

	Tax payer	
	resident	nonresident
impact on tax liability*:	unlimited tax liability in CZ => CZ tax on worldwide income	limited tax liability in CZ => CZ tax on CZ-origin income
impact on tax return*:	to disclose worldwide income	to disclose CZ-origin income
conditions*:	seat (address registered) or permanent place of eff	if none of two conditions for tax residency are not

* *evidence from CZ*

branch
subsidiary

low autonomy => tax non-resident
high autonomy +> tax resident in C

t in CZ limited tax liability of this entity
CZ unlimited liability of this entity

income taxed by withholding tax (WHT) (15% rate)

income taxed in separate tax base (15% rate)

income taxed in general tax base (19% rate)

Income subject to tax

taxable income
dividend income received by CZ tax resident from other CZ tax resident
tax base is not decreased by any costs
tax base and tax are both rounded down to whole CZK and 15% tax is withheld by payer of income
income belonging to WHT tax base is booked in revenues of recipient in net amount and adjustment of PBT must be made ('less' adjustment - see proforma)
dividend income received by CZ tax resident from CZ tax non-resident
tax base is not decreased by any costs
tax base and tax are both rounded down to whole thousands of CZK and 15% tax is paid by recipient of income
if there is foreign tax withheld by payer of income, foreign tax can be credited against CZ tax liability from separate tax base. Such credit is allowed only if related DTT has been concluded.
all other corporation income
general tax base is difference between taxable income and tax-deductible costs. Thus the starting point for calculation is accounting income as per CZ accounting standards and then tax non-deductable costs are added and non-taxable incomes are deducted from it.
all adjustments will be increasing PBT ('add back' adjustments)

Accounting revenue

tax exempt income

income taxed in separate tax base (15% rate), income taxed by withholding tax (WHT) (15% rate)

release of accounting provision and reserves where their creation was tax non-deductible cost

all adjustments will be decreasing PBT ('less' adjustments)

Income not subject to tax

very few examples (income from privatisation)

Corporate tax return (annual)

NOTES:

Adjustment to tax base depending on accoun

Treatment
B
A
A
C
E
D
F
A
F

Tax base deductions

Tax liability deduction:

Tax treatment of provisions and reserves

Tax treatment of contractual penalty

Tax treatment of SHI

Tax treatment of depreciation (amortization)

Profit before tax (PBT)

Add back adjustment

Less adjustments

Tax base I

Exemption of foreign tax base included into PBT (if existing DTT allows)

Tax base II

Tax base deductions I

Tax base III

Tax base deductions II

Tax base IV after all tax base deductions

Tax base IV after all tax base deductions rounded down to '000

Tax rate 19% for general tax base

Tax liability

Tax liability deductions

Tax liability after deductions

Ordinary tax credit of foreign CIT withheld abroad (if existing DTT allows)

Tax liability after deductions and after tax credit

Tax liability at 15% from separate tax base

Final tax liability

Tax advances due in current tax period (and actually paid before deadline)

Tax liability under/overpayment

ating and tax recognition of individual elements of PBT:

Because tax base is calculated as 'incomes - costs = profit before tax (PBT)' we need to know

inco
accounting only (=accounted/booked)

it is revenue which is recognized from accounting perspective but it is tax exempt income from tax perspective (**treatment A**)

because it is not recognized from tax perspective, adjustment to PBT will be '**less**' (i.e. since it is tax exempt we do not pay CIT on it)

e.g. dividends received from CZ tax resident taxed by WHT, dividends received from CZ tax non-resident taxed in separate tax base, release of accounting provision and reserves where their creation was tax non-deductable cost

CO

accounting only (=accounted/booked)

it is cost which is recognized from accounting perspective but it is tax non-deductable from tax perspective (=cannot be deducted from total incomes when arriving to PBT) (**treatment D**)

because it is not recognized from tax perspective, adjustment to PBT will be '**add back**' (i.e. since it is tax non-deductable we cannot decrease total income by its amount thus we need to pay CIT on that portion of accounting and taxable incomes which was reduced by applying this accounting cost)

e.g. costs specifically listed in the law (e.g. representation costs, entertainment expenses, costs related to health care of employees or their family members above requirements by law (voluntarily flu vaccination, vitamins), costs related to recreational and educational facilities, workplace libraries, printed books, physical training and sports facilities used by employees or their family members, costs related to cultural and sport events visited by employees or their family members, contribution to holidays or excursions of employees or their family members, general gifts and donations, non-contractual fines and penalties, accounting depreciation and net book value of assets disposed, accounting reserves and provisions, SHI contributions paid by employer after deadline), costs related to exempt income or income not subject to CIT, costs not incurred in order to generate, ensure and maintain taxable income, costs not supported by relevant documentation, costs related to another taxable income

Type of individual transaction
Taxable income (=taxable in general tax base)
Income taxable in separate tax base
Income tax exempt or taxed by WHT
Non-accounted taxable income
Tax-deductible costs
Tax non-deductible costs
Non-accounted and tax deductible costs
Accounting depreciation
Tax depreciation

Type of deduction

tax loss

R&D allowance

professional education allowance

donations/gifts

Type of deduction
disabled employees
investment incentive

Creation
Release

received (income) - should be recorded (=booked) and related payment should be received
paid (cost) - should be recorded (=booked) and related payment should be made

paid (cost) - should be recorded (=booked) and related payment should be made

*should be paid by the end of the month following the end of the taxable period (till statutory)

tax depreciation is never booked in accounting books. It is separate evidence for tax purposes
Accounting depreciation is booked in costs and it is non-deductible cost. Tax depreciation is

TRV of disposed asset is tax deductible in case of:

tax loss
R&D allowance
acquisition of assets for training of employees
professional education allowance

gifts and donations

disabled employees
investment incentive

nature of each type of income and each cost from accounting and from tax perspective wh

<p>comes</p> <p>accounting & tax recognized (=accounted/booked & tax recognized)</p> <p>it is revenue which is recognized from both accounting perspective and tax perspective (treatment B)</p> <p>because it is recognized from both accounting and tax perspective it is already included into list of all incomes generated by company on the basis of which its PBT was calculated, thus no adjustment to PBT is needed.</p>	<p>tax recognized only (=taxable but not booked)</p> <p>it is revenue which is recognized from tax perspective (is taxable income) but it is not recognized as income from accounting perspective</p> <p>accounting perspective it is not included into list of all incomes generated by company on the basis of which its PBT was calculated, thus adjustment to PBT will be 'add back'</p> <p>e.g. received contractual penalties if they are paid, unpaid liabilities overdue for more than 30 months (they may be tax deductible again in taxable period when liability is paid; this does not relate to those liabilities which were never</p>
---	--

<p>costs</p> <p>accounting & tax recognized (=accounted/booked & tax non-deductable/deductable)</p> <p>it is revenue which is recognized from both accounting perspective and tax perspective (treatment E)</p> <p>because it is recognized from both accounting and tax perspective, it is already included into list of all costs incurred by company and deducted from income part on the basis of which its PBT was calculated, thus no adjustment to PBT is needed.</p>	<p>tax recognized only (=tax deductible aka tax eligible)</p> <p>it is cost which is recognized from tax perspective (is tax-deductable cost) but it is not recognized as cost from accounting perspective (treatment F)</p> <p>because it is not recognized from accounting perspective it is not included into list of list of all costs incurred by company and deducted from income part on the basis of which its PBT was calculated, thus adjustment to PBT will be 'less' (i.e. since it is tax-deductable we do not</p>
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e.g. accounting costs incurred in order to generate, ensure and maintain taxable income (e.g. purchased materials, goods and services, rental fees, insurance fees, license fees, energy consumption), some employees' non-monetary benefits (meal vouchers up to 55%), travel expenses within limits of Labor code, promotional gifts (with certain conditions), statutory SHI contributions and contractual penalties if due paid. Also some accounted costs which are usually considered as tax non-deductible under normal conditions but if they were recharged to 3rd party they are considered as tax-deductible in amount of related income booked in current period or previous periods.

e.g. statutory SHI contributions from wages and contractual penalties if overdue paid (i.e. they relate to previous periods but paid in the current period), tax depreciation and tax residual value of assets, tax statutory reserves and provisions (for unpaid receivables overdue), tax non-deductible costs up to related taxable income.

Recognized from perspective:	accounting income
AC + TX	X
AC+TX	X
AC	X
TX	
AC + TX	
AC	
TX	
AC	
TX	

Conditions for deduction

If tax loss is created, it can be carried forward and offset against future periods for a max of 5 consecutive taxable periods. Utilization of a tax loss is not possible if company does not satisfy the 'same business' test or 'same ownership' test (i.e. change in ownership in registered capital by more than 25%)

Companies can deduct up to 100% of R&D costs from their annual TB. BUT! Not all R&D costs incurred by companies are tax eligible. Eligible costs are: direct tax deductible costs (e.g. payroll costs of R&D engineers, consumed materials), tax depreciation of assets used for R&D with exception of immovables, other operational expenses directly related to realization of R&D activities (telecommunications fees, electricity, water). Non-eligible costs are: R&D services acquired from 3d parties, license fees. Also for eligible costs taxpayer always needs to have written R&D project description. Can be carried forward for a max of 3 consecutive taxable periods.

This deduction is to support professional education in two parts: the deduction to support acquisition of assets for professional education and to support the expenses incurred per student within the scope of professional education. Taxpayer needs to have class register or similar records. Deduction can be carried forward for max 3 consecutive taxable periods. If it is deduction to support acquisition of assets for professional education then such assets should be in use between 30% and 50% of working time (to compensate capital expenditures and operating costs) and the max limit of such support is 5,000 czk/student (to compensate payroll costs). If it is deduction to support professional training of students, max limit for such support is 200 czk/hour spent in the workplace.

in general donations represent tax non-deductible cost except the following cases: recipient is NPO; purpose of donation is finance science, education, R&D, culture, school, health care, physical education, elimination of effects of natural disasters; min amount of donation is 2,000 czk and max limit for deduction is 10% of tax base III.

Conditions for deduction
18,000 czk/disabled employee of I category; 60,000 czk/employee of II category.
can be carried forward for 10 years. If it is greenfield project (newly established company), then it can be full tax relief (0 TB) and partial tax relief for brownfield projects (existing corporations). Min amount of investment should be: for manufacturing corp - 100 mil CZK; for technological centres - 10 mil CZK; for centres of strategic services - 20 new jobs created for IT, 70 new jobs created for SSC, 100 new jobs created for call centres.

Accounting provisions and reserves	Tax (statutory) provisions and reserves
tax non-deductable cost => add back	tax deductible cost => no adjustment
non-taxable income => less	taxable income => no adjustment

Booked & received (paid in case of cost) in the same period	Booked in one period but received (paid) in current period BUT received (paid) in following period
taxable income => no adjustment	non-taxable income => less
tax-deductable cost => no adjustment	non-deductable cost => add back

Booked & paid in the same period*	Booked in one period but paid in current period BUT paid in following period
tax-deductable cost => no adjustment	non-deductable cost => add back

return deadline)

expenses only.

is compared with amount booked as accounting depreciation and difference is reflected:

AD > TD => add back

AD < TD => less

NBV > TRV => add back

"NBV" is net book (accounting) value;

NBV < TRV => less

sales of asset

damage caused by natural disaster

theft by unknown offender which is confirmed by police

another kind of damage only up to amount of directly related income (e.g. compensation from insurance)

which have been included into PBT:

(ed)

accounting costs	Adjustment to general tax base	
	add back' adjustment	less' adjustment
	X	(X)
		(X)
	X	
X		
X	X	
		(X)
X	X	
		(X)

Accounting entry

Db

Cr

Cr.

Db.

Costs to P/L

Provision in BS

Income to P/L

Provision in BS

paid in case of cost) in another period

received in previous period BUT received (paid) in current period

non-accounted taxable income => add back

non-accounted deductible cost => less

not paid in another period

received in previous period BUT paid in current period

non-accounted deductible cost => less

PBT

Accounting dep charge

Tax dep charge

10

Net amount of impact

Direction of

5

5 add back

5

10

-5 less

NBV = Historical cost - Accumulated accounting dep

TRV = Historical cost - Accumulated tax dep

NBV

TRV

15

Net amount of impact

Direction of

12

3 add back

12

15

-3 less

(from insurance)

X

X
(X)

X

(X)

X

(x)
(x)

(x)

X

(x)

X

X

X

(x)
(x)

X

(x)

X

X

X

(X)

X / (X)

creation of provision or reserve	if provision is statutory	=>
	if provision is non-statutory	=>

release of provision or reserve	if provision is statutory	=>
	if provision is non-statutory	=>

f impact

f impact

- penalties,
- shortages
- expenses

CIT - calc

- The tax base sh
the tax base:
 - tax loss w
taxable pe
 - 100% of c
 - 110% of c
training, if
50% of the
periods,
 - 50 % of co
training, if
and 50% o
tax period
- The tax base re
should be taxed
- In the Czech Re

Costs to P/L are tax eligible costs	=>	no tax adj.
Costs to P/L are tax non-eligible costs	=>	add back adj.
Income to P/L is taxable income	=>	no tax adj.
Income to P/L is tax exempt income	=>	less adj.

, penalty interest and fines,
s and damages beyond compensation,
beyond limits determined by the ITA

ulation

all be reduced by using items deductible from

which was recorded and assessed in five previous
periods,

costs for R&D,

costs for the acquisition of assets for vocational
if the assets are used for the training of more than
the time of its operation in three consecutive tax

costs for the acquisition of assets for vocational
if the assets are used for the training between 30%
of the time of its operation in three consecutive
years.

deduced by items deductible from the tax base
multiplied by the tax rate.

public corporate income tax rate is 19%.



Double taxation relief

With some exceptions all DTTs can

DTTs determine tax residency of
Taxpayer receiving income that is
Methods to avoid double taxation

(reduction of CZ tax liability)

(reduction of CZ tax base)

(reduction of CZ tax base)

Tax treatment of investment income:

Paying-out entity

dividends
interests and royalties

Receiving entity

dividends
interests and royalties

Tax provisions for aged receivables

Tax provision can be created for

Overdue (aged) receivable can be

Tax reserves for repairs of tangible assets

Legal owner of asset can create t
When creating a statutory reserv
Reserve can be created only for t
Reserve cannot be created for or

Creation of reserves should be pr
Actual repair should start at the l
Release of reserve doesn't need i
Reserve cannot be created if taxp

Tax depreciation

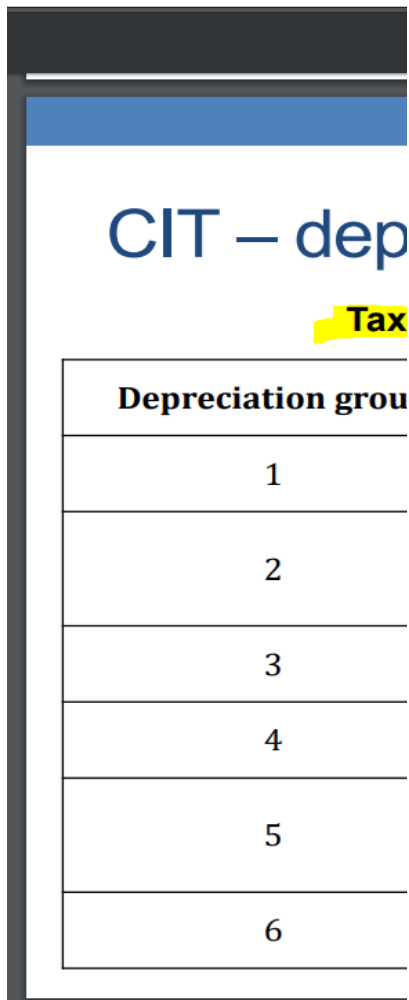
it is calculated from acquisition p
Acquisition price is

In CZ all long-term asserts which

Some types of assets like plots of

Tax depreciation of tangible asst
If asset was depreciated in previc
Tax depreciation shall be rounde
Tax amortization of intangible as

Depreciation categories:



Depreciation grou
1
2
3
4
5
6

Depreciation methods for tangib

Depreciation methods for intang

Depreciation of low-value assets

Technical appreciation

technical appreciation of tangible

technical appreciation of intangil

can be grouped into three categories:

treaties based on Model Treaty of OECD - between developed countries, tax should be paid in country of tax residence
treaties based on Model Treaty of UNO - between/with developing countries, tax should be paid in country of tax residence
treaties with USA - tax should be paid in country of citizenship of taxpayer
taxpayers and stipulate methods for avoidance of double taxation of income. These methods are applicable for taxpayers who are subject to taxation in CZ and also in another country can use tax relief based on related DTT. However CZ tax relief is based on credit method of income:

credit methods*

exemption methods **

tax paid abroad on foreign income as tax deductible cost

* CZ has this arrangement with Belgium, Republic of Ireland, France, Poland, Austria, Slovakia and USA. If it is found that the taxpayer is not a resident of the foreign country, the tax relief is based on exemption method.

** CZ has this arrangement with Germany, Italy, UK and Spain. It is always full exemption since exemption with credit method is not possible.

CZ tax resident
ds 15% tax, no adj. (these are not costs for payer) for its own tax base, but paying it separately on behalf of rec
no WHT, no adj. (these are accounting & tax eligible costs for payer)

CZ tax resident
general tax base and adj. less
general tax base and no adj.

overdue (aged) receivable (creation of provision and subsequent write off of aged receivable)

Tax (statutory) provisions include:

101	
102	Tax treatment of provisions and reserves
103	Creation
104	Release
105	

e written off (write-off without prior creation of provision) only if it is against debtor
 whose bankruptcy was dismissed by the court because debtor's assets were not sufficient
 who died and there is no one who can pay off his debts
 who was dissolved without any legal successor
 whose property is subject of public auction

tax-deductible reserve (statutory) for repairs of tangible assets, BUT it is not possible to create such reserves for
 if the amount of created reserve should be transferred to special (separate) bank account in CZ or in EU. Money
 for tangible assets (not for intangible or low-value assets) with depreciation period of 5 years or more.
 only one taxable period. The maximum duration of reserve is 10 years:

Depreciation category
2
3
4
5
6

proportionate in particular years (but there are some exceptions, like in case of recalculation of costs of repair)
 latest in the period following the taxable period when repair was expected to commence. Otherwise reserve needs
 to be proportional. The whole reserve or its remaining balance needs to be released at the latest in the taxable
 period if the taxpayer is in liquidation or in insolvency proceedings.

price of tangible assets

purchase price

direct and indirect costs spent on creation of long-term asset

can be subject of depreciation are categorized into these groups:

movable assets with purchase price > 40,000 czk and operational life > 1 year

immovable assets

intangible assets with purchase price > 60,000 czk and operational life > 1 year

land and art works and financial investments are not depreciated.

is annual depreciation. If the asset is put into use at the end of taxable period, taxpayer may still apply the whole period and it is disposed in the current period, only half of annual charge can be claimed in the current period up to next whole year.
If depreciation is monthly depreciation.

Depreciation of tangible FA

Depreciation periods for tangible assets

Depreciation Period	Examples of Assets
3 years	bicycles, computers, tools, breeding animals
5 years	furniture, guns, cars, motorcycles, music instruments, books
10 years	greenhouses, bridges, elevators, boats, trains
20 years	buildings, swimming pools, power stations,
30 years	motorways, roads, aqueducts, fountains, wells, tunnels
50 years	building of museum, library, hotel, church, mall

less assets

based on normal depreciation

based on increased depreciation in the first year of depreciation

ibles assets

tax depreciation is calculated on monthly basis starting from the month following the day in which the condition of purchase agreement stipulated a fixed period during which the intangible asset can be used, the monthly de

Tax depreciation periods for intangible assets

Audiovisual work	18 months
Software and R&D results	36 months
Other intangible assets	72 months

Goodwill acquired in business combination is depreciated 180 months

it equals the accounting depreciation. Tax depreciation cannot be interrupted.

assets

these are costs on reconstruction or modernization of tangible assets if they exceed czk 40,000 / asset within :
technical appreciation increases

if tangible asset is technically appreciated, it is necessary to use rates/coefficients for increased input price (se
if technical appreciation happens in the first year when asset is put into use, it should be included into input price assets

these are costs on upgrade or modernization of intangible assets if they exceed czk 60,000 / each separate application
technical appreciation increases

residence of taxpayer
origin of related income

both PIT and CIT.

tax authority will require confirmation from foreign tax administrators about actual tax

full credit - when CZ tax liability may be decreased by full amount of foreign tax
ordinary credit - when CZ tax liability is decreased by foreign tax paid abroad but

full exemption - when CZ tax base may be decreased by full amount of foreign tax

exemption with progression - when CZ tax base is decreased by full amount of foreign tax

it is applied in case if no DTT has been concluded between CZ and counterparty
Also this treatment is applied if related DTT exists but: (1) CZ and counterparty

full credit or ordinary credit it depends on terms and conditions of each particular treaty
progression is forbidden in CZ. The relief by exemption mainly applies to profits

CZ tax non-resident
withholds at % as per DTT or local legislation
withholds at % as per DTT or local legislation

CZ tax non-resident
separate tax base and full credit or full exemption if DTT; general tax base and tax-deductible cost if no DTT or limit or time period is exceeded under existing DTT
separate tax base and full credit or full exemption if DTT; general tax base and tax-deductible cost if no DTT or limit or time period is exceeded under existing DTT

in CZ there are three types of statutory provisions:

general conditions for creation of statutory provision:

Note: on Jan 1, 2014 CZ Tax Code was updated. In 2018 all receivables due until

	Accounting provisions and reserves
	tax non-deductable cost => add back
	non-taxable income => less

or maintenance of assets.

ey must be transferred at the latest by the deadline for filling in tax return for th

Max number of years for creation of reserves
3
6
8
10
10


















needs to be released into revenue in the subsequent period.

period following the period when repair commenced.

whole annual tax depreciation.
riod.

✓ NAME

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straight-line method

CIT – depre

Annual deprec

Depreciation rates f

Depreciation	An
--------------	----

group	d
1	
2	
3	
4	
5	
6	

where the depreciation

1	
2	
3	

accelerated method

CIT – depre

Annual
input

Annual
{ 2 * amortize

where n = number
depreciated

CIT – depre

~~Annual depre~~
Depreciation **coeffi**

Depreciation	A
--------------	---

Depreciation group	c
1	
2	
3	
4	
5	
6	

first-year depreciation can be increased by

ons for depreciating have been fulfilled. The depreciation cannot be interrupted
preciation is calculated as input price divided by number of months stated in th

1 calendar year

either input price of asset (in case of straight-line method of depreciation)
or tax residual value of asset (in case of accelerated method of depreciation)
e depreciation method above)
rice of the asset and depreciation rates/coefficients for the first year should be t

reciation and it is not accumulated during the year (as it is for tangible assets).

residual value of intangible asset

taxes paid abroad.

taxes paid abroad.

It only up to amount of related CZ tax payable on such income (i.e. by amount of tax liability which would

Coefficient = $\frac{\text{foreign tax base}}{\text{total tax base}}$
CIT liability from general tax base * Coefficient = Tax base deduction in CZ due to foreign tax paid abroad

tax base taxed abroad (foreign income and related expenses are excluded from general tax base of taxpayer

foreign tax base taxed abroad and then the remaining (reduced) general tax base in CZ is taxed with recalculated

and thus CZ resident cannot use any of the above two methods for avoiding double taxation.

(state of income origine) have different taxable periods; or (2) limit for applicable method (credit or exemption)

for DTT. The relief by credit mainly applies to withholding tax imposed to the source state (e.g. tax on dividends generated through a Permanent Establishment in the source state. The source state claims taxing rights

provisions for receivables against debtors in insolvency proceedings - provision can be created up to 100%
provisions for bad debts

before Jan 1st, 2014 - court proceedings are required

from Jan 1st, 2014* - court proceedings are not required

provisions for receivables not exceeding 30,000 czk

court proceedings are not required

face value of receivable should be \leq 30,000 czk toward
it has been overdue for 12 months or more.

receivable should be originally taxed as income

no provision can be created for receivable between related parties

no provision can be created if taxpayer is in liquidation or in insolvency proceedings

provisions can be created only toward receivables originated from normal supply of goods or services (i.e. no provision can be created if taxpayer has liabilities toward the same debtor and these liabilities are not

l the end of 2013 (i.e. before change in legislation) became aged for more than 36 months. It means that 1

	Tax (statutory) provisions and reserves
	tax deductible cost => no adjustment
	taxable income => adjustment

e period.

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	Lemeshko, O.	25/2/2018	
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orkbook.pdf	Lemeshko, O.	31/12/2017	

tax depreciation = (input price * annual depreciation rate) / 100

Depreciation of tangible FA

Depreciation = input costs * relevant annual rate
for tangible FA under **straight-line method (in %)**

Annual rate in	Annual rate in	Annual rate for
----------------	----------------	-----------------

1st year of depreciation	other years of depreciation	increased input costs
20	40	33,3
11	22,25	20
5,5	10,5	10
2,15	5,15	5
1,4	3,4	3,4
1,02	2,02	2

rate for the first three groups are increased by 10% in the first year:

30	35	33,3
21	19,25	20
15,4	9,4	10

If technical improvement is performed over asset, annual depreciation rate for increased input cost must

15 / 41

Depreciation of tangible FA

Accelerated method:

Annual depreciation in 1st year =
 Input costs / coefficient for 1st year

Annual depreciation in 1st year =
 (Input cost) / (coefficient for other years - n)

n = number of years in which the tangible fixed assets were

16 / 41

Depreciation of tangible FA

Depreciation = input costs * relevant annual rate
 coefficients for tangible FA under accelerated method

Annual rate in	Annual rate in	Annual rate for
----------------	----------------	-----------------

1st year of depreciation	other years of depreciation	increased input costs
3	4	3
5	6	5
10	11	10
20	21	20
30	31	30
50	51	50

if asset was technically appreciated, tax depreciation is computed as follows:

$$\text{tax depreciation} = (2 * \text{increased TRV}) / \text{coefficient for in}$$

$$\text{tax depreciation} = (2 * \text{increased TRV}) / (\text{coefficient for ir}$$

if technical appreciation was commenced in the first year when asset was put into use, must be included

rates

10% for office equipment, accumulators, air-conditioning
20% for forestry and agricultural machines owned by tax

conditions

taxpayer must be first owner of asset
assets are classified in depreciation categories 1-3
this is not applicable to personal cars, planes, household

methods

straight-line method:

	Depreciation rates under	
	1st year	follo
Group 1	20	
Group 2	11	
Group 3	5.5	
Group 4	2.15	
Group 5	1.4	
Group 6	1.02	

Where the depreciation rates for the first th
year.

year.

	1st year	follo
Group 1	30	
Group 2	21	
Group 3	15.4	

accelerated method:

The first year depreciation calculated based on accelerat

l.
e purchase contract.

used for depreciating the asset.

income
 (costs)

 margin

arise if such income would be taxed not abroad but in CZ). For such

17%

6.65

e.g. 120k is total taxable income, 85k is total tax eligible costs, 19%

ayer in CZ).

35

total tax base

culated CIT rate (instead of standard 19%). Recalculated tax rate is

otion) is exceeded.

34.5

and income). This withholding tax is deducted from the tax imposed
 on the profits of the permanent establishment and the resident st

1/3 of amount of receivable in the taxable period when it was claimed

general rule:

exception:

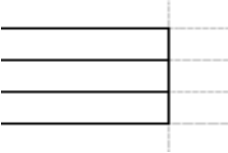
|
general rule:

exception:

the same debtor

∴ for receivable from contractual penalty or interest for late payments
yet settled

100% provision could be created by that time (assuming they were c



: be used (starting from the period in which appreciation commenc

Depreciation rates u
1st year

0-100%

0

Group 1	3
Group 2	5
Group 3	10
Group 4	20
Group 5	30
Group 6	50

creaed TRV

increaed TRV - number of years of depreciation from increased TRV

into normal input price under normal depreciation rate.

3
 payers whose main activity is agriculture or forestry

equipment.

the straight-line method

owing years	for increased input price
40	33.3
22.25	20
10.5	10
5.15	5.0
3.4	3.4
2.02	2

ree groups are increased by 10% in the first

How long years	for increased input price
35	33.3
19.75	20
9.4	10

ed method is increased by 10% or 20% of the input price of the ass

Foreign income
 Local income

 Total income

Foreign costs
 Local costs

 Total costs

Foreign TB
 Local TB

 Total TB

 Total tax liability in CZ at 19%

Adjustments:

I. Full credit

foreign tax liability at 21%
tax liability after reduction

II. Ordinary credit

coefficient (tax base reduction)
 tax base after reduction
tax liability after reduction

III. Full exemption

tax base after reduction
tax liability after reduction

taxable income
 (tax eligible costs)

 tax base

In case tax credit coefficient is calculated:

e.g. 20k is income generated abroad and 120k is total income (abroad + local)

83% 6

adjustment for ordinary credit tax liability in CZ final i.e. after reduction by ordi

e.g. 20k is income generated abroad and 15k are tax eligible costs abroad; 120k is total income a

5 5.7

foreign tax base

obtained by taking into consideration of taxes payable by taxpayer, both in CZ and abroad (i.e. (t

e.g. 20k is income generated abroad and 15k are tax eligible costs abroad and 0.5k is tax paid ab

6.555

_____ on the resident state. The tax authorities of the resident state will request for documents prov
 :ate exempts it from taxation.

aged in court in insolvency proceedings

aged receivables with 6 months of overdue => 20% of face value
aged receivables with 12 months of overdue => 33% of face value
aged receivables with 18 months of overdue => 50% of face value
aged receivables with 24 months of overdue => 66% of face value
aged receivables with 30 months of overdue => 80% of face value
aged receivables with 36 months of overdue => 100% of face value

if receivable has face value < 200,000 czk, provision in amount of 20% of face value can be created

aged receivables with 18 months of overdue => 50% of face value
aged receivables with 30 months of overdue => 100% of face value

if receivable has face value > 200,000 czk, then court proceedings are required

ent no provision can be created).

claimed at court). If they haven't been created yet, they still can be created.

:ed). However if technical appreciation was commenced in the first year when asset was put into

nder the accelerated method
following years for increased input price

4	3
6	5
11	10
21	20
31	30
51	50

)

set. Coefficients for accelerated tax depreciation remain unchanged for the following years.

20
100
120
<hr/>
-15
-70
-85
<hr/>
5
30
35
<hr/>
<hr/>
6.65
<hr/>

1.05
5.6

17%
83%
5.54

30
5.7

nary credit method

and 85k are total tax eligible costs)

tax paid abroad on foreign income + tax payable on general tax base reduced by tax foreign tax base in Cz

road; 120k is total income and 85k are total tax eligible costs)

ing the imposition of withholding tax in the source state like tax certificate issued by the tax authorities c

ed even without court proceedings. BUT creation of further provision (i.e. remaining 80%) requires court

use, must be included into normal input price under normal depreciation rate.

2) / (foreign income and other incomes earned by CZ taxpayer). In CZ this method is forbidden.

of the source state or tax receipt.

: proceedings.

Tax procedure:

taxpayer vs payer of tax
local competence

is based on residential address
location of immovable asset (if real estate is taxed)

communication with tax authorities

if individual has data box, then communication is via this dat

registration duty

persons lible to tax are obligated to register for taxes with lo
from day of commencement c

Self-assessment system and tax return:

self-assessment principle states that taxpayer fills his tax return by himself or by his official
there 3 types of tax return:

ordinary - is filled after the end of taxable period and within
corrective - is filled after ordinary tax return but still within c
additional - is filled after ordinary tax return and after deadli
obligation: it should be filled in
possibility: it can be filled in ca

Payment of tax:

tax becomes due on deadline for filling in tax return.
it should be paid in CZ currency
there wre following methods of payment:

Payroll tax:

each employer is obliged to perform monthly payroll tax withholdings
payroll tax advances must be withheld on the day of salary payment and must be transferre
employers are obliged to have payroll sheet for each employee
after year end employer should perform annual payroll reconcillation of payroll taxes with

Rounding:

tax base for PIT should be rounded down to the nearest 100 of CZK
tax advance should be rounded up to the nearest 100 of CZK
tax base for WHT is reounded down to whole CZK

CIT advances

Advance period starts on the day following the statutory date for filling CIT return for prev

Last known tax liability	Tax advance payment	When payable
0-30,000	no advances	NA
30,001 - 150,000	40% of last known tax liability	semi-annually: 15th day of 6th and 12th month of taxable period
> 150,000	25% of last known tax liability	quarterly: 15th day of 3d, 6th, 9th and 12th month of taxable period

via box only; if not, via paper forms

to local Tax office by filling in registration form within 15 days
of business activity or from day when first business income was received

by representative (e.g. registered tax adviser)

deadlines set by law (3 months after the end of taxable period, which is always for PIT the same as normal deadline set by law. It is used in tax assessments as final one (i.e. without considering ordinary one)
deadline set by law. The deadline for filing this return is end of month following the month when such facts (e.g. increase in case when person liable to tax finds out that his tax liability should be higher or his tax loss should be lower or decrease when person liable to tax finds out that his tax liability should be lower or his tax loss should be higher)

to be submitted to Tax office by 20th day of the following calendar month for which salary is paid

to be filed during the year. it should be prepared within 2 month after the end of calendar year.

to be filed during the taxable period and lasts until the last day of statutory period for submission of next tax return. Duration

nal calendar year; in case if return is prepared by registered tax adviser then there are 6 months for fillir
see below) were discovered. Additional tax tax, if any, is payable within this additional time limit. This re
ower than his last known tax liability declared in previous tax return
er than his last known tax liability declared in previous tax return

ing taxable period advance payments should be done if last known tax liability was higher than 30,000 c:

ing this return after the end of taxable period)

return cannot be filled during tax audit.

zk.