) Nearly all tax systems are highly exposed to tax evasion by the people earning an income from rent.
 d) Nearly all tax systems are highly exposed to tax evasion by people earning an income from capital assets.

Task III.2. Provide calculus and give answers to examples below.

Example No. 1

Exor, a. s. (here and after “Exor”) is an entertainment agency organising sports events. Exor is a Czech tax resident company using the calendar year as the fiscal year. Exor’s 2017 accounting profit amounted to CZK 3,125,000. All of the accounting profit items mentioned below are included in this figure:

- (1) Exor purchased 12 used laptops for CZK4,100 each and 1 new projector for CZK10,250 each for organizing internal training courses for its 109 employees in extent of 2 working days per each

employee during financial year. Note: in 2017 company employs 242 employees with regular duration of working day set by Czech labor code

- (2) Exor provided accommodation for its 23 business partners who came to Brno for signing of new and prolongation of existing business contracts. Accommodation was arranged in local hotel and company paid CZK1,200 per night per 1 person. In total guests spent 20 nights in the hotel.
- (3) Exor signed a contract with private carrier about transportation of its 57 employees from neighboring villages to Brno. The contract price paid by the company was CZK114,000.
- (4) Exor created reserve in amount of CZK 40,000 for planned reconstruction of its administration building in 2019 in total amount of CZK 100,000 which company started to create in 2017.
- (5) Exor recognized accounting depreciation in amount of CZK96,000 for Skoda Octavia which it acquired in January 2015 for CZK480,000. Company applies linear depreciation for tax purposes.

Task 1. Calculate Exor's 2017 corporate income tax base (loss) as assessed by the tax authority, and clearly show whether each of the above-mentioned accounting profit items is tax deductible or tax non-deductible, and how each affects the tax base.

Example No. 2

Cutberry, a.s. (here and after "Cutberry") is retailer with apparel. Cutberry is a Czech tax resident company with fiscal year from May 1 to April 31. Cutberry's 2017 accounting profit amounted to CZK9,230,000. All of the accounting profit items mentioned below are included in this figure:

- (1) Cutberry released reserves in amount of CZK 125,000 for planned two-year modernization of its production capacities in 2017-2018 in total amount of CZK 220,000 which company started to create in 2014.
- (2) Cutberry recognized accounting depreciation in amount of CZK85,000 for Skoda Rapid which it acquired in March 2016 for CZK321,000. Cutberry applies accelerated depreciation for tax purposes.
- (3) Cutberry purchased 25 used laptops for CZK3,300 each and 10 new projectors for CZK7,250 each for organizing internal training courses for its 185 employees from its sales department in extent of 80 working days per each employee in its sales department during financial year. *Note: in 2016 company employs 185 employees with regular duration of working day set by Czech labor code.*
- (4) Cutberry provided accommodation for members of its board of directors since all 7 members have permanent residence in Hradec Kralove and come for 5 working days each week to Brno. Company paid CZK12,500 per each flat per month for each director.

Task 1. Calculate Cutberry's 2017 corporate income tax base (loss) as assessed by the tax authority, and clearly show whether each of the above-mentioned accounting profit items is tax deductible or tax non-deductible, and how each affects the tax base.

Example No. 3

Tiger, a. s. (here and after "Tiger") is an entertainment agency organizing business conferences, meeting and business summits. Tiger is a Czech tax resident company using the calendar year as the fiscal year. Tiger's 2017 accounting profit amounted to CZK 3,125,000. All of the accounting profit items mentioned below are included in this figure:

- (1) Tiger recognized accounting depreciation in amount of CZK96,000 for Skoda Octavia which it acquired in January 2015 for CZK480,000. Company applies accelerated depreciation for tax purposes.
- (2) As per year end of 2017 Tiger had the following trade receivables overdue:

Amount	Overdue	Provision	Raised in court	Payment received
CZK25,000	Invoice was issued on November 15, 2016	No	No	No
CZK210,000	Invoice was issued on April 2, 2016	No	No	No
CZK175,000	Invoice was issued on September 10, 2015	No	Yes	25,000 in January 2016

- (3) Tiger received dividends as share on profits of its associate company A7, s.r.o. for 2016 in amount of CZK100,000.
- (4) Tiger paid dividends to company Global solutions, a.s. as share on its profits for 2016 in amount of CZK55,000.
- (5) Tiger organized Christmas party and Spring barbeque day for key customers and paid for it CZK255,000.

Task 1. Calculate Tiger's 2017 corporate income tax base (loss) as assessed by the tax authority, and clearly show whether each of the above-mentioned accounting profit items is tax deductible or tax non-deductible, and how each affects the tax base.

Example No. 4

Erixon, s.r.o. (here and after "Erixon") is a private pharmaceutical company. Erixon is a Czech tax resident company with fiscal year from May 1 to April 31. Erixon's 2017 accounting profit amounted to CZK 12,500,000. All the accounting profit items mentioned below are included in this figure:

- (1) Erixon recognized accounting depreciation in amount of CZK85,000 for Skoda Rapid which it acquired in March 2016 for CZK321,000. Company applies linear depreciation for tax purposes.
- (2) Erixon sells its Warehouse Building for CZK12,450,000 Building was acquired in May 2013 for CZK17,000,000. Over the building there have been conducted complex renovation works including installation of new climate control system for CZK136,000 and fire alarm CZK221,000 in August 2016. Erixon recognized accounting depreciation in amount of CZK270,000 for the disposed Building. Company applied accelerated depreciation for tax purposes.

Amount	Overdue	Provision	Raised in court	Payment received
CZK175,000	Invoice was issued on September 10, 2015	No	Yes	25,000 in January 2016
CZK445,000	Invoice was issued on April 9, 2015	Yes, in January 2016, for 50%	Yes	105,000 in July 2016
CZK75,000	Invoice was issued on November 10, 2014	Yes, in November, 2015, for 100%	No	No

- (3) Erixon received dividends as share on profits of its associate company Solar Winds, a.s., for 2017 in amount of CZK85,000.
- (4) Erixon organized Christmas party and Spring barbeque day for its employees and paid for it CZK180,000.

Task 1. Calculate Erixon's 2017 corporate income tax base (loss) as assessed by the tax authority, and clearly show whether each of the above-mentioned accounting profit items is tax deductible or tax non-deductible, and how each affects the tax base.

Example No. 5

Dixons, s.r.o. (here and after "Dixons") is carrier organising international deliveries. Dixons is a Czech tax resident company using the calendar year as the fiscal year. Dixons's 2017 accounting profit amounted to CZK11,125,000. All of the accounting profit items mentioned below are included in this figure:

- (1) In August 2017 Dixons sold its Skoda Rapid for CZK285,000. Car was acquired in March 2015 for CZK321,000. Dixons applied accelerated depreciation for tax purposes. At the yearend of 2017 company recognizes accounting depreciation in amount of CZK30,000 for the disposed car.
- (2) Dixons recognized accounting depreciation in amount of CZK775,000 for Warehouse Building which it acquired in May 2011 for CZK4,280,000 and over which it has been conducting regular servicing and repairs including change of fire alarm system in May 2013 for CZK432,000 and air tubes September 2014 for CZK224,000 as well as complex modernization including installation of new temperature control system for CZK336,000 and automated lifting systems for CZK215,000 in August 2015. Dixons applied linear depreciation for tax purposes
- (3) Dixons paid dividends as share on profits of its associate company Rodgers DSG, s.r.o., for 2017 in amount of CZK42,000.
- (4) For business meeting with key business partners which lasted two days Dixons rented conference room for CZK50,000 per day and paid catering for CZK32,000 per day.

Task 1. Calculate Dixons's 2017 corporate income tax base (loss) as assessed by the tax authority, and clearly show whether each of the above-mentioned accounting profit items is tax deductible or tax non-deductible, and how each affects the tax base.

Example No. 6

InVivo, s. r. o. (here and after "InVivo"), is a private research institute. InVivo is a Czech tax resident company using the calendar year as financial year. InVivo's 2017 accounting profit amounted to CZK 5,100,000. All the accounting profit items mentioned below are included in this figure:

- (1) InVivo recognized accounting depreciation in amount of 65,000 for solar panels which InVivo acquired for CZK1,466,600 in January 2016 and put into operation in April 2016. *Note: company applies tax depreciation with per-month calculation.*
- (2) InVivo recognized accounting depreciation in amount of CZK210,000 for Parking Building which it acquired in October 2015 for CZK5,320,000 and it has been conducting regular servicing and repairs including change of fire alarm system in May 2013 for CZK515,000 and security system in September 2014 for CZK675,000 as well as complex modernization including installation of construction of two new exits for CZK150,000 each in April 2016 and five lifts for CZK215,000 each in August 2016. InVivo applied linear depreciation for tax purposes.

- (3) InVivo sent its 15 full-time sales representatives on 15 business trips to Prague, Olomouc and Ostrava. Each trip had duration 1 working day. Company provided each employee with meal voucher in amount of CZK140 per each business trip. Employees contributed CZK57 to each meal voucher.
- (4) InVivo regularly (once per each week) organized fruit days for its employees. Each week company spent CZK1,000 on buying fruits and vegetables.
- (5) InVivo donated CZK25,645 to dog and cat shelter "Tibet".

Task 1. Calculate InVivo's 2017 corporate income tax base (loss) as assessed by the tax authority, and clearly show whether each of the above-mentioned accounting profit items is tax deductible or tax non-deductible, and how each affects the tax base.

Example No. 7

Matt&Rett Czech Republic, s.r.o. (here and after "Matt&Rett") is Czech branch of international retailer with apparel. Matt&Rett is Czech tax resident with financial year starting on May 1. Matt&Rett's 2017 accounting profit amounted to CZK17,805,000. All of the accounting profit items mentioned below are included in this figure:

- (1) Matt&Rett recognized accounting depreciation in amount of CZK190,000 for Office Building which it acquired in January 2015 for CZK1,480,000 and over which it has conducted complex renovation including installation of new climate control system for CZK136,000 and fire alarm CZK221,000 in August 2017. Matt&Rett applied linear depreciation for tax purposes.
- (2) Matt&Rett sent its 50 full-time sales representatives on 50 business trips to Prague, Olomouc and Ostrava. Each trip had duration 1 working day. Company provided each employee with meal voucher in amount of CZK200 per each business trip. Employees didn't contribute to meal vouchers.
- (3) Matt&Rett sent its 5 full-time assembling specialist on a business trip to Tokyo. The whole business trip had duration 15 working days. Company provided each employee with meal voucher in amount of CZK1,625 per each day of the business trip. Additionally to this Matt&Rett also provided cash for daily needs in amount of CZK650 per each day of the business trip. Employees participated neither on meal vouchers nor on cash for daily needs. *Note: the ER between USD and CZK on the date of meal voucher and cash issue slip was 1 usd = 27 CZK.*
- (4) Matt&Rett regularly purchased tea and coffee to office kitchen for its employees. Each week company spent CZK2,000 on buying tea and filling in coffee machine.
- (5) Matt&Rett donated CZK75,120 to Center of Help to Families in Need.

Task 1. Calculate Matt&Rett's 2017 corporate income tax base (loss) as assessed by the tax authority, and clearly show whether each of the above-mentioned accounting profit items is tax deductible or tax non-deductible, and how each affects the tax base.

Example No. 8

I-image, s.r.o. (here and after "I-Image") is IT company, providing web design and web development services. I-Image is Czech tax resident using the calendar year as financial year. I-image's 2017 accounting profit amounted to CZK9,115,000. All of the accounting profit items mentioned below are included in this figure:

- (1) I-Image recognized accounting depreciation in amount of CZK47,000 for Skoda Fabia which it acquired in July 2014 for CZK185,000. Company applies accelerated depreciation for tax purposes.
- (2) I-Image sent its 50 full-time sales representatives on 50 business trips to Prague, Olomouc and Ostrava. Each trip had duration 1 working day. Company provided each employee with meal voucher in amount of CZK200 per each business trip. Employees contributed CZK50 to meal vouchers.

- (3) I-Image regularly purchased bottled water to office kitchen and open spaces for its employees. Each week company spent CZK1,500 on changing water gallons in water supplying machines.
- (4) I-Image donated CZK1,800 to Wikipedia.

Task 1. Calculate I-Image's 2017 corporate income tax base (loss) as assessed by the tax authority, and clearly show whether each of the above-mentioned accounting profit items is tax deductible or tax non-deductible, and how each affects the tax base.

Example No. 9

Fieria, s.r.o. (here and after "Fieria") is travel company, providing booking, guiding and visa services. Fieria is Czech tax resident using the calendar year as financial year. Fieria's 2017 accounting profit amounted to CZK5,614,000. All of the accounting profit items mentioned below are included in this figure:

- (1) Fieria sells its Skoda Octavia for CZK154,000. Car was acquired in August 2015 for CZK480,000. Fieria applied linear depreciation for tax purposes. At the yearend of 2017 company recognizes accounting depreciation in amount of CZK96,000 for the disposed car.
- (2) Fieria sent its 18 full-time sales representatives on a business trip to Graz and Linz. The whole business trip had duration 5 working days. Company provided each employee with meal voucher in amount of CZK1500 per each day of the business trip. Additionally to this Fieria also provided cash for daily needs in amount of CZK700 per each day of the business trip. Employees participated neither on meal vouchers nor on cash for daily needs. *Note: the ER between EURO and CZK on the date of meal voucher and cash issue slip was 1 euro = 27 CZK.*
- (3) Fieria donated CZK15,500 to Green forests association.

Task 1. Calculate Fieria's 2017 corporate income tax base (loss) as assessed by the tax authority, and clearly show whether each of the above-mentioned accounting profit items is tax deductible or tax non-deductible, and how each affects the tax base.

Example No. 10

APP Czech Republic, a.s. (here and after "APP") is Czech branch of international manufacturer of steam turbines. APP is Czech tax resident with financial year starting on September. APP's 2017 accounting profit amounted to CZK32,115,000. All of the accounting profit items mentioned below are included in this figure:

- (1) APP recognized accounting depreciation in amount of CZK190,000 for Office Building which it acquired in January 2015 for CZK1,480,000 and over which it has conducted complex renovation including installation of new climate control system for CZK136,000 and fire alarm CZK221,000 in August 2017. Company applied linear depreciation for tax purposes.
- (2) APP sent its 50 full-time sales representatives on 50 business trips to Prague, Olomouc and Ostrava. Each trip had duration 1 working day. Company provided each employee with meal voucher in amount of CZK200 per each business trip. Employees didn't contribute to meal vouchers.
- (3) APP sent its 5 full-time assembling specialist on a business trip to Tokyo. The whole business trip had duration 15 working days. Company provided each employee with meal voucher in amount of CZK1,625 per each day of the business trip. Additionally to this APP also provided cash for daily needs in amount of CZK650 per each day of the business trip. Employees participated neither on meal vouchers nor on cash for daily needs. *Note: the ER between USD and CZK on the date of meal voucher and cash issue slip was 1 usd = 27 CZK.*
- (4) APP regularly organizes fruit days for its employees. Each week APP spent CZK5,300 on buying fruits and vegetables.
- (5) APP donated CZK75,120 to Center of Help to Families in Need.

Task 1. Calculate APP's 2017 corporate income tax base (loss) as assessed by the tax authority, and clearly show whether each of the above-mentioned accounting profit items is tax deductible or tax non-deductible, and how each affects the tax base.

Part IV. Value added tax

Task IV.1. Give answers to multiple choice questions. Only one correct answer is possible.

1. Which of the following statements correctly describes the modern state of international regulation in field of VAT?
 - a) There is an international organization supervising the operation of value-added taxes among EU-member states.
 - b) There is an international organization supervising the operation of value-added taxes among OECD-member states.
 - c) There are several international organizations supervising the operation of value-added taxes among all states.
 - d) There is no an international organization supervising the operation of value-added taxes among all states.

2. Which of the following statements correctly describes the unique nature of the VAT?
 - a) The unique nature of the VAT is its potential scope in identifying and taxing the economic contribution made by any economic operator in connection with any activity of a business or commercial nature.
 - b) The unique nature of the VAT is its potential scope in identifying and taxing the economic contribution made by any natural and legal person in connection with any activity of a business or commercial nature.
 - c) The unique nature of the VAT is its potential scope in identifying and taxing the economic contribution made by any legal person in connection with any activity of a business or commercial nature.
 - d) The unique nature of the VAT is its potential scope in identifying and taxing the economic contribution made by any natural person in connection with any activity of a business or commercial nature.

3. Which of the following statements correctly describes the approach to calculation of VAT liability?
 - a) On each transaction, value added tax, calculated on the price of the goods or services at the rate applicable to such goods or services, shall be chargeable before deduction of the amount of value added tax borne directly by the various cost components.
 - b) On each transaction, value added tax, calculated on the price of the goods or services at the rate applicable to such goods or services, shall be chargeable after deduction of the amount of value added tax borne directly by the various cost components.
 - c) On each transaction, value added tax, calculated on the price of the goods or services at the rate applicable to such goods or services, shall be chargeable before adding of the amount of value added tax borne directly by the various cost components.
 - d) On each transaction, value added tax, calculated on the price of the goods or services at the rate applicable to such goods or services, shall be chargeable after adding of the amount of value added tax borne directly by the various cost components.

4. Which of the following statements correctly describes the situation with VAT on exports?
 - a) States that impose a VAT on imports remove exports from the charge to tax.
 - b) States impose a VAT on imports and exports.
 - c) States do not impose a VAT on imports and exports.
 - d) States that impose a VAT on exports remove imports from the charge to tax.

5. Which of the following statements correctly describes the right to recover input VAT?
- Each physical person is allowed a deduction against the total VAT charged by the person to take account of any VAT paid by the person on inputs related to transactions within the scope of the VAT.
 - Each legal person is allowed a deduction against the total VAT charged by the person to take account of any VAT paid by the person on inputs related to transactions within the scope of the VAT.
 - Each taxable person is allowed a deduction against the total VAT charged by the person to take account of any VAT paid by the person on inputs related to transactions within the scope of the VAT.
 - No one has right to deduct input VAT.
6. Which of the following statements correctly describes the normal approach to impose output VAT?
- The normal approach is to impose output tax on transactions and persons if: (a) the transactions are "supplies of goods"; (b) those supplies are "taxable" and not exempt from VAT; (c) those taxable supplies are made by a "legal person," that is, a person within the scope of the charge to VAT; and (d) the legal person makes those supplies as part of the person's business activities, and not as part of a hobby or noncommercial activity.
 - The normal approach is to impose output tax on transactions and persons if: (a) the transactions are "supplies of goods and services"; (b) those supplies are "taxable" and not exempt from VAT; (c) those taxable supplies are made by a "taxable person," that is, a person within the scope of the charge to VAT; and (d) the taxable person makes those supplies as part of the person's business activities, and not as part of a hobby or noncommercial activity.
 - The normal approach is to impose output tax on transactions and persons if: (a) the transactions are "supplies of services"; (b) those supplies are "taxable" and not exempt from VAT; (c) those taxable supplies are made by a "legal person," that is, a person within the scope of the charge to VAT; and (d) the legal person makes those supplies as part of the person's business activities, and not as part of a hobby or noncommercial activity.
 - The normal approach is to impose output tax on transactions and persons if: (a) the transactions are "supplies of goods and services"; (b) those supplies are "taxable" and not exempt from VAT; (c) those taxable supplies are made by a "taxable person," that is, a person within the scope of the charge to VAT.
7. Which of the following statements correctly describes the principle of nondiscrimination?
- Principle of nondiscrimination - the products of the territory of any contracting party imported into the territory of any other contracting party shall not be subject, directly or indirectly, to internal taxes or other internal charges of any kind in excess of those applied, directly or indirectly, to like imported products.
 - Principle of nondiscrimination - the products of the territory of any country imported into the territory of any other country shall not be subject, directly or indirectly, to internal taxes or other internal charges of any kind in excess of those applied, directly or indirectly, to like domestic products.
 - Principle of nondiscrimination - the products of the territory of any contracting party imported into the territory of any other contracting party shall not be subject, directly or indirectly, to internal taxes or other internal charges of any kind in excess of those applied, directly or indirectly, to like domestic products.
 - Principle of nondiscrimination - the products of the territory of any country imported into the territory of any other country shall not be subject, directly or indirectly, to internal taxes or other internal charges of any kind in excess of those applied, directly or indirectly, to like imported products.

8. Which of the following statements correctly describes the taxable person of VAT?
- a) A VAT law should include all legal persons created under the law of the state that engage in economic activities of any kind.
 - b) A VAT law should include all legal persons created under the law of the state (or of a foreign country) that engage in economic activities of any kind.
 - c) A VAT law should include all persons – legal and physical – which live and/or do business in the country.
 - d) A VAT law should include all legal persons created under the law of the state (or of a foreign country) that engage in economic activities of any kind, as well as all physical persons.
9. Which of the following statements correctly describes the threshold for becoming a taxable person of VAT?
- a) The usual measure of threshold for becoming a taxable person of VAT is the total turnover of taxable goods and services supplied by the person over a set period.
 - b) The usual measure of threshold for becoming a taxable person of VAT is the net profit from sale of taxable goods and services supplied by the person over a set period.
 - c) The usual measure of threshold for becoming a taxable person of VAT is the total value of assets of a taxable person at the end of a set period.
 - d) The usual measure of threshold for becoming a taxable person of VAT is the average number of employees of the person over a set period.
10. Which of the following statements correctly describes the threshold for becoming a taxable person of VAT?
- a) The total to be taken into account for the threshold is the total taxable supplies of that person.
 - b) The total to be taken into account for the threshold is the total taxable supplies of that person except the exempted from VAT supplies and supplies that are outside the scope of VAT.
 - c) The total to be taken into account for the threshold is the total taxable supplies of that person except the exempted from VAT supplies.
 - d) The total to be taken into account for the threshold is the total taxable supplies of that person except the supplies that are outside the scope of VAT.
11. Which of the following statements correctly describes the VAT register?
- a) States sometimes adopt an existing real-estate register to act as the VAT register.
 - b) States sometimes adopt an existing commercial register to act as the VAT register.
 - c) States sometimes adopt an existing commercial register or a general register of taxpayers to act as the VAT register.
12. Which of the following statements correctly describes a taxpayer of VAT in the Czech Republic?
- a) In the Czech Republic a taxable person becomes a taxpayer when his turnover in the last 12 consecutive months exceeds 1 000 000 CZK. This taxable person becomes a taxpayer since the 1st day of the 1st month after the month in which the turnover exceeds the limit.
 - b) In the Czech Republic a taxable person becomes a taxpayer when his turnover in the last 12 consecutive months exceeds 1 000 000 CZK. This taxable person becomes a taxpayer since the 1st day of the 2nd month after the month in which the turnover exceeds the limit.
 - c) In the Czech Republic a taxable person becomes a taxpayer when his turnover in the last 12 consecutive months exceeds 1 000 000 CZK. This taxable person becomes a taxpayer since the 1st day of the 3rd month after the month in which the turnover exceeds the limit.

- d) In the Czech Republic a taxable person becomes a taxpayer when his turnover in the last 12 consecutive months exceeds 1 000 000 CZK. This taxable person becomes a taxpayer since the 1st day of the 4th month after the month in which the turnover exceeds the limit.

13. Which of the following statements gives correct definition of a supply of goods?

- a) A transfer of the right to dispose of tangible movable or immovable property.
- b) A transfer of the right to dispose of tangible movable property or of immovable property other than land.
- c) A transfer of the right to dispose of tangible movable property.
- d) A transfer of the right to dispose of tangible movable property or of immovable property including land.

14. Which of the following statements gives correct definition of a supply of services?

- a) The use of all forms of property.
- b) The right to dispose of intangible property.
- c) The right to dispose of tangible property and the use of movable property.
- d) The use of all forms of property and also transfers of the right to dispose of intangible property.

15. Which of the following statements gives correct definition of a mixed supply?

- a) One broad practical rule is to treat any mixed supplies incidental to a main supply as part of that main supply.
- b) One broad practical rule is to treat any mixed supplies incidental to a main supply in proportion to it.
- c) One broad practical rule is to treat any mixed supplies in proportion to their comprising parts regardless of that whether such parts are equal or not.

16. Which of the following statements gives correct definition of time of a supply of goods?

- a) A supply of goods takes place when warranty period for the delivered items ends.
- b) A supply of goods takes place when goods are made available.
- c) A supply of goods takes place when reclamation period for the delivered items ends.
- d) A supply of goods takes place when advance payment for goods has been received.

17. Which of the following statements gives correct definition of place of a supply of goods?

- a) A place of a supply of goods is the place where goods are physically handed over.
- b) A place of a supply of goods is the place where the legal title for the delivered goods is handed over.

18. Which of the following statements gives correct definition of VAT?

- a) VAT is a tax on supplies made in the course or furtherance of economic activity only.
- b) VAT is a tax on supplies made in the course or furtherance of economic activity including employment.
- c) VAT is a tax on supplies made in the course or furtherance of economic activity including employment and self-employment.
- d) VAT is a tax on supplies made in the course or furtherance of economic activity including
- e) personal hobbies of an individual, gifts made for personal reasons, or charitable activities.

19. Which of the following statements describes correctly the VAT treatment of particular transactions and occasions?

- a) The following transactions or occasions give a right for recovery of input VAT: (i) personal consumption by an individual of goods purchased for the individual's business; (ii) gifts of goods, or the use of goods, made by a taxable person where the goods were purchased solely for the person's

business, and the gifts are not themselves for business purposes and supplies of goods made without charge to employees of the taxable person.

- b) The following transactions or occasions do not give a right for recovery of input VAT: (i) personal consumption by an individual of goods purchased for the individual's business; (ii) gifts of goods, or the use of goods, made by a taxable person where the goods were purchased solely for the person's business, and the gifts are not themselves for business purposes and supplies of goods made without charge to employees of the taxable person.

20. Which of the following statements gives the correct list of VAT exemptions?

- a) Land and buildings, financial services, diplomatic activities, special categories of exports.
- b) Land and buildings, financial services, diplomatic activities, special categories of imports.
- c) Land and antiques, financial services, exemption of diplomatic activities, special categories of exports.
- d) Land and antiques, financial services, exemption of diplomatic activities, special categories of imports.

21. Which of the following statements describes correctly the way how a supply should be valued?

- a) For VAT purposes a supply should be valued at the total of all cash payments that the supplier receives or is entitled to receive as a result of the supply.
- b) For VAT purposes a supply should be valued at the total of all non-cash payments that the supplier receives or is entitled to receive as a result of the supply.
- c) For VAT purposes a supply should be valued at the total of all invoiced payments that the supplier receives or is entitled to receive as a result of the supply.
- d) For VAT purposes a supply should be valued at the total of all payments that the supplier receives or is entitled to receive as a result of the supply.

22. Which of the following statements describes correctly a VAT invoice?

- a) All invoices are VAT invoices.
- b) An invoice is a "VAT invoice" if it complies with the requirement of the VAT law. Invoices issued for other purposes or that do not comply with these requirements do not count as VAT invoices.

23. Which of the following statements describes correctly a VAT tax basis and form of payment?

- a) The duty to pay is usually on a self-assessment basis and often in form of advance payments.
- b) The duty to pay is usually based on assessment by Tax Office and always in form of advance payments.
- c) The duty to pay is usually based on assessment by Tax Office. Advance payments are forbidden.
- d) The duty to pay is usually based on assessment by independent auditor and always in form of advance payments.

24. Which of the following statements describes correctly a VAT payment period?

- a) The standard period is the calendar month; often, taxable persons with small levels of taxable turnover are allowed to use longer periods of three months or a year.
- b) The standard period is the calendar quarter; often, taxable persons with small levels of taxable turnover are allowed to use longer periods of a year.
- c) The standard period is the calendar month; often, taxable persons with larger levels of taxable turnover are allowed to use longer periods of three months or a year.
- d) The standard period is the calendar quarter; often, taxable persons with larger levels of taxable turnover are allowed to use longer periods of a year.

25. Which of the following statements describes correctly a repayment of excess VAT credit?
- a) Repayment of excess VAT credit - where the output tax collected for any VAT period exceeds the input tax paid, there is an excess of VAT credit or of deductible output tax. As a direct result, the taxable person will pay no VAT to the tax authorities for that period.
 - b) Repayment of excess VAT credit - where the input tax credit for any VAT period exceeds the output tax collected, there is an excess of VAT credit or of deductible input tax. As a direct result, the taxable person will pay no VAT to the tax authorities for that period.
 - c) Repayment of excess VAT credit - where the output tax collected for any VAT period exceeds the input tax paid, there is an excess of VAT credit or of deductible output tax. As a direct result, the taxable person will pay lower VAT to the tax authorities for that period.
 - d) Repayment of excess VAT credit - where the input tax credit for any VAT period exceeds the output tax collected, there is an excess of VAT credit or of deductible input tax. As a direct result, the taxable person will pay higher VAT to the tax authorities in the following periods.
26. According to VAT Act of the Czech Republic the exempted transactions without recovery of input VAT are:
- a) basic postal services, radio and television broadcasting, financial, pension and insurance activity, delivery and lease of immovable assets, health services, social assistance, education and learning etc.
 - b) basic postal services, radio and television broadcasting, portfolio management, pension and insurance activity, delivery and lease of movable assets, health services, social assistance, education and learning etc.
 - c) advanced postal services, radio and television broadcasting, tax advisory, pension and insurance activity, auditing, health services, social assistance, education and learning etc.
27. According to VAT Act of the Czech Republic the exempted transactions without recovery of input VAT are:
- a) delivery of goods to another Member State, acquisition of goods from another Member State, providing service to a third country.
 - b) delivery of goods to another Member State, acquisition of goods from another Member State, imports of goods, providing service to a third country.
 - c) delivery of goods to another Member State, acquisition of goods from another Member State, exports of goods, providing service to a third country, exemption in special cases.
28. Which of the following statements describes correctly a right to recovery input VAT at registration and deregistration?
- a) Right to recovery at registration and deregistration - taxable person is entitled to deduct the received taxable supply acquired in the period of 6 consecutive months prior to the date, when he became payer.
 - b) Right to recovery at registration and deregistration - taxable person is entitled to deduct the received taxable supply acquired in the period of 12 consecutive months prior to the date, when he became payer, if the transaction is to this day a part of his business assets.
 - c) Right to recovery at registration and deregistration - taxable person is entitled to deduct the received taxable supply acquired in the period of 24 consecutive months prior to the date, when he became payer.
 - d) Right to recovery at registration and deregistration - taxable person is entitled to deduct the received taxable supply acquired in the period of 36 consecutive months prior to the date, when he became payer, if the transaction is to this day a part of his business assets.

Task IV.2. Provide calculus and give answers to examples below.

Example No. 1

Zdenek is private tailor with its residential address in Prague. He purchases clothes from Italy, Spain and Netherlands, sews apparel and sells it to wedding stores and theaters in Prague, Brno and Ostrava. Zdenek started his business on January 1, 2017 and was not registered as Czech VAT payer so far. During the period from January till June 2017 he had the following purchases of clothes from his Italian, Spanish and Dutch vendors registered as VAT payers in their domicile countries:

	Purchases from Italy (CZK)	Purchases from Spain (CZK)	Purchases from Netherlands (CZK)
January	110,000	75,000	38,000
February	24,000	18,000	15,000
March	30,000	34,000	21,000
April	55,000	76,000	40,000
May	85,000	60,000	46,000
June	68,000	41,000	55,000

During the period from March till August 2017 he had the following sales:

	Sale of merchandise on invoice (CZK)	Collection of invoice issued (CZK)	Sale of merchandise in cash (CZK)
March	40,000	0	50,000
April	130,000	120,000	80,000
May	150,000	100,000	70,000
June	120,000	160,000	100,000
July	160,000	100,000	80,000
August	100,000	70,000	60,000

Decide if Zdenek has to register as VAT payer based on his inputs and outputs during 2017. Decide if yes, when Zdenek has to register as VAT payer based on his inputs from intercommunity acquisitions. Decide if yes, when Zdenek has to register as VAT payer based on his outputs as local supplies.

Example No. 2

Roman is private designer of furniture with its residential address in Olomouc. He purchases wood and clothes from Norway, Sweden and Italy, designs and manufactures furniture and sells it to hotels, restaurants, business offices and private clients in Prague, Brno and Olomouc. Roman started his business on January 1, 2017 and was not registered as Czech VAT payer so far. During the period from January till June 2017 he had the following purchases of wood and clothes from his vendors from Norway, Sweden and Italy which are registered as VAT payers in their domicile countries:

	Purchases from Norway (CZK)	Purchases from Sweden (CZK)	Purchases from Italy (CZK)
January	195,000	175,000	150,000
February	110,000	97,000	89,000
March	91,000	134,000	100,000
April	76,000	101,000	91,000
May	85,000	60,000	74,000
June	133,000	98,000	146,000

During the period from March till August 2017 he had the following sales:

	Sale of merchandise on invoice (CZK)	Collection of invoice issued (CZK)	Sale of merchandise in cash (CZK)
March	97,000	0	65,000
April	156,000	85,000	112,000
May	201,000	115,000	95,000
June	187,000	203,000	75,000
July	223,000	187,000	101,000
August	192,000	256,000	89,000

Decide if Roman has to register as VAT payer based on his inputs and outputs during 2017. Decide if yes, when Roman has to register as VAT payer based on his inputs from intercommunity acquisitions. Decide if yes, when Roman has to register as VAT payer based on his outputs as local supplies.

Example No. 3

Stella, a.s., (here and after “Stella”) is producer of jewelry from precious metals and stones as well as high-class bijouterie. It purchases gold and other precious metals from local suppliers, manufactures jewelry and bijouterie at its production premise and sells its products in its stores as well as through its dealers and distributors.

Stella owns all three buildings in Prague, Brno and Ostrava where its three shops are situated. Also it owns one office and one production premise located in Modrice where whole production process takes place. Stella uses its office and from time to time lets out part of its production premise to non-VAT payers.

- (1) Stella has been a quarterly VAT payer since March 2016. The following information is applicable to Stella’s for the three-month period 1 January to 31 March 2017 inclusive VAT:
- (2) From Czech Gold, a.s., Stella purchased 2,300 ounces of raw gold for CZK31,000 per ounce.
- (3) From Czech Crystal, a.s., Stella purchased garnet jewelers for total price of CZK510,000.
- (4) From Kovosvit, a.s., Stella purchased new laser for processing precious stones for contract price CZK2,030,000.
- (5) From Soldis, a.s., Stella purchased renovated gas heater for processing precious metals for contact price CZK1,112,000.
- (6) From Makro Cash&Carry, a.s., Stella purchased coffee, tea and water to social zone for its employees for total price CZK28,000.
- (7) Stella paid participation fee of CZK35,000 for participation in Annual Jewelry Exhibition at Brno Exhibition Center.
- (8) Stella paid CZK18,000 to Fesar Auto Service, s.r.o., for transporting its products to its shops in Brno, Prague and Ostrava.
- (9) Stella sold 500 ounces of raw gold to private jewelry craftsmen from Tabor, Pardubice and Ceske Budejovice for total price CZK42,000 per ounce on invoices: CZK15,000, CZK10,000 and CZK17,000. First two invoices were paid in 2017, the last one was not paid till the end of 2017.
- (10) Stella sold jewelries for total price CZK1,420,000 in its stores and for total price of CZK1,045,000 to Fairytale Jewelries, s.r.o., and Darya Jewelries, s.r.o.
- (11) Stella delivered 27 hours of jewelry design work for Spacek, s.r.o. for CZK4,500 per hour.
- (12) Stella delivered 98 hours of production process consultation for AKD, s.r.o. for CZK2,570 per hour.
- (13) Stella delivered 256 hours of presale checkups for DGI Auction house, s.r.o. for CZK8,310 per hour.

Example No. 4

ArtDeco, a.s., (here and after “ArtDeco”) is architect studio. It provides design and renovation services. It purchases from local and foreign suppliers and delivers its services across whole Czech Republic. ArtDeco owns four architect and design studios in Prague, Brno, Ostrava and Olomouc.

ArtDeco has been a quarterly VAT payer since August 2016. The following information is applicable to Fortis’s for the three-month period 1 January to 31 March 2017. If not stated otherwise the indicated amounts are states exclusive VAT.

- (1) ArtDeco purchased wood panels from its vendors in Sweden for total price CZK1,211,000.
- (2) ArtDeco purchased glass constructions from its vendors in Venice for total price CZK1,214,000.
- (3) ArtDeco purchased wood cutting center from manufacturer from Turkey for CZK941,000.
- (4) From Zdar, a.s., ArtDeco purchased renovated drying kiln for wood drying for contact price CZK1,056,000.
- (5) From Makro Cash&Carry, a.s., ArtDeco purchased coffee, tea and water to social zone for its employees for total price CZK218,000.
- (6) From Makro Cash&Carry, a.s., ArtDeco purchased 26 bottles of wine for CZK812 per bottle as Crhstmas gifts for its key business partners.
- (7) ArtDeco paid participation fee of EUR2,100 inclusive 20% VAT for participation in Annual Architecture and Design Exhibition at Milan Exhibition Center. *Note: the ER between EURO and CZK on the date of payment of exhibition participation fee was 1 euro = 27 CZK.*
- (8) ArtDeco paid advertisement fee of CZK89,000 for radio advertisements of its services for 12 months starting from June 2017 at local radio stations in Brno, Prague, Ostrava and Olomouc.
- (9) ArtDeco purchased 15 laptops for CZK317,000 and 12 mobile phones for CZK65,000.
- (10) ArtDeco provided dinning room renovation works for 5 customers for the following contract prices: CZK135,000, CZK323,000, CZK185,000, CZK211,000 and CZK315,000. All works included refurbishments and renovation of fireplaces.
- (11) ArtDeco prepared design and its implementation in 78 m² apartment in new apartment-house for Sedlacek, s.r.o., for contract price CZK1,562,000.
- (12) ArtDeco provided renovations of bathrooms for 3 customers for the following contract prices: CZK98,000, CZK105,000 and CZK134,000. Renovation works included supply and installation of three new baths for CZK15,000 each, three new washbasin for CZK9,000 each, and three new wall cabinets for CZK2,500 each, the remaining contract price is allocated between work and construction materials equally.
- (13) ArtDeco delivered 58 hours of construction plans for Kudlicke, s.r.o. for CZK7,800 per hour.
- (14) ArtDeco delivered 175 hours of and design works for 2 private customers for CZK51,000 and CZK65,000 respectively.

Task 1. For each of ArtDeco’s transactions for Quarter 1 of 2017, for the purposes of value added tax (VAT) state whether:

- a) **it is taxable and, if so, on what basis; or**
- b) **exempt and, if so, whether exempt with or without recovery for input VAT.**

Example No. 5

Global Electro, a.s., (here and after “Global Electro”) is retailer with laptops and mobile phones. It purchases its merchandise from producers in China, Taiwan and South Korea. It sells its merchandise in its stores as well as through its dealers and distributors. Besides sale of goods, it also sells customer support agreements providing a wide range of post-sale value added services.

Global Electro owns five shops in Prague, Brno and Ostrava and rents two more shops in Zlin and Olomouc. Also it owns one office and two warehouses located in Kutna Hora. Stella uses its office and from time to time lets out one of its warehouses to non-VAT payers.

Global Electro has been a quarterly VAT payer since August 2016. The following information is applicable to Global Electro' for the three-month period July 1 to September 30, 2017. If not stated otherwise the indicated amounts are states exclusive VAT.

- (1) Global Electro purchased 570 laptops for CZK18,000 per unit, 1,021 mobile phones for CZK23,000 per unit and 45 desktop computers for CZK9,500 per unit from its Chinese vendors.
- (2) Global Electro purchased spare parts for total price of CZK421,000 from its vendors in Taiwan.
- (3) Global Electro purchased mobile and tablet covers as well as other accessories for total price of CZK123,000 from its vendor in Portugal and Spain.
- (4) Global Electro purchased spare memory chips for total price of CZK301,000 from its vendor in Austria.
- (5) Global Electro purchased 35 TB of cloud storage for 24 months for total price CZK2,575,000 from its vendor in Canada.
- (6) Global Electro sent its 20 sales representatives on a business trip to Moscow and St. Petersburg. The whole business trip had duration 15 working days. Company paid accommodation costs and 10 business visits to restaurants in Moscow and St. Petersburg in total amount of CZK299,000.
- (7) Global Electro sent its 5 sales representatives on a business trip to Rio-de-Janeiro. The whole business trip had duration 10 working days. Company paid accommodation costs and 2 business visits to restaurants in Rio in total amount of CZK121,000.
- (8) Global Electro purchased 40 hours of translation services for its sales representatives in Rio for CZK1,312 per hour from local translation agency in Rio.
- (9) Global Electro purchased 15 hours of legal advice from legal agency in USA for USD1,150 inclusive 18% sales tax. *Note: the ER between USD and CZK on the date of payment of fee for legal advice was 1 USD = 24 CZK.*
- (10) Global Electro paid electricity and water supplies from Czech supplier for total price of CZK715,000 and CZK301,000 respectively.
- (11) Global Electro sold 20 laptops and 7 desktops in its shops in Brno, Prague and Ostrava for total price of CZK876, 000.
- (12) Global Electro supplied laptops and mobile phones to its Polish dealer for total price of CZK2,675,000.
- (13) Global Electro supplied laptops and mobile phones to its Ukrainian business partner for total price of CZK1,523,000.
- (14) Global Electro supplied laptops, desktops and mobile phones to its business partner in Hungary for total price of CZK1,712,000.
- (15) Global Electro supplied laptops, desktops and mobile phones to its business partner in Georgia for total price of CZK1,236,000.
- (16) Global Electro sold 56 term customer support agreements for 36 months with start date May 2017. Each agreement was sold for CZK1,250 through its shops to Czech customers.

Task 1. For each of Global Electro's transactions for Quarter 3 of 2017, for the purposes of value added tax (VAT) state whether:

- c) it is taxable and, if so, on what basis; or**
- d) exempt and, if so, whether exempt with or without recovery for input VAT.**

Part V. Excise duties

Task V.1. Give answers to multiple choice questions. Only one correct answer is possible.

1. Which of the following statements describes correctly the modern role of excise taxation?
 - a) The difficulties in extracting revenue from the capital income tax base due to greater capital mobility and the distortionary effects of high taxes on consumption have induced various governments to re-examine the revenue-substituting potential of excise taxation.
 - b) The difficulties in extracting revenue from the capital income tax base due to greater capital mobility have induced various governments to re-examine the revenue-substituting potential of excise taxation.
 - c) The distortionary effects of high taxes on consumption have induced various governments to re-examine the revenue-substituting potential of excise taxation.
 - d) The difficulties in extracting revenue from the capital income tax base due to greater capital mobility and the distortionary effects of high taxes on labor supply and demand have induced various governments to re-examine the revenue-substituting potential of excise taxation.

2. Which of the following statements describes correctly the substance of such objective of excise taxes as *reflection of external costs*?
 - a) Excises have been enacted for revenue purposes, the main consideration being that they could be administered more easily than other taxes.
 - b) Excises are often rationalized as charges for the external cost that consumers or producers of excisable products impose on others.
 - c) Excises play an important role in regulating various external and other costs associated with road transport.
 - d) Excises often restrain the consumption of products regarded as unhealthy.

3. Which of the following statements describes correctly the substance of a problem of undesired side effects of imposing excises?
 - a) Imposing a higher excise tax on a particular good means that the relative price of a substitute good increases at the same time, and that the former's consumption increases.
 - b) Imposing a higher excise tax on a particular good means that the relative price of a substitute good falls at the same time, and that the latter's consumption increases.
 - c) Imposing a higher excise tax on a particular good means that the relative price of a substitute good falls at the same time, and that the former's consumption increases.

4. Which of the following statements describes correctly an "ideal" tax policy?
 - a) An 'ideal' tax policy assumes total prohibition of excises.
 - b) An 'ideal' tax policy assumes exclusive application of excises.
 - c) An 'ideal' tax policy assumes some middle way between total prohibition and exclusive application of excises.

5. Which of the following statements describes correctly an EU legislation in field of excises?
 - a) EU legislation was adopted to ensure that excise duties for certain products were applied in the same way throughout the Single Market, and that Member States applied (at least) a minimum rate of excise duty.

- b) EU legislation was adopted to ensure that excise duties for certain products were applied to the same products throughout the Single Market, and that Member States applied (at least) a minimum rate of excise duty.
 - c) EU legislation was adopted to ensure that excise duties for certain products were applied in the same way, and to the same products throughout the Single Market, and that Member States applied (at least) a minimum rate of excise duty.
6. Which of the following statements are true about modern fiscal situation in the world?
- a) A number of international studies have indicated that corporate and personal income taxes have the least impact on growth. An equally strong reason for this ongoing development is that international tax competition and the weakened economy simply do not allow for ever-increasing VAT and excises.
 - b) A number of international studies have indicated that value-added taxes (VAT) and excise taxes have the least impact on growth. An equally strong reason for this ongoing development is that international tax competition and the weakened economy simply do not allow for ever-increasing corporate or personal income taxes.
 - c) A number of international studies have indicated that excise taxes have the least impact on growth. An equally strong reason for this ongoing development is that international tax competition and the weakened economy simply do not allow for ever-increasing VAT.
7. Which of the following statements are true about modern fiscal situation in the world?
- a) A truly global trend that leads to higher direct tax revenue is the increase of excise taxes – both in terms of rates and in terms of variety of types.
 - b) A truly global trend that leads to higher indirect tax revenue is the increase of excise taxes – both in terms of rates and in terms of variety of types.
 - c) A truly global trend that leads to higher indirect tax revenue is the increase of excise taxes through setting higher tax rates.
 - d) A truly global trend that leads to higher indirect tax revenue is the increase of excise taxes through imposing new types of indirect taxes.
8. Which of the following statements are true about being or not being of a payer of excise taxes?
- a) You are not the taxpayer if you purchase excise products for your own consumption (within maximum permissible quantity).
 - b) You are not the taxpayer if you purchase excise products for your own consumption (within minimum permissible quantity).
 - c) You are always a taxpayer regardless of purpose and quantity of purchase of excise products.
 - d) You are never a taxpayer regardless of purpose and quantity of purchase of excise products.
9. Which of the following statements are true taxable period and deadline for submission of excise tax return in the Czech Republic?
- a) A taxable period for excise taxes is one month. The taxpayer must submit his tax return by the 25th day of the next month.
 - b) A taxable period for excise taxes is two months. The taxpayer must submit his tax return by the 25th day of the third month.
 - c) A taxable period for excise taxes is three months. The taxpayer must submit his tax return by the 25th day of the fourth month.
10. In the Czech Republic the tax administrator is:
- a) The tax administrator is locally relevant Tax Office.

- b) The tax administrator is locally relevant Customs Office.
- c) The tax administrator is Security and Exchange Commission.