

MID-TERM TEST 1 FROM MPF_ATAX Taxation

Name, Surname	Number of points	% of correct answers

TOTAL NUMBER OF POINTS - 15 points

Part I. Multiple choice questions, only one correct answer is possible, total number of points - 5 points

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.
6. 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.
7. 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.
8. 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.
9. 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.
10. 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.

Part II. Practical examples, total number of points – 10 points

Example 1 (3 points)

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 signed the declaration for personal tax credits with ABB. He earns CZK35,000 per month. He does not have children and he is not married.

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 1-hour massage session with physiotherapist each month. Total price of 1-hour session was CZK300.
- (3) ABB contributed CZK 24,000 to Jan’s private health insurance during the year. Jan contributes another CZK15,000.
- (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 had not contributed to meal vouchers. (Note: daily allowance for 1-day business trip in CR is 83 CZK as per Labor Code of CR)
- (5) ABB often supplies engines and steam turbines to Nordic countries. Its technical engineers are sent on business trips to install and launch turbines at plants of customers. Because of this ABB paid CZK3,500 for Jan’s participation in 3-months Nordic language courses at private language school. The remaining CZK2,000 was paid by Jan.
- (6) ABB paid CZK300 for Jan’s participation in the Christmas party organized by the Company.
- (7) ABB paid Jan CZK12,000 as bonus for bringing his friend as new colleague to Production department.

Task 1: Calculate the payroll tax payable by Jan in 2017.

Example (7 points)

Marie works as system administrator at Verdo, a.s. She lives and works in Brno. Marie has signed the declaration for personal tax credits with Verdo, a.s. She earns CZK32,000 per month. She is not married and she has no children. Marie pays mortgage: in 2017 he paid CZK125,000, CZK95,000 out of which were used for reduction of her mortgage liability.

As part of its employment benefit program Verdo paid CZK1,500 for Marie's rent of canoe for participation in canoe race at Prehrada in Brno as team building activity of the Company.

In her free time, Marie provides web design services as private entrepreneur and on performance agreement. In 2017 Marie provided 20 hours of web-design services to Hanak, s.r.o. for CZK27,000.

The following information is applicable to the calculation of Marie's 2017 payroll tax from self-employment

- I. Incomes earned by Marie during 2017:
 - i. Maria designed 10 web pages for CZK5,000 per page
 - ii. Maria designed 2 logos for CZK15,000 each
 - iii. Maria optimized 7 search engines for CZK7,500 per engine
 - iv. Maria installed 5 pay-per-click marketing systems for CZK18,000 per installation
 - v. Maria integrated 2 e-commerce systems for CZK25,000 each

- II. Marie's documentary costs incurred while providing web design services during 2017:
 - i. a drive into town by Maria's private car to meet some of her clients: total 12,000 km, to clients 7800 km; 0.4 l * 31 CZK/l
 - ii. a trip to the shop for milk during Maria's working day: CZK150 per day, 231 days per year
 - iii. cost of utilities when Maria used her flat as her office: CZK3,500 per month
 - iv. cost of home Internet when Maria used her flat as her office: CZK800 per month
 - v. cost of mobile connection when Maria used her personal mobile for calls with her clients: CZK1,000 per month
 - vi. cost of ticket to public transport when Maria travelled by public transport to meet some of her clients: CZK4,600 per year
 - vii. an eye test to track Maria's eyesight: CZK5,200 per year.

Note: from November 2017 to March 2018 (inclusive) Maria had been travelling across South America. During this period Maria had an unpaid leave at work in Verdo, a.s.

Besides programming and sports, Marie is interested in investing. Two years ago she accomplished online course on individual investing from Fidelity Fund and bought 100 stocks of of Skoda Czech Republic, a.s. in 2017 Skoda Czech Republic, a.s. paid CZK250 of dividend per each of its stocks issued and hold by shareholders.

Task 1. Calculate Maria's partial tax bases and partial personal income tax payables in 2017.