ATTACHMENT No. 3

Personal identification number: [| | | | | | / | | | |]

is a part of an income tax return by individuals
in the taxable period 2007 - 25 5405 MFin 5405 model no. 14 (hereinafter „tax return")

Fill in the amounts in whole Czech crowns. Figures used to calculate the tax liability are considered to be indicators pursuant to § 46a subsection 3 of the Act no. 337/1992 Coll., on Administration of Taxes, as amended and they are to be rounded to two decimal points.

Calculation of tax on income generated over two or more taxable periods (§ 14 of the Act), of tax on income from sources in abroad (§ 38f of the Act)

1. Tax on income over two or more taxable periods

		Fill in whole Czech crowns	
		Taxpayer	Financial office
301	Percentage of tax on a tax base (row 57 of tax return divided by row 42, multiplied by one hundred). If this percentage is less than 15%, use the tax rate of 15 % to compute your tax from remaining parts of the income.	%	
302	Total of remaining parts of income generated over two or more taxable periods (row 111)		
303	Tax from remaining parts of income generated over two or more taxable periods (row 301 multiplied by row 302, divided by one hundred)		

		Fill in whole Czech crowns	
		Taxpayer	Financial office
304	Total of remaining parts of income generated over two or more taxable periods, reduced by a relevant part of expenses, to that credit of the tax paid in abroad is claimed.		
305	Proportionate part of tax paid in abroad on the total of remaining parts of income over two or more taxable periods according to the agreement		
306	Percentage of the total from remaining parts of income (row 304 divided by row 302, multiplied by one hundred)	%	
307	Maximum credit allowed on tax paid in abroad (row 303 multiplied by row 306, divided by one hundred)		
308	Tax on remaining parts of income over two or more taxable periods (row 305 but up to the amount of row 307)		
309	Difference of rows (row 305 - row 308) is higher then zero. In case, that the difference of rows (row 305 - row 308) is less than zero, cross the row.		
310	Tax on remaining parts of income generated over two or more taxable periods after credit of the tax paid in abroad (row 303 - row 308). If the result is negative, fill zero in the row.		

2. Income from sources in abroad – the method of exemption with progression

Complete table no. 3 **only** if you apply the method of exemption with progression and also claim calculation of the spouses' joint tax base pursuant to § 13a of the Act; continue the calculation on row 311 and following. In other cases calculate the method of exemption with progression on row 311 and following.

Table 3

		Taxpayer	Financial office	Spouse	Financial office
1	Partial tax base pursuant to § 6 of the Act after exemption				
2	Partial tax base or loss pursuant to § 7 of the Act after exemption				
3	Partial tax base pursuant to § 8 of the Act after exemption				
4	Partial tax base or loss pursuant to § 9 of the Act after exemption				
5	Partial tax base pursuant to § 10 of the Act after exemption				

		Fill in whole Czech crowns	
		Taxpayer	Financial office
311	Income after exemption pursuant to § 6 of the Act (row 36 - total amount of exempted income from sources in abroad pursuant to § 6 of the Act)		
312	Income after exemption pursuant to § 7 up to § 10 of the Act (row 41 - total of exempted income from sources in abroad pursuant to §7 up to § 10 of the Act)		
313	Tax base after exemption of income from sources in abroad (row 311 + positive row 312)		
314	Tax base after exemption of income from sources in abroad reduced by tax allowances and deductible items (row 313 – row 54 – row 44)		
315	Rate of the overall tax burden - (row 57 of tax return divided by row 56, multiplied by one hundred)		
316	Tax on tax base after exemption of income from sources in abroad (row 314 multiplied by row 315, divided by one hundred)		

3. Tax on remaining parts of income generated over two or more taxable periods and after exemption

		Fill in whole Czech crowns	
		Taxpayer	Financial office
317	Tax pursuant to § 16 subsection 1 of the Act or tax after exemption of income from sources in abroad (row 57 of tax return or row 316)		
318	Tax on remaining parts of the income generated over two or more taxable periods (row 303 or row 310)		
319			
320	Tax on remaining parts of income generated over two or more taxable periods after exemption (row 317 + row 318)		

4. Income from sources in abroad – method of credit to tax paid in abroad

The method of simple (basic) tax credit is aplied separately for each country pursuant to § 38f subsection 7 of the Act. So if you have income from more countries, use for calculation of each country free sheet of the Part IV of Attachment no. 3. It is available for download from http://www.mfcr.cz, in section Taxes and Duties, Taxes, Forms for download.

Country code [ ]

		Fill in whole Czech crowns	
		Taxpayer	Financial office
321	Income from sources in abroad to which the method of tax credit is applied		
322	Expenses		
323	Tax paid in abroad		
324	Coefficient of the tax credit (row 321 – row 322) divided by (row 42 - income exempted) multiplied by one hundred		
325	From the amount of the tax paid in abroad may be credited the amount up to (row 317 multiplied by row 324, divided by one hundred)		
326	Tax allowed to credit (row 323 up to the amount of row 325)		
327	Difference of rows (row 323 – row 326)		
328	Tax allowed to credit (total of rows 326 and also from separate sheets)		
329	Tax not allowed to credit (total of rows 327 and also from separate sheets)		
330	Difference of rows (row 320 – row 328)		

INSTRUCTIONS TO ATTACHMENT No. 3

State the amounts in whole CZK. The numbers computed in the course of tax liability are indicators as per the provision of Section 46a(3) of the Tax Administration Act; they are to be rounded to two decimal points.

1. Tax on income generated over two or more taxable periods

If you have income pursuant to Section 14 of the Act which is a product of several years of your activity, or which is in the form of benefits from a use of a things or rights accrued over several years and collected aggregately, you may distribute the income evenly over the tax period in which it was generated and over the preceding tax periods, however there may be only three or five proportionate allotments, respectively. Income from forest management, specifically from timbering, can be divided to a maximum of ten proportionate allotments.

The calculation is shown step-by-step on rows 301-303; if the income is from foreign sources, the calculation is shown also on rows 303-310.

row 301 **Percentage of tax on a tax base** – state the result of the calculation (row 57 of the tax return divided by row 42 multiplied by one hundred).
If you are subject to the provision of Section 7c of the Act regarding the minimum tax base, state the amount from row 43 instead from row 42. If the percentage is less than 15 %, use the tax rate of 15 % to compute your tax from the other parts of the income.

row 302 **Total of remaining parts of income generated over two or more taxable periods** – the amount transferred from row 111 of Attachment No. 1 to tax return. If your income is from foreign sources, the total does not include income exempted from taxation under an international double taxation agreement, which has not been included in the tax base.

row 303 **Tax on remaining parts of income generated over two or more taxable periods (row 301 multiplied row 302 divided by one hundred)** – state the result of the calculation on this row. If you have also foreign income, continue your calculation on row 304 of the Attachment.

row 304 **Total of remaining parts of income generated over two or more taxable periods reduced by a relevant part of expenses to that is claimed credit of tax paid in abroad** – state the total of remaining parts of income generated over two or more taxable periods which you had already taxed in abroad and for which you are claiming a tax credit of the tax.

row 305 **Proportionate part of tax paid in abroad on the total of remaining parts of income generated over two or more taxable periods according to the agreement** – state the portion of tax paid abroad, which is relevant to the remaining parts of the income generated over two or more taxable periods, and for which the tax credit is claimed. If the income comes from a country which has a Double Taxation Agreement concluded with the Czech Republic, state only the part of tax which can be credited according to the relevant provision of the agreement.

row 306 **Percentage of the total from remaining parts of income (row 304 divided by row 302 multiplied by one hundred)** – state the result of the calculation pursuant to the instruction to row 306. The resulting percentage indicates the ratio of the total of remaining parts of income generated over two or more taxable periods, for which a tax credit is claimed for tax paid in abroad, to the total of remaining parts of income generated over two or more taxable periods (save for exempted incomes).

row 307 **Maximum credit allowed on tax paid in abroad (row 303 multiplied row 306 divided by one hundred)** – state the result of the calculation according to the instruction to row 307.

row 308 **Tax on remaining parts of income generated over two or more taxable periods (row 305, but to a limit of row 307)** – copy the figure from row 305 to this row, however the maximum amount stated here can be that from row 307.

row 309 **Difference of rows** – state the result of the calculation (row 305 – row 308). If the difference is less than zero, cross out the row.

row 310 **Tax on remaining parts of income generated over two or more taxable periods after credit to tax paid in abroad** – state the result of the calculation (row 303 – row 308). If the result is negative, insert zero.

Income from sources in abroad

If any of your activities generate foreign income, you declared the total of such income and related expenses in the main tax return or in the Attachments to tax return, respectively, including any other income from the Czech Republic and related expenses. To eliminate double taxation of foreign income in the Czech Republic, the relevant international agreement is used, which always provides (most typically in Article 22 or 23) how double taxation is eliminated. The list of international double taxation agreements is available on: **http://www.mfcr.cz**, section Taxes and Duties, Double Taxation, List of Agreements.

To prevent double taxation of a foreign income pursuant to Section 38f of the Act, Section 33 will be applied to currency conversion, as follows:
– If you keep accountancy, use the foreign exchange rates published by the Czech National Bank for use in accountancy.
– If you do not keep accountancy, use the standardised exchange rate pursuant to Section 38 Subsection 1 of the Act, unless you use the foreign exchange rates published by the Czech National Bank for use in accountancy.

The following rows instruct how to eliminate double taxation by method of exemption with progression and by method of a simple credit for tax paid in abroad.

2. Income from sources in abroad – method of exemption with progression

This method is applied according to Section 38f Subsection 6 of the Act.

Complete table no. 3 **only** if you apply the method of exemption with progression and you also claim calculation of the spouses´ joint tax base according to Section 13a of the Act; continue the calculation on row 311 and following. In all other cases, i.e. you do not have the combination of foreign income for which the method of exemption with progression and at the same time the joint taxation of spouses claimed, applied calculation the method of exemption with progression on row 311 and following.

row 311 **Income after exemption pursuant to Section 6 of the Act (row 36 – total of exempted income pursuant to Section 6 of the Act)** – state the balance of the partial tax base under Section 6 of the Act (row 36) and the total of exempted income from sources in abroad pursuant Section 6 of the Act. **Only** if you apply the calculation of a spouses´ joint tax base for, state an amount which corresponds to a half of row 1, table 3, it is half of the partial tax bases according to Section 6 of the Act, after the exemption for both spouses, to eliminate double taxation.

row 312 **Income after exemption pursuant to Section 7 – Section 10 of the Act (row 41 – total of exempted income from source in abroad pursuant to Section 7 – Section 10 of the Act)** – state the balance of the total of partial tax bases under Section 7 – Section 10 of the Act (row 41) and the total of income from sources in abroad pursuant to Section 7 – Section 10 of the Act. A negative result represents a loss; copy the loss to **row 61, Part IV of the main tax return page 2. Only** if you apply the calculation of a spouses´ joint tax base, state an amount which corresponds to a half of positive total value of row 2 and 5, table 3 for both of spouses, it is half of partial tax bases according to Section 7 – Sectin 10 of the Act, after exemption for both spouses, to eliminate double taxation. The total of negative amounts in rows 2 and 4, Taxpayer column, is to be copied to row 61 of tax return – loss (without the **minus** symbol).

row 313 **Tax base after exemption of income from sources in abroad (row 311 + row 312)** – state the sum of rows 311 and 312. Use only a positive figure from row 312. If you are subject to the provision of Section 7c of the Act regarding the minimum tax base, state the balance of the minimum tax base (row 43) and the excluded income from abroad.

row 314 **Tax base after exemption of income from sources in abroad reduced by tax allowances and deductible items (row 313 – row 54 – row 44)** – tax allowances and deductible items from the tax base after exemption of income from

sources in abroad (row 313) according Section 15 of the Act and according to Section 34 of the Act, respectively, and round the result down to whole CZK hundreds.

A deductible item pursuant to Section 34 Subsection 1 of the Act (tax loss) may be deducted only to the maximum limit of the income after exemption according to Section 7 - Section 10 of the Act; it means that the amount from row 44 you deduct must not be greater than the amount on row 312. **Only** if you apply the calculation of a spouses´ joint tax base, state the balance of row 313 and the half of tax allowances pursuant to Section 15 of the Act for both spouses (the amount from row 514 from Attachment no. 5 divided by two) and of deductible items pursuant to Section 34 of the Act (the sum of rows 517, 518, 519 of Attachment no. 5). If the total of amounts under Section 15 and Section 34 of the Act exceeds the tax base after the foreign income exemption, insert zero on row 314.

row 315 Rate of the overall tax burden (row 57 divided by row 56 multiplied by one hundred) – state the result of your calculation in %.

row 316 Tax on tax base after exemption of income from sources in abroad (row 314 multiplied by row 315 divided by one hundred) – state the result of your calculation.

3. Tax on remaining parts of income generated over two or more taxable periods and after exemption

row 317 Tax pursuant to Section 16 Subsection 1 of the Act or tax after exemption of income from sources in abroad (row 57 of the main tax return or row 316) – on row 317 state the tax from row 57 of the main tax return or tax after exemption from row 316 if you have income which was taxed in a foreign country according to Double Taxation Agreement, if the method of exemption with progression is applied.

row 318 Tax on remaining parts of income generated over two or more taxable periods (row 303 or row 310) – on row 318 state the amount which results from the calculation.

row 319 Leave empty for tax period 2007.

row 320 Tax on remaining parts of income generated over two or more taxable periods after exemption (row 317 + row 318) - on row 320 state the result of your tax computation. If you do not have income from sources in abroad for which the method of simple credit to tax paid abroad would be used, state the result on row 330.

4. Income from sources in abroad – method of credit to tax paid in abroad

The method of simple credit pursuant to Section 38f Subsection 7 of the Act is used separately for each country. So, if you have income from more foreign countries, use a separate enclosure of **Attachment no. 3 Part IV** for each country. It is available for download from **http://www.mfcr.cz**, in section Daně a cla (Taxes and Duties), Daně (Taxes), Tiskopisy ke ztažení (Forms for downland).

row 321 Income from source in abroad to which is applied credit – on this row state the total of income from sources in abroad to which the method of credit is used according to Double Taxation Agreement. To eliminate double taxation and **only** if you are computing a spouses´ joint tax base, state an amount which corresponds to a half of the foreign income of both spouses for which the method of credit is applied according to the Double Taxation Agreement.

row 322 Expenses – state the total of expenses related to the income declared on row 321. To prevent double taxation and **only** if you are computing a spouses´ joint tax base, state an amount which corresponds to a half of the expenses which relate to the income from row 321 for both spouses.

row 323 Tax paid in abroad – state the amount of tax paid in abroad, but only to a limit which could be collected in the foreign country as per the relevant provisions of the Double Taxation Agreement. The tax amount used for the credit must be proven by a foreign tax authority receipt (Section 38f Subsection 4 of the Act). To eliminate double taxation and only if you are computing a spouses´ joint tax base, state an amount which corresponds to a half of the tax paid by both spouses which is used for the credit.

row 324 Coefficient of the tax credit – state the result of your computation of the portion of tax which can be credited in percent: (row 321 – row 322) divided by (row 42 – excluded income) multiplied one hundred. The amount may be in the range from 0 to 100. If the result is negative, insert zero on row 324. If you are subject to the provision of Section 7c of the Act regarding the minimum tax base, use the amount from row 43 instead of row 42 in your calculation.

To eliminate double taxation and only if you are computing a spouses' joint tax base, the computation formula is the following: (row 321 – row 322) divided by (a half of the spouses´ joint tax base reduced by a half of the income excluded for both spouses).

row 325 Maximum amount of the credit to tax paid abroad (row 317 multiplied by row 324 divided by one hundred) – state the result of your calculation of the maximum amount of tax paid in the foreign country which can be credited. The tax in the calculation is the tax liability relating to income from sources in abroad and from sources in the Czech Republic i.e. tax under Section 16 Subsection 1 of the Act or tax after exclusion of foreign income (row 57 of tax return or row 316 of tax return Attachment no. 3).

row 326 Tax allowed to credit – state the amount of tax paid in abroad (row 323), but to a limit of the amount allowed to credit (row 325).

row 327 Difference of rows – state the result (only positive) which is the amount of tax which you can claim as expense (cost) in the following taxable period, according to Section 24 Subsection 2 Letter ch) of the Act (row 323 – row 326). If the balance is negative, cross out the row.

row 328 Tax allowed to credit (total of row 326) – state the sum of values shown on rows 326 from Part IV and separate attachements of Attachment no. 3 Part IV, where you credit the tax paid abroad separately for each country, as per Section 38f Subsection 7 of the Act. Section 38f Subsection 2 of the Act provides that on row 328 may be entered an amount to the limit of the tax liability (row 317).

row 329 Tax not allowed to credit (total of rows 327) – state the sum of values shown on row 327 from Part IV and separate attachements of Attachment no. 3 Part IV, where you credit the tax paid abroad separately for each country, pursuant to Section 38f Subsection 7 of the Act.

row 330 Difference – state the difference between the rows (row 320 – row 328). Copy the item to **row 58, Part IV of the main tax return page 2 for further computation.**