

# INSTRUCTIONS

## for filling out corporate income tax return

### General

- 1) Taxpayers of corporate income tax (hereinafter in these instructions "tax") are those entities that are not individuals (Section 17, Act no. 586/1992 Coll., on Income Tax, as amended (hereinafter in these instructions "Act"). The taxpayer is obliged to file a tax return form after the expiration of the taxable period or part thereof or the period for which a tax return is submitted and the tax assessed, even in the event that he does not show a tax base or shows a tax loss. The tax return form is presented to the locally relevant tax administrator (i.e. tax office) in the district in whose competence the taxpayer has its head office. A taxpayer as stated in Section 18 subsection 3 of the Act is not obliged to file a tax return form if it has no income which is subject to taxation or it only has income that is tax-free (Section 19 of the Act) or income from which the tax is deducted pursuant to a special tax rate (Section 36, subsection 2 of the Act) and is not obliged to apply the procedure pursuant to Section 23, subsection 3, letter a) point 9 of the Act. Also not obliged to file a tax return form for the period from the date of the change of circumstance to the date of that change being evidenced in the Commercial Register, is a trading company or co-operative that dissolve. This obligation also does not apply to a general partnership; however this does not affect its obligation to file a tax return form if pursuant to Section 40, subsection 1, of Act no. 337/1992 Coll., on the Administration of Taxes, as amended, (hereinafter "Administration of Taxes Act"), the tax administrator requests it to do so.
- 2) Filing a tax return form effectively is only possible on a printed form issued by the Ministry of Finance (hereinafter "Ministry") or in a computerized format that has the data, content and set-up of the information presented in the same manner as on the printed form issued by the Ministry. The printed return in an electronic format is available for downloading on the website of the Czech Tax Administrator, <http://cds.mfcr.cz> in the Taxation forms offer and on the Ministry of Finance website, [www.mfcr.cz](http://www.mfcr.cz) in section Taxes and Duties, Taxes, Forms for download. Any enclosures indicated in the relevant form are also a part of the tax return. A compulsory enclosure in the tax return of a taxpayer, who keeps accounting, is a financial statement pursuant to Section 18, subsection 1 of Act no. 563/1991 Coll., on Accounting, as amended, (hereinafter "Accounting Act"); the arrangement and definition of the content of the items on the balance sheet, the profit and loss statement and the definition of the content of the enclosure, is determined by the relevant decree by which some of the provisions of the Accounting Act are carried out. Taxpayers and accounting units that are obliged to use International Accounting Standards for their accounting and preparation of the financial statement (Section 19, subsection 9 of the Accounting Act) must attach the compulsory Financial Statement set out in accordance with International Accounting Standards to the tax return form. Taxpayers and/or accounting units defined by Section 38a No. 563/1993 Coll. of the Accounting Act as amended by Act no. 348/2007 Coll., whose total incomes for previous finished accounting period have not exceeded the amount of CZK 3,000,000 and availed themselves of the possibility of keeping their accounts pursuant to Act on Accounting, as amended by Act no. 117/1994 Coll., Act no. 227/1997 Coll., Act no. 492/2000 Coll., Act no. 353/2001 Coll. and Act no. 437/2003 Coll., also after 1<sup>st</sup> of January 2009, (hereinafter "taxpayers who after the 1<sup>st</sup> January 2009 kept their accounts in a single entry accounting system") is obliged to attach an Income and Expenditure Statement and an Assets and Liabilities Statement pursuant to Section 15 subsection 5 of the Accounting Act, that was valid up to 31<sup>st</sup> December 2003. The layout of the information in the assets and liabilities summary and the information in the income and expenditure summary, is set out in Section VI of Attachment no. 1 to the Ministry of Finance Measures, file no. 281, 283/77411/2000, and at the same time the Income and Expenditure summary must contain, in particular, information on all revenue and all expenditure in such an itemization as to enable the ascertainment of an income tax base.  
It is also possible to file an income tax return form, including its attachments, electronically, by means of a data report, protected or unprotected by a guaranteed electronic signature, in a manner and form and under the conditions laid out publicly by the Ministry in its application, "Electronic filing for the Taxation Administration" that is available on the website, <http://cds.mfcr.cz> under the offer of Electronic documents, and on the Ministry of Finance website, [www.mfcr.cz](http://www.mfcr.cz) in the Taxes and Duties section.
- 3) The Taxable period pursuant to Section 17a of the Act is:
  - a) A calendar year,
  - b) An economic year,
  - c) the period from the resolved date of merger or transfer of the capital to an associate or the division of a business company or co-operative, to the end of the calendar year or the economic year in which the merger or transfer of capital to an associate or the division, were entered into the Commercial Register,
  - d) an accounting period, if this accounting period is longer than an uninterrupted succession of twelve months.
- 4) An income tax return is filed no later than three months after the expiration of the taxable period. If the taxpayer is obliged on the basis of a special Act<sup>1</sup> to have the Financial Statement certified by an auditor or if their tax return is being filed by their tax advisor, then the tax return must be filed no later than six months after the expiration of the taxable period. This is only applicable if the relevant Power of Attorney for the representation is filed to the tax administrator before the expiration of the un-prolonged period. If, during the extended period, the tax advisor should die or dissolve and the tax return is filed within the extended period by the taxpayer himself, the period is upheld. If the period for filing the tax return falls on a Saturday, Sunday or State Public Holiday, the last day of the period becomes the next working day.
- 5) The tax administrator may, at the request of the taxpayer or of the tax advisor or on its own initiative, extend the period for filing the tax return and that by up to three months from the expiration of the time-limit for filling. If part of the taxable income stated in the tax return is also income from an permanent establishment abroad, the tax administrator may, at the request of the taxpayer, extend the period for filing the tax return for up to ten months from the expiration of the taxable period.
- 6) If the taxpayer dissolved without liquidation, its legal successor or the authority which made the decision on the winding-up, is obliged to file a tax return for the expired taxable period by the end of the month following its dissolution. The tax administrator may extend this period for up to three months in justified cases.
- 7) In the event that a company is in liquidation, its tax liability remains and also the obligation of filing an annual report until the liquidation is completed. On the final date of the activity, i.e. the day before going into liquidation, the taxpayer carries out an extraordinary financial statement and files a tax return at the latest, by the end of the following month. After liquidation, liquidator is obliged to file a tax return for the expired taxable period, by the end of the following month.
- 8) In case of winding-up a permanent establishment on the territory of the Czech Republic, subjects who have their seats in abroad, are obliged to file a tax return no later than the end of the following month for the expired part of the year.
- 9) In case of insolvency proceeding<sup>2)</sup> the taxpayer is obliged to file the tax return within 30 days at the latest from the date the failure order becomes applicable for the part of taxable period, which has expired on the date preceding the date when this order becomes applicable, and for which the tax return has not been filed yet. If the insolvency trustee find out the lack of supporting documents, because of which the duty of filing of tax return cannot be realized, this duty is extinguished; the insolvency trustee advises the tax administrator of that in the same time-limit and provides necessary assistance for tax assessment according to materials and information (Section 40b, subsection 1 of the Administration of Taxes Act).

<sup>1)</sup> For instance, the Commercial Code; Act no. 563/1991 Coll., on Accounting, as amended, Act no. 21/1992 Coll., on Banks, as amended.

<sup>2)</sup> Act no. 182/2006 Coll., on Bankruptcy and Settlement, as amended.

- 10) A tax return is also filed during the insolvency proceeding (Section 40b, subsection 2 of the Administration of Taxes Act), respectively for the period from the date of adjudication of bankruptcy to the end of the taxable period in which the order became applicable and during the further course of the failure proceedings for each finished period that is the same as a calendar year or economic year taxable period. This is to be done within the prescribed period for filing a tax return form for the taxable period (Section 40, subsection 3 of the Administration of Taxes Act).
- 11) The taxpayer is obliged to file a tax return also on the date of submitting the final report, on the date of notice of proposal on discharge in bankruptcy, on the date of discharge in bankruptcy and on the date of accomplishment of another way of failure solving, namely for previous part of the taxable period, for which a tax return has not been filed yet, and to include the recognized tax into the relevant document (Section 40b, subsection 4 of the Administration of Taxes Act).
- 12) In case of transition of competence to dispose of property belonging to assets from the insolvency trustee onto the taxpayer or to the contrary during the insolvency proceeding due to transformation of reconstitution into an audition, the person, who has been entitled to handle with this property, is obliged to process a tax return on the date of an audition and at the same time is obliged to file a tax return for expired taxable period, for which a tax return has not been filed yet (Section 40b, subsection 6 of the Administration of Taxes Act).
- 13) In the limits according to points 9, 10, 11 and 12 the duty to file a tax return arises. Tax returns, which have not been filed yet for the previous taxable periods, have to be filed also in case, that the original time-limit for their filing has not expired yet, respectively including the supplementary tax returns. The same procedure is in case of filing tax returns for the taxable periods, at which the time-limit for filing a tax return is already expired (Section 40b, subsection 7 of the Administration of Taxes Act).
- 14) If the last part of privatized property of a State enterprise is transferred to the Ministry, which is authorized to handle this privatized property, the State enterprise is obliged to file a tax return form for the expired portion of the taxable period by the end of the following month from the date the transfer took place. This is even in the event that the transfer takes place during the last calendar month of the taxable period.
- 15) A tax return form is also filed for the period preceding
  - the decisive day of merger of transfer of capital to an associate or the division of a company or co-operative, for which a tax return form has not yet been filed, if this decisive day is not the first day of the calendar year or economic year, no later than the end of the month following the month in which the Date of decision is passed by the Annual General Meeting or the Partners or the Members' Meeting of the Co-operative on the merger or transfer of capital to an associate or the division of a Company or Co-operative, if the Resolution Date of the merger or transfer of capital to an associate or the division of a Company or Co-operative is not the first day of the calendar year or economic year; filing a tax return form in these circumstances does not fulfil the obligation of filing a tax return form pursuant to the Act on the Administration of Taxes, if the change of Company or Co-operative is not entered into the Commercial Register.
  - The day of entering an change to the legal form of a limited partnership to another trading company or co-operative or a change to the legal form of a joint stock company or a limited liability company or of a co-operative to a general partnership or limited partnership for which a tax return form has not yet been filed. This should be done, at the latest, by the end of the month following that in which the day preceding the date of the change to the legal form of a limited partnership to another trading company or co-operative or changes to the legal form of a joint stock company or a limited liability company or of a co-operative to a general partnership or limited partnership, falls.
  - The change from a calendar to economic year or vice versa or a change to the definition of an economic year for which a tax return form has not yet been filed, if it is shorter than an uninterrupted continuous twelve months. This should be done, at the latest, by the end of the month following that in which the day preceding the date of the first day of an economic or calendar year when changing the accounting period.
  - The moving of the seat of a European company or European Co-operative company, entered in the Commercial Register, from the Czech Republic. This should be done, at the latest, by the end of the month following the month in which the day preceding the moving of the registered seat of the European Company or European Co-operative Company from the Czech Republic.
- 16) The taxpayer himself is obliged, in the tax return, to calculate the tax, show any possible exceptions, exemptions, privileges, discounts, deductions and write down their amount and pay the tax to the administrator within the period set for the filing of a tax return form.
- 17) The decisive facts for the calculation of taxes are assessed separately for each taxable period.
- 18) If an investment company that manages the assets of a unit trust, it completes a tax return form on a pre-printed form, separately for its own investment company and for each unit trust whose assets it manages even in the event that the unit trust shows a tax assessment base of nil or that its expenses (expenditure) adjusted pursuant to Section 23 of the Act exceeds its income adjusted pursuant to Section 23 of the Act. Each individual unit trust notes on the title page of the form, its serial number and in Item 05 (legal person) its name.

#### **Supplementary and Corrective Tax Return**

- 19) If the taxpayer discovers that its tax liability should be higher or its tax deductions lower than its last known tax liability, it is obliged to file a supplementary tax return by the end of the month following this discovery. The supplementary tax is also payable within this period. In this supplementary tax return it is possible to apply for higher amounts for deductible items pursuant to Section 34 of the Act and items that reduce the tax base pursuant to Section 20, subsections 7 and 8 of the Act but only by such amounts that then the difference between the newly determined tax base, decreased by these items and rounded down to the nearest thousand Czech crowns, or the tax base reduced by the deductible items pursuant to Section 34 of the Act and the items that reduce the tax base pursuant to Section 20, subsections 7 and 8, rounded down to the nearest thousand Czech crowns, from which the tax was legally assessed (reassessed), comes to at least one thousand Czech crowns. Investment companies that manage the assets of unit trusts may, under the same conditions, also apply for higher amounts for deductibles pursuant to Section 20, subsection 3 of the Act for each individual unit trust. The taxpayer is obliged, in the supplementary tax return, to state the date of the discovery of the reason for its filing.
- 20) If the taxpayer discovers that the amount of the income tax should be lower or the tax loss higher than its last known tax liability for the relevant taxable period, it may file a supplementary tax return form. Even in this case, it is obliged to state the date of the discovery of the reason for its filing.
- 21) A supplementary tax return is inadmissible if, prior to its submission, the tax administrator has checked the correctness of a tax liability for the period to which the supplementary tax return applies, until such time as this checking is completed. The taxpayer must be informed of such a checked taking place. It is only possible to file a supplementary tax return for a lower tax liability or a higher tax loss that is different to the last known tax liability, if the conditions for the use of extraordinary remedial means pursuant to Section 54 and 55b of the Act on the Administration of Taxes cannot be met. This is to be done within the period stipulated in Section 47, subsection 1 of the above mentioned Act, if a special provision does not state otherwise. However, it is not valid to file such a supplementary tax return form in the event that
  - the previous tax liability was determined in accordance with whatever materials and information are available to him or was negotiated,
  - the tax base has been reduced as a consequence of reduced revenue (income) or taxes having already been paid or the expenditure (expenses) having been increased or taxes already having been paid following an appeal to a legal decision or in an extra-ordinary remedial mean,

- it is a tax liability about which the decision has already been checked lawfully before the court,
  - it would affect an amount of taxable that has already been re-assessed while using the same evidence.
- 22) A taxpayer may file a corrective tax return form before the expiration of the time-limit for filing. This corrective tax return and not the previous one, is then used for the assessment.
- 23) A supplementary or correcting tax return is filed on a printed form which must, however, explicitly marked, on the cover that it is a supplementary or corrective tax return (see item 03 of the cover of the printed form). Information in the appropriate rows of part II of the supplementary or corrective tax return is stated in the total amounts disclosed and not in their differences. The differences between the last known tax liability or last known tax loss is only filled in, in the case of a supplementary tax return, in part IV and in accordance with that part of the instructions for its filling out. Item 03 should also indicate the date of discovery of the facts leading to the filing of a supplementary tax return.
- 24) If a tax return or supplementary tax return have not been filed in time, even after being called upon by the tax administrator to do so, or if irregularities have not been rectified within the period allocated, the tax administrator may determine the tax base and assess the tax using whatever information which it has at its disposal or which it acquires itself. This may be done without the participation of the taxpayer.

If the taxpayer does not file a tax return even after being called upon to do so by the tax administrator, the tax administrator is justified in assuming that the taxpayer is declaring a nil tax balance in its tax return.

The tax administrator may also determine the tax using information available to him, in the event that in the tax return or supplementary tax return, the taxpayer declared inaccurate or incomplete information about the facts decisive for the assessment of the tax and whose inaccuracy or completion was not corrected even after being called upon to do so.

#### **Tax Arrears and Penalties**

- 25) A taxpayer (tax debtor) is in default if it does not pay the tax amount or the advance tax amount by the due date.
- 26) The tax debtor is obliged to pay late charges for every day of default, beginning with the day following the maturity day up to the date of payment including the period from the original maturity day. The default interest amount is comparable to the annual amount of repo rate determined by the Czech National Bank, increased by 14 %, payable of the first day of the relevant calendar half-year. Late charges are only applicable for up to 5 years default.
- 27) The tax payer is further obliged to pay any penalties for the amount of subsequently assessed tax or tax loss that was determined contrary to the last known tax liability, with the exception of a tax base and taxes or tax losses subsequently assessed pursuant to a supplementary tax return in the amount of  
20%, if the tax is increased, or  
5%, if the tax loss is reduced.

#### **Increased Taxation**

- 28) If the tax return or supplementary tax return has not been filed on time, the tax administrator may increase the relevant assessed tax by up to 10%.

#### **The Corporate Income Tax Return Form**

- 29) The form is divided into 5 parts (I-V) and investment companies using this form complete Part II for each unit trust whose assets it manages.

##### **Attachment no. 1 to Part II (hereinafter "Attachment") is an indivisible part of the Form.**

An indivisible part of the Form is also the **Separate Attachment to Table I of Attachment 1 to Part II** issued not only in printed form but also electronically and **Attachment no. 2 to Part II and the Separate attachment to row 5 of Table H of Attachment no. to the Part II**, issued only electronically, if the obligation to complete them arises from the following parts of these instructions.

- 30) The income tax return form (hereinafter "Form") is also used by a taxpayer who does not have its seat in the Czech Republic (Section 17, subsection 4 of the Act) but who has income from activities carried out by a permanent establishment located in the Czech Republic.

#### **Title Page of the Form**

In the indicated frame, the taxpayer fills in the remainder of the official title of its relevant tax office (tax administrator) in the appropriate form (e.g. Tax Office in Pisek, in Slany, for Prague 1, Ostrava etc.) It further fills in the number of Attachments to Part II and the number of Separate Attachments. Special attachments, whose form is not provided, must be marked with the taxpayer's official stamp, including the signature of the authorised person and the taxpayer's TIN (Taxation Identification Number). An investment company states the number of unit trust whose assets it manages and the serial number of each unit trust with a completed Part II. The number of Attachments to Part II and the number of Special or Separate Attachments is shown on a separate form for each of these unit trusts.

- 01 **Tax Identification Number** – after the pre-printed code CZ fill in the assigned tax number. An investment company always fills in its TIN even when filling out Attachment no. 1 to Part II of the Form for every unit trust whose assets it manages.
- 02 **Identification Number** – fill in the assigned identification number (Section 21 and 22 of Act no 89/1995 Coll., on State Statistical Services, as amended). Unit Trusts do not fill in this information.
- 03 **Tax Return** – make note whether it is an ordinary income tax return that should be filed within the period set down for filing returns or a corrective return that it is possible to file prior to the expiration of the period for filing returns or a supplementary tax return that a taxpayer is obliged to, or rather, may file in the cases described in the general part of these instructions. **Supplementary tax returns must state the date when the facts establishing the need for its filing was discovered.**
- 04 **Classification Code for Type of Tax Return** – fill in using these symbols:
- **First space on the left signifies type of taxpayer**
    - 0 – a recipient of a covenant for an investment incentive applying for a tax allowance pursuant to Section 35b, of the Act
    - 9 – a recipient of a covenant for an investment incentive applying for a tax allowance pursuant to Section 35a, of the Act
    - 8 – a recipient of a covenant for an investment incentive in the sphere of taxation pursuant to a Government Resolution
    - 7 – joint stock company which for part of the taxable period was an investment fund (Section 20, of the Act)
    - 6 – pension fund or pension insurance organization
    - 5 – investment company managing the assets of a unit trust
    - 4 – investment fund (joint stock company)
    - 3 – a taxpayer that was not established or set up for the purpose of commerce (Section 18, subsection 3 of the Act)
    - 2 – a taxpayer that has its seat in a foreign country, (Section 17, subsection 4 of the Act)
    - 1 – others
  - **Second from the left signifies type of tax return**
    - A – tax return for the taxable period (Section 17 of the Act) or a tax return that does not fall into any of the categories marked B to U
    - B – tax return when going into liquidation
    - C – tax return during liquidation
    - D – tax return for the expired part of the taxable period preceding the date of the subject's dissolution without liquidation

- G – tax return when finalising a privatisation activity in a case determined by a special Act  
 H – tax return when finalising the liquidation  
 I – tax return during bankruptcy  
 J – tax return for the period preceding the decisive day of merger or transfer of capital to an associate or the division of a trading company or co-operative, for which a tax return has not yet been filed if this decisive day is not the first day of the calendar or economic year  
 K – tax return for the period preceding the date of registration of a change in the legal form of a limited partnership to another trading company or co-operative and the change in the legal form of a joint stock company or limited liability company or co-operative to a general partnership or a limited partnership for which a tax return has not previously been filed  
 L – tax return for the period preceding a change in the taxable period from a calendar year to an economic year and vice versa, for which a tax return has not previously been filed. This type of marking on a tax return is also used if the stated period is to be longer than twelve months  
 M – tax return for the period commencing with the date of the creation of the taxpayer without regard to whether this period may be shorter or longer than twelve months  
 O – tax return for the period preceding the day of moving a seat of a European company or European Co-operative company entered into the Commercial Register from the Czech Republic  
 P – tax return on the date of entry into effect of the **failure order**, without reference to the way of it's solving  
 R – tax return **during the insolvency proceeding**, without reference to the way of solving of the failure  
 S – tax return on the date of entry into **effect independent decision on bankruptcy order or transformation of reconstitution into an audition**, which the transition of the competence to handle with property belonging to assets from the taxpayer onto the insolvency trustee coheres with  
 T – tax return on the date of **submitting of the final report**, on the date of **notice of proposal on discharge in bankruptcy** and on the date of accomplishment of **another way of failure solving**  
 U – tax return on the date of discharge in bankruptcy  
 Notice: The types R, S, T and U shall be used also for indication of tax returns for periods that come after bankruptcy order pursuant to the Act. No. 328/1991 Coll., on bankruptcy and composition, as amended.

**Taxable Period** – taxpayers filing a type A tax return fill in the space provided, the relevant letter of Section 17a of the Act. Taxpayers filing a type B – U tax return fill in the space provided and using an indicator to the relevant letter of Section 17a of the Act, information regarding the taxable period into which the last day of the period for which the tax return is filed falls. If this period is longer than 12 months then an indicator to letter d) of Section 17a of the Act is used.

**Examples:**

- a) tax return by trading companies, with the exception of those taxpayers typed 2 to 0, co-operatives or State-owned enterprises and for a taxable period that is an economic year.  
 Item 04 - code differentiating type of return is filled in thus:   Taxable period pursuant to Section 17a, letter  of the Act.
- b) tax return by an investment fund (joint stock company) for a taxable period that is a calendar year  
 Item 04 - code differentiating type of return is filled in thus:   Taxable period pursuant to Section 17a, letter  of the Act.
- c) tax return by a trading company with the exception of those taxpayers typed 2 to 0, co-operatives or State-owned enterprises, for a part of a taxable period that is a calendar year, up to the date of going into liquidation  
 Item 04 - code differentiating type of return is filled in thus:   Taxable period pursuant to Section 17a, letter  of the Act.

**Where indicated on the form** in the pre-printed box state the first and last day of the taxable period or the period for which the tax return is being filed.

e.g. a limited liability company whose taxable period is changing from a calendar year to an economic year, due to an announcement by the tax administrator

- a) on 1<sup>st</sup> July 2010 and is filing a tax return for the period from 1<sup>st</sup> January 2009 to 30<sup>th</sup> June 2010 pursuant to Section 17a, letter d) of the Act, fills in the code differentiating the type of tax return:   Taxable period pursuant to Section 17a, letter  and the taxable period from  to
- b) on 1<sup>st</sup> July 2009 and is filing a tax return for the period 1<sup>st</sup> January 2009 to 30 June 2009 pursuant to Section 38m, subsection 3, letter d) of the Act fills in the code differentiating the type of tax return:   Taxable period pursuant to Section 17a, letter  and the period for which the tax return is being filed from  to

**Part I – the Taxpayer’s details**

- 05 **Name of the legal person** – state the trade company of the legal person as entered into the Commercial Register including the supplement indicating its legal form, possibly even “in liquidation”. For a legal entity that does not require entering into the Commercial Register, fill in the name under which it was found and established and for other subjects, the name by which it represents itself to others. If the space provided for item 05 in the pre-printed form is not sufficient for writing the complete company name or name of the taxpayer, only its shortened version is filled in and then on a separate piece of paper, the whole company name or taxpayer’s name is written. For unit trusts, an investment company writes, instead of its company name, the name of the unit trust whose tax base it concerns and/or possibly the negative difference between income and expenditure, filled in on row 200 and 220 of Part II (see point 17 of the General Information).
- 06 **Seat of the Legal Entity** – the taxpayer fills out the address of the seat in the same manner as it is entered into the Commercial Register or into another legally assigned Register. Item d) is only filled out by a foreign legal entity (Section 21, subsection 2 of the Companies Register) who, under the letters a), b), c) and d) states its complete foreign address and on a separate piece of paper, the address (location) of its branch or possibly its permanent establishment, if it is not the same branch and address as that of its legal director’s postal address. The country code is filled out in accordance with Annex no. 18 of the Commission Regulation (EC) no. 2081/2003 dated 27<sup>th</sup> November 2003 on the list of countries and territories for statistical purposes concerning the Community’s foreign trade and trade between the member states (see also website <http://cds.mfcr.cz> Item: Taxes, folder: Taxes, file: income tax, alternative: list of country codes). Only a two digit alphabetical capital letter code is used.
- 07 **Bank Connections** – fill in the number of the bank account at the bank that is recorded by the tax administrator (Section 33, subsection 6 of the Act on the Administration of Taxes), from which the legal entity’s income tax is paid. Bank details are written as follows: “number of account/bank code”.
- 08 **Tax return prepared and submitted by Tax Advisor** – if yes, then on the last page of the form he is obliged to fill in and sign the prescribed information.



- 10 **Legal obligation to have Financial Statement verified by an Auditor** – state whether you have a legal obligation to have the Financial Statement verified by an auditor.
- 11 **Financial Statement or Summaries of Assets and Liabilities and of Income and Expenditure attached** – Taxpayers who keep accountancy attach a Financial Statement as defined by Section 18, subsection 1 of the Accounting Act; taxpayers, accounting entity defined in Section 19 subsection 9 of the Accounting Act attach a Financial Statement structured according to International Accounting Standards. In the electronic form of filing of the tax return, the Financial Statement of a taxpayer or accounting unit that is **not** obliged to use International Accounting Standards in its accounting and preparation, is taken to be the electronic forms for **Selected data from the Balance Sheet and Selected data from the Profit and Loss Statement** and/or possibly **Selected data from the Summary of Changes to Equity Capital** that are filled in by using data from the Balance Sheet and the Profit and Loss Statement and/or possibly the Summary of Changes to Equity Capital and a **Copy of the Financial Statement Enclosure** that is included as a separate file in .doc, .xls, .pdf, .jpg, .txt or .rtf format by using the so-called **E-attachment**. Taxpayers, accounting entities, that meanwhile do not keep electronic attachments in the program application Electronic filing for tax administration replacing the Financial Statement with binding defined data organization at their disposal can effectively replace these electronic attachments by electronic copies of Balance Sheet, Profit and Loss Statement, eventually Summary of Changes to Equity Capital, Financial Statement Enclosure, entered by means of **E-attachments**. Taxpayers, accounting entities, that are obliged to use the International Accounting Standards for accounting and Financial Statements, can at electronic form of filing of the tax return effectively replace the Financial Statement by electronic copies of its particular parts, entered by using **E-attachments**. As **E-attachment** it is also possible to file the special attachment with specification and quantification of the influences, which the difference between operating result ascertained according to the International Accounting Standards and operating result ascertained according to the Czech legal provisions (section 23 subsection 2, letter a) of the Act) results from. Taxpayers, who after the 1<sup>st</sup> January 2009 kept accounts in a single entry accounting system, include an Assets and Liabilities Statement and an Income and Expenditure Statement pursuant to Section 15, subsection 5 of the Accounting Act as valid on 31<sup>st</sup> December 2003. In the electronic form of filing of the tax return these Statements can be effectively replaced by the electronic copies, entered as **E-attachments**.
- 12 **Links with Foreign subjects** – the taxpayer will state if it is or is not linked financially (Section 23, subsection 7, letter a) of the Act) or otherwise linked (Section 23, subsection 7, letter b) of the Act) with a foreign entity, which means an individual with a residence or a legal entity with its seat outside the Czech Republic (Section 21, subsection 2 of the Commercial Code). Links with a foreign entity are not stated if it is a relative or an entity to which the existing legal relationship could fulfil the requirements pursuant to Section 23, subsection 7, letter b) point 5 of the Act.
- 13 **Main (Predominant) Activity** – Describe in words the subject of the activity carried out by the taxpayer (main activity). If more than one was carried out, describe a maximum of two activities from which the gross yield achieved (income) in the taxable period was the highest (predominant activity). Do not state activities that the taxpayer carries out for his own need that qualify the performance of the main (predominant) activity.  
Filling this item it shall be used the Classification of economic activities (CZ-NACE), which is the enclosure of the statement of the Czech Bureau of Statistics no. 244/2007 Coll.

## **Part II – Corporate Income Tax**

Part II serves in the transformation of the economic results or the difference between income and expenditure on the tax base or on the tax loss and the consequent calculation of the taxpayers' tax liability.

This part is filled in by all the taxpayers of corporate income tax.

In the determination of the tax base or tax loss in accordance with this Part, investment companies that manage the assets of unit trusts proceed not only as an investment company but also as each unit trust whose assets they manage.

**Amounts in the individual items of Part II are written in whole Czech Crowns.** When rounding off these amounts, proceed in accordance with Section 46, subsection 4 of the Act on the Administration of Taxes, unless the relevant items instruct otherwise.

### **Re: Row 10**

On row 10 legal entity income tax payers write the **trading result** (profit or loss) before taxation, always without regard to International Accounting Standards. Taxpayers who keep accounts pursuant to International Accounting Standards use, when determining their economic results;

- Decree no. 500/2002 Coll., by which some provisions of Act no. 563/1991 Coll., on accounting, as amended, for accounting units which are entrepreneurs that keep accounts by a double entry accounting system as amended, are carried out, or
- Decree no. 501/2002 Coll., by which some provisions of Act no. 563/1991 Coll., on accounting, as amended, for accounting units which are **banks and other financial institutions**, as amended, are carried out, or
- Decree no. 502/2002 Coll., by which some provisions of Act no. 563/1991 Coll., on accounting, as amended, for accounting units which are **insurance companies**, as amended, are carried out,

in accordance with the sphere of competence defined by Section 2 of the above mentioned Decrees. These taxpayers write, on a separate attachment, the specifications and quantification of the influences, from which arise the difference between the economic results found pursuant to International Accounting Standards and the trading results found pursuant to the relevant, above mentioned Decree, which is linked to Czech Accounting Standards (Section 23, subsection 2 letter a) of the Act). Instead of this separate Attachment, it is possible to submit a Profit and Loss Statement and Balance Sheet and/or possibly a Summary of changes to the equity capital, prepared pursuant to the above mentioned Decrees.

When determining the tax base the entries in off-balance sheet accounts are not taken into consideration unless the Income Tax Act stipulates otherwise.

Trading results before taxation or the difference between income and expenditure form the basis for the finding of the tax base (Section 23, subsection 2 of the Act) for the taxable period or the period for which the tax return is being filed.

A general partnership or a limited partnership writes, in this row, the trading results before the adjustment of the transfer of share on the trading results of an associate or to the general partner of a limited partnership; this adjustment is made at Row 201.

If a taxpayer, which was not formed or established for the purpose of commerce, kept accounts after the 1<sup>st</sup> January 2009 in a single entry accounting system, it shall show in this row, the **difference between income and expenditure** (plus or minus).

Taxpayers who have their seats in abroad, also use row 10 in the event of determining the tax base or part thereof by other methods pursuant to Section 23, subsection 11 of the Act. In this case the calculation of the amount on the Statement should be shown on a separate attachment.

When determining the tax base for the period preceding the date of moving the seat of a Societas Europea or Europe Co-operative Society entered into the Commercial Register, from the Czech Republic, use the trading results discovered by an ordinary or extra-ordinary Financial Statement, which the Europea or European Co-operative Society is obliged to prepare as at the day preceding the date of moving the seats from the Czech Republic, entered into the Commercial Register.

In particular phases of the insolvency proceeding it starts (at the tax base assessment) from operation result recognized from the final accounts set up on the date

- a) preceding the date, on which the effects of failure order come into being (Section 17, subsection 2, letter c) of the Accounting Act),
- b) preceding the date, on which the effects of transformation of reconstitution into an audition come into being (Section 17 subsection 2 letter c) of the Accounting Act),

- c) on which the effects of discharge in bankruptcy come into being (Section 17, subsection 2, letter f) of the Accounting Act)
- d) preceding the date, on which the effects of passing of the reconstititional plan come into being (Section 17, subsection 2, letter g) of the Accounting Act),
- e) on which the effects of accomplishment of the reconstititional plan come into being (Section 17, subsection 2, letter h) of the Accounting Act),
- f) on which the effects of accomplishment of the discharge of debts plan come into being (Section 17, subsection 2, letter i) of the Accounting Act),
- g) of setting up of the final report (Section 302, subsection 4 of the Insolvency Act in connection with Section 17, subsection 2, letter j) of the Accounting Act), or
- h) on the last date of the accounting period, if the insolvency proceeding is still in progress after this period (Section 17, subsection 2, letter b) of the Accounting Act, in connection with Section 40b, subsection 2 of the Administration of Taxes Act, eventually from interlocutory Financial Statement set up)
- i) on the date preceding the date, by which effects of bankruptcy order occur, if the decision on bankruptcy order is not connected with the failure order (Section 149 and Section 277 subsection 4 of the Insolvency Act, with connection to Section 17, subsection 2, letter j) of the Accounting Act).

**Pre-Tax Trading Result which are used to determine the tax base (hereinafter “trading results”) is understood to be:**

- a) for taxpayers or accounting units defined by Section 2 of Decree no. 500/2002 Coll., by which some provisions of Act no. 563/1991 Coll., on Accounting as amended, are carried out by accounting units which are entrepreneurs keeping accounts in a double entry accounting system, as amended, the difference between the income entered in the accounts of Account Class 6 and the expenses entered in the accounts of Account Group 50 to 58 and on the transfer accounts of Account Group 59, Account Class 5 – Expenses, with the exception of accounts for internal business income and internal business expenses.

**Flow diagram of the calculation according to a Profit and Loss Statement**

State the amount shown in the **Profit and Loss Statement – type classification**, set out in a complete of simplified range pursuant to Annex no. 2 to Decree no. 500/2002 Coll., as amended, according to which the classification and marking of items in the Profit and Loss Statement – type classification, is set out, or possibly in the **Profit and Loss Statement – purpose classification**, set out in a complete of simplified range pursuant to Annex no. 3 to Decree no. 500/2002 Coll., as amended, according to which the classification and marking of items in the Profit and Loss Statement – purpose classification, is set out, in the calculation box “\*\*\*\*Trading Result before Tax”, before its rounding off to whole thousand Crowns.

- b) for taxpayers or accounting units defined by Section 2 of Decree no. 501/2002 Coll., by which some provisions of Act no. 563/1991 Coll., on Accounting as amended, are carried out by accounting units which are **banks and other financial institutions**, as amended, the difference between the income entered in the accounts of Account Class 7 and the expenses entered into the Account Class 6 with the exception of the accounts in Account Group 68.

**Flow diagram of the calculation according to a Profit and Loss Statement**

State the sum of the amounts shown in the **Profit and Loss Statement** at item 19. “**Profit or Loss for the Accounting Period from the Ordinary Activity Before Tax**” and at item 22 “**Profit or Loss for the Accounting Period from Extra-Ordinary Activities Before Tax**” pursuant to Annex no. 2 to Decree no. 501/2002 Coll., as amended, which determines the classification and marking of items in the Profit and Loss Statement, before their being rounded off to the nearest whole thousand Crowns.

- c) for taxpayers or accounting units defined by Section 2 of Decree no. 502/2002 Coll., by which some provisions of Act no. 563/1991 Coll., on Accounting as amended, are carried out by accounting units which are **insurance companies**, as amended, the difference between the income entered in the accounts of Account Class 6 and the expenses entered in the accounts of Account Class 5, with the exception of the accounts in which Tax from Ordinary Activities, Tax from Extra-ordinary Activities and/or possibly Tax on Income from Prior Periods.

**Flow diagram of the calculation according to a Profit and Loss Statement**

State the amount shown in the **Profit and Loss Statement** at item III 16 **Profit or Loss for the accounting period**, not adjusted by the amount at item III 9 **Income Tax from the Ordinary Activity** and III 14 **Income Tax from Extra-Ordinary Activities**, pursuant to Annex no. 2 to Decree no. 502/2002 Coll., as amended, which determines the classification and marking of items in the Profit and Loss Statement, before their being rounded off to the nearest thousand Crowns.

- d) for taxpayers or accounting units defined by Section 2 of Decree no. 503/2002 Coll., by which some provisions of Act no. 563/1991 Coll., on Accounting as amended, are carried out by accounting units which are **health insurance companies**, as amended,

**Flow diagram of the calculation according to a Profit and Loss Statement**

State the amount shown in the **Profit and Loss Statement** at item II 12 **Trading Results for the accounting period**, not adjusted by the amount at item II 7 **Income Tax**, pursuant to Annex no. 2 to Decree no. 503/2002 Coll., as amended, which determines the classification and marking of items in the Profit and Loss Statement, before their being rounded off to the nearest whole thousand Crowns (CZK).

- e) for taxpayers or accounting units defined by Section 2 of Decree no. 504/2002 Coll., by which some provisions of Act no. 563/1991 Coll., on Accounting as amended, are carried out by accounting units whose **main object of activity is not entrepreneurial**, as long as it keeps accounts in a double entry accounting system, as amended, the difference between the income entered in the accounts of Account Class 6 and the expenses entered in the accounts of Account Class 5, with the exception of the accounts in Account Group 59 – Income Tax.

**Flow diagram of the calculation according to a Profit and Loss Statement**

State the sum of the amounts for the main and economic activities, shown in the **Profit and Loss Statement** at Item C **Trading Results before Tax**, pursuant to Annex no. 2 to Decree no. 504/2002 Coll., as amended, which determines the classification and marking of items in the Profit and Loss Statement, before their being rounded off to the whole thousands Crowns (CZK).

- f) for taxpayers or accounting units defined by Section 2 of Decree no. 505/2002 Coll., by which some provisions of Act no. 563/1991 Coll., on Accounting as amended, are carried out by accounting units which are **Self-Governing Local Area Units, Non-Profit Making Organisations, State Funds and Branches of Organizational Component of State**, as amended, the difference between the income entered in the accounts of Account Class 6 and the expenses entered in the accounts of Account Class 5 with the exception of the accounts in Account Group 59 – Income Tax

**Flow diagram of the calculation according to a Profit and Loss Statement**

State the amount shown in the **Profit and Loss Statement** at item 59 **Trading Result Before Tax** (difference between items 58-31), pursuant to Annex no. 2 to Decree no. 505/2002 Coll., as amended, which determines the classification and marking of items in the Profit and Loss Statement, before their being rounded off to the nearest whole thousand Crowns (CZK).

- g) taxpayers, who **have their seats in abroad**, apply, according to the type of activity that they carry out in the Czech Republic, the procedure relevant to a local taxpayer mentioned in points a) to c) that carry out the same or similar object of activity.

**The Difference between Income and Expenditure**

for Civic Associations, their organizational units which are legal entities, churches and religious associations or church institutions which are an ecclesiastical legal entity and hunting associations, as long as after 1st January 2009 they kept accounts in a single entry

accounting system, is taken to be the trading result achieved, on the date of closing the accounts in accordance with the current legal regulations that determine the bookkeeping of a single entry accounting system, in the difference between the sum of all income and the sum of all expenditure (including any exchange rate differences found in the cash book on the last day of the accounting period), which is used to determine the tax base (Section 23 subsection 2 of the Act).

#### Rows 20 to 70

On rows 20 to 70 are stated **amounts that increase profit, or rather the positive difference between income and expenditure** (row 10). If the trading result is a loss or the difference between income and expenditure is negative, these rows state the amounts that reduce the loss or rather the negative difference between income and expenditure (here in after in the instructions "amounts increasing the economic results or the difference between income and expenditure").

A taxpayer who is a non-profit making organisation (Section 18, subsection 3 of the Act) only fills in these rows in the event that it is necessary to set out the trading result or difference between income and expenditure, stated on Row 10. It also proceeds in a similar manner on rows 100 to 170.

Row 20 On this row state the total of the amounts unjustifiably curtail the income and the value of non-monetary income that it is necessary to include in the tax base if they are not included in the trading result or in the difference between income and expenditure on row 10.

Row 30 The total amount that is stated on this row is, on a separate attachment, broken up according to the individual points of Section 23, subsection 3, letter a) of the Act, with the exception of income included into the amount on row 20 and expenditure (costs) included in the amount on row 10.

Row 40 On this row state the sum of the differences by which expenditure applied in the accounting (see Accounting Class-expenses) exceeds the expenses (costs) incurred to generate, assure and maintain income (hereinafter "tax expenses") pursuant to Sections 24 and 25 of the Act, with the exception of the difference by which the accounting depreciation exceeds the tax write off of the tangible and intangible assets, which is shown separately on row 50.

The total amount shown on this row also includes the amount of insurance premium for social security, State employment policy and health insurance contributions, paid by the employer and which was not paid by the stipulated deadline (Section 24, subsection 2, letter f) of the Act) and also the aggregate of the purchase prices of units in the trading company in connection with income pursuant to Section 20b and Section 36, subsection 2, letter a) and points 5 and 6 of the Act. On this row also state the value of any donations made in the period for which the tax return is filed, including any donations defined by Section 20, subsection 8 of the Act, whose possibility of deduction from the tax base can be applied farther on, on Row 260.

The total amount on Row 40 must be the same as the amount on Row 13 of Table A in Attachment 1 to Part II.

Row 50 State the total difference by which the aggregate depreciation of tangible and intangible assets (Section 26 of the Act) applied in the accounting **exceeds** the aggregate depreciation of these assets determined pursuant to Section 26 to 33 of the Act. In the opposite case use Row 150.

Row 61 This row is only filled in by taxpayers who are going into liquidation and who are according to Section 23 of the Act obliged to adjust the trading results for the part of the taxable period up to the date of going into liquidation. For those taxpayers who keep accounts, the amount on this row will include the balances of created legal reserves and adjustments (so called reserves and allowances whose creation was allowed as a tax expense) the balance of pre-paid revenues and the pre-paid expenses, which will not be verifiably accounted for in the winding up period, on the assumption that this adjustment has not already been reflected in the trading results on row 10. It is then necessary to break down the total amount of this row into individual items on a special Attachment.

Row 62 It is possible to use this row in other cases not mentioned on rows 20 to 61 where it is necessary, for the correct determination of the tax base, to increase the trading result on Row 10. It is necessary to write the actual use of the amount shown on this Row either straight into the empty space provided for the name of the item or if it includes more items, on a separate Attachment. For instance, in relation to the provisions of Section 20, subsections 5 and 6 of the Act, where the taxpayer is an associate of a general partnership or the general partner of a limited partnership, he puts here the difference between his share in the trading results and the share in the tax base, or possibly of the tax loss of the general partnership or limited partnership if this balance is positive (the amount increases the trading result). If this balance is negative, it is shown on Row 162 (amount that decreases the trading result).

#### Rows 100 to 170

On Rows 100 to 170 show the amounts that reduce profit or rather the positive difference between income and expenditure (Row 10). Should the trading result be a loss or the difference between the income and expenditure be negative, show on these Rows, the amounts that increase the losses or rather the negative difference between income and expenditure (hereinafter in the instructions "amounts that reduce the trading results or the difference between income and expenditure").

Row 110 Income that is tax exempted pursuant to Section 19 of the Act is only excluded from this row if this income is already included in the trading results on Row 10.

Row 111 The total amount shown on this row is allocated pursuant to the individual points of Section 23, subsection 3, letter b) of the Act, on a separate Attachment.

Row 112 The total amount shown on this row is allocated pursuant to the individual points of Section 23, subsection 3, letter c) of the Act, on a separate Attachment.

Row 120 On this row, taxpayers with their seats in the Czech Republic, with the exception of pension funds and permanent establishment, show the total income from which the tax is collected at a special rate pursuant to Section 36 of the Act. On this row Pension Funds also show interest revenue from bonds, drafts issued by the bank to secure the debts arising from the creditors' deposits, from deposit certificates, and deposits on the same footing, interest, winnings and other yields from deposits in deposit book and deposit account.

Row 130 Here state the total sum of income, taxed at the rate pursuant to Section 21, subsection 4 of the Act, which are not tax-free pursuant Section 19 of the Act and are entered as a debit to revenues.

Row 140 State the sum of the amount of income and the amounts that have not been included in the tax base pursuant to Section 23, subsection 4 of the Act, with the exception of income pursuant to Section 23, subsection 4, letters a) and b) of the Act that have been shown on rows 120 and 130. Show on a separate Attachment, the segmentation of the total amount on this row according to the remaining item of Section 23 subsection 4 of the Act, i.e. letters c) to k). Amounts pursuant to Section 23, subsection 4, letter d) of the Act may also be claimed by the taxpayer's legal successor.

Row 150 Shows the overall difference by which the sum of the depreciation of tangible and intangible assets (Section 26 of the Act) determined pursuant to Sections 26 to 33 of the Act, **exceeds** the sum of the depreciation of these assets claimed in the accountancy. In the opposite case use Row 50.

Row 160 This row, in conjunction with the provisions of Section 24 of the Act, shows the sum of the differences by which the amounts of tax expenses exceed accounting costs, e.g. in the sale of tangible or intangible assets, the difference by which the



tax net book value (Section 29 of the Act) exceeds the accounting balance price or possibly the insurance premium for social security, State employment and health insurance contributions, if they were paid after the time-limit in the taxable period for which the tax return is being filed (Section 24, subsection 2, letter f) of the Act). Amounts pursuant to Section 24, subsection 2, letter f) of the Act, may also be claimed by the taxpayer's legal successor. A separate Attachment then shows the allocation of this total according to the accounting groups and accounting classes – Expenses.

Row 161 This row is only filled out by those taxpayers who are going into liquidation, for whom Section 23 of the Act imposes the obligation to set out the trading results for the part of the taxable period up to the day of going into liquidation. Taxpayers who keep accounts, shall include in the amount shown on this row, the balance of pre-paid income and pre-paid expenses (including account pre-paid expenses), which will not be verifiably accounted for in the winding up period, on the assumption that this adjustment has not already been reflected in the trading results on row 10. It is then necessary to break down the total amount of this row into individual items on a separate Attachment.

Row 162 The use of this row concerns those cases that have not been shown on rows 110 to 161 where the Act, for the purposes of determining the tax base, allows for the reduction of the trading result shown on Row 10. The actual use of the amount shown on this Row goes either straight into the empty space provided for the name of the item or if it includes more items, on a separate Attachment.

**N.B.** The amounts shown on rows 20 to 170 cannot acquire negative values.

#### Rows 200 to 360

Row 200 If the taxpayer is an associate of a general partnership or a general partner in a limited partnership, a part of its tax base or possibly tax loss, is its own proportionate share of the tax base or tax loss belonging to the general partnership or limited partnership. This proportion is determined, for an associate of a general partnership, in the same proportion as the profit is distributed pursuant to the Sections of Incorporation or otherwise in equal parts and for the general partner of a limited partnership, in the same proportion as is its share in the profit or loss of the limited partnership pursuant to a special legal regulation. For Unit Trusts, a tax loss is said to be the negative difference between their income and expenditure (Section 20, subsection 3 of the Act) for the taxable period or the period for which the tax return is being filed.

Row 201 State the proportion of the tax base or tax loss from Row 200 that belongs to the general partners.

Row 210 State the total income (revenue) from sources in abroad, for which, pursuant to signed international agreements on the prevention of double taxation, the method of exemption from the tax base (tax loss) is claimed if they are a part of a worldwide tax base (tax loss) on Row 200. The segmentation of the amount shown on this row must be supported by the list of the verification of the foreign tax authorities (Section 38f, subsection 9 of the Act) or in the case of isolated income from the foreign resources by the verification of the foreign tax authority (Section 38 f, subsection 4 of the Act), according to the individual contracting states, which were the source of the exempted income.

If the taxpayer is an associate of a general partnership or a general partner in a limited partnership, the amount shown on this row will also contain its proportionate amount of income from sources abroad that flow to the general partnership or limited partnership, which in accordance with the Agreements on the prevention of double taxation is exempt from taxation, and is included in the tax base shown on row 200. This proportion is determined, for an associate of a general partnership, in the same proportion as the profit is distributed pursuant to the Sections of Incorporation or otherwise in equal parts and for the general partner of a limited partnership, in the same proportion as is its share in the profit or loss of the limited partnership pursuant to the Commercial Code. On a separate Attachment then show an allocation of the total amount from this row into the part that relating to the general partnership or limited partnership and the part relating to the taxpayer's own business activities.

#### Attention:

For the purpose of eliminating of double taxation of income, the concept “**income from sources in abroad**”, means income (revenue) coming from sources in abroad, which is subject to taxation there in accordance with a signed international agreement, reduced by the connected expenditure (expenses) determined pursuant to the local Income Tax Act. It is not possible to use foreign legal regulations for deductible items and tax allowances in the determination of the tax base. When using the method of exemption, the income from sources in abroad, is exempted from the tax base before applying the deductibles to the tax base (rows 230, 240, 241, 242, 251 and 260). If it is not possible to verifiably determine if some expenditure (expenses) is connected with income (revenue) coming from abroad then their part, determined in the same proportion as the income (revenue) coming from abroad and not reduced by expenditure (expenses) that belongs to the worldwide income (revenue), is considered to be connected expenditure (expenses).

For the purpose of exemption from taxation, individual amounts of income from sources abroad that are claimed in the taxpayer's accounting (Section 38, subsection 1 of the Act), are converted to Czech crowns using the exchange rate for the foreign exchange market issued by the Czech National Bank. For the conversion of currencies that are not shown on the Czech National Bank's foreign exchange list, conversion using a third currency applies. Taxpayers who after 1<sup>st</sup> of January were accounting in a single entry accounting in accordance with Section 38a of the Act no. 563/1991 Coll. on Accounting, as amended by Act no. 348/2007 Coll., may convert the individual amounts of income from sources in abroad, for the purpose of their exemption from tax, to Czech crowns by using a uniform rate defined in Section 38, subsection 1, of the Act if they do not avail themselves of the foreign exchange market rate pursuant to special regulations on accounting.

Row 220 If a tax loss is shown on this row then the following rows 230 to 330 are **neither filled out nor even crossed out**. It is possible, pursuant to Section 34, subsection 1 of the Act, to deduct a tax loss which arose and was assessed in a taxable period that commenced in the year 2004 and for subsequent taxable periods, from the tax base for no longer than five taxable periods following immediately after the period for which the tax loss was assessed. It is possible to deduct a tax loss that arose and was assessed for the taxable periods commencing in the years 2001, 2002 and 2003, from the tax base, for no longer than seven taxable periods following immediately after the period for which the tax loss was assessed.

Example of the calculation of the amount shown on this row when declaring negative numbers on rows 200, 201 and 210:

Row 200 ..... CZK -200,000

Row 201 ..... CZK -50,000

Row 210 ..... CZK -30,000

Row 220 = -200,000 – (-50,000 – (-30,000)) = CZK -120,000

Row 230 The amount of the tax loss deduction applied on this Row pursuant to Section 34, subsection 1 of the Act, with restrictions pursuant to Section 38na of the Act must not exceed the tax base amount adjusted by the portion of the tax base (tax loss) that belongs to the general partner and reduced by the income that is subject to taxation in a foreign country, for which a tax exemption is being claimed, shown on Row 220 and at the same time it must be the same amount stated on Row 9 in column 4 of Table E Attachment no. 1 to Part II.

Row 240 It is not possible to declare a tax loss, for the determination of which the provisions of Sections 23 to 33, Section 38n and Section 38na of the Act apply, by claiming the deduction of a tax loss pursuant to Section 34, subsections 9 up to 12 of the Act and Section 34, subsections 3 up to 10 and 12 of the Act, as valid on the 31<sup>st</sup> December 2004. Therefore it amount on



- this Row **must not be higher** than the tax base shown on Row 220, reduced by the possible tax loss deduction pursuant to Section 34, subsection 1 of the Act (Row 230), expenses (costs) paid out for the implementation of Research and development projects (Row 242) and by the amount declared on Row 241. The analysis of the amount stated on this row is entered in the a) part of Table F on Attachment no. 1 to Part II.
- Row 241 On this row state the amount reducing the tax base of a unit trust pursuant to Section 20, subsection 3 of the Act, by negative distinction between its incomes and expenses, which must be the same as the amount on row 9 column 4 of Table E, attachment no. 1 to Part II.
- Row 242 On this row show the deduction of expenditure (costs) spent on the implementation of research and development projects pursuant to Section 34, subsection 4 and 5 of the Act. The amount show must be equal to the amount shown on Row 5 column 4 of the b) part of Table F of Attachment no. to Part II. It is not possible to declare a tax loss by claiming a deduction pursuant to Section 34, subsection 4 of the Act, therefore the amount shown on this row **must not be higher** than the tax base shown on Row 220 reduced by the possible amount of the deduction shown on Rows 230 and 240.
- If the taxpayer is an associate of a general partnership or a general partner in a limited partnership, the amount shown on this row must also contain the proportional part of the deduction pursuant to Section 34, subsection 4 of the Act belonging to the general partnership or limited partnership, whilst at the same time this proportion is stipulated in accordance with Section 34, subsections 7 and 8 of the Act. On a separate Attachment then show the break down of the total amount from this row into the part that concerns the deduction by the general partnership or limited partnership and the part that concerns the actual business activities of the taxpayer. These taxpayers also proceed in the same manner in the case of the items shown on rows 260 and 300.
- Row 250 The amount shown on this row cannot be in negative figures. This also applies to Rows 270, 310, 330, 340 and 360.
- Row 251 This row is only filled in by those taxpayers who are not formed or established for the purpose of carrying on business activity, when claiming a reduction to the tax base pursuant to Section 20, subsection 7 of the Act.
- Row 260 Show the actually claimed amount of the deduction from the value of donations made in the taxable period for legally defined purposes (Section 20, subsection 8 of the Act) from Row 1 Table G of Attachment 1 to Part II, however, up to a maximum of 5 % and in conjunction with donations made to universities and public research institutions (Row 2 Table G of Attach no. 1 to Part II) up to a maximum of 10 % of the amount on Row 250, increased by the amount declared on Row 241.
- Row 280 Show the tax rate pursuant to Section 21, subsection 1, 2 or 3 of the Act valid on the date of the last day of the taxable period or the period for which the tax return is being filed. In the year 2009 the tax rate pursuant to Section 21, subsection 1 of the Act is 20 %, the rate pursuant to Section 21, subsection 2 of the Act is 5 % and the rate pursuant to Section 21, subsection 3 of the Act is 5 %.
- Row 300 State the sum of the actually claimed tax allowances pursuant to Section 35, subsection 1 and Section 35a or Section 35b of the Act, at the most though, up to the amount shown on Row 290. Their specification is supplied in Table H of Attachment no.1 to Part II whilst the entitlement to allowances pursuant to Section 35, subsection 1 is enumerated even if there is a tax loss shown on Row 220 or if it not possible to use it fully due to the amount declared on Row 290.
- Row 301 On this row taxpayers show the amount of the additionally applied allowances pursuant the Section 35, subsection 8 of the Act claimed for acquisition of cash registers and their setting up into a state of proper and regular use (Section 38, subsection 6 of the Act) and for the technical assessment of hitherto used cash registers (Section 35, subsection 7 of the Act), which the taxpayers could not use in the two previous taxable periods, because they declared the tax loss or tax lower than the ascertained claim or lower than part of this claim, which remained to the additional use. As elapse of the taxable period commenced in 2009, the possibility pursuant to Section 35 subsection 8 of the Act for supplementary claiming of the unused relief claim pursuant to Section 35 subsections 5 and 6 of the Act is over.
- Row 320 State the tax paid in abroad, by which, it is possible pursuant to international agreements on the prevention of double taxation to reduce the tax liability, at the most, however, to the level stated on Row 310. When calculating the amount of tax paid in a foreign country, with which it is possible to credit the tax amount for the taxable period or the period for which the tax return is being filed, proceed according to Table I of Attachment 1 of Part II.
- Row 330 The amount declared on this Row is a part of the total tax liability (Row 340).
- If there is a tax loss declared on Row 220, Rows 230 up to 330 **are left blank and are not crossed out**.
- Row 331 On this row, show the total income before tax (tax base), which goes into the separate tax base pursuant to Section 20b of the Act. The details of individual income items are stated in a separate Attachment. The purchase prices of the units in the trading company or co-operative are added to the income from units that have been settled, from units in the liquidation remainder or from similar payments that are linked to them. The amount on this row cannot be a negative value.
- Row 332 Show the tax rate pursuant to Section 24, subsection 4 of the Act effective on the last day of the taxable period or the period for which the tax return is being filed. In the year 2009 the rate pursuant to Section 21, subsection 4 of the Act is 15%.
- Row 334 Here, state the total amount of tax paid in abroad, from income included in a separate tax base. The details of individual taxes paid and their addition to specific taxed income will be a part of a separate attachment to Row 331. It is only possible to claim to the credit, an amount of tax such as was collected abroad for individual specific income in accordance with the legal regulations of the country in which the source of income was, at the most however, in the amount of the local income tax pertaining to the given income and if it is income from a country with which the Czech Republic has a signed agreement on the prevention of double taxation, the highest amount of tax which, in accordance with the signed agreement, can be collected in that country. Tax paid abroad must be supported by the list of the verification of the foreign tax authorities (Section 38f, subsection 9 of the Act) or in the case of isolated incomes from the foreign resources by the verification of the foreign tax authorities (Section 38f, subsection 4 of the Act).
- Row 340 The total tax liability is assessed on this row and is the basis for higher taxation in the event of the late filing of a tax return (Section 68 of the Act on the Administration of Taxes).
- Row 360 The amount on this row is the last known tax liability for determining the frequency and amount of tax advances pursuant to Section 38a, subsection 1 of the Act. This amount **must not** be negative values.

**For the calculation of the tax amount on Row 290 of Part II, an investment fund established from a joint stock company in the course of the taxable period (Section 20a of the Act), uses the pre-printed form Attachment no. 2 to Part II (255404/B MFin 5404/B), which is available for downloading on the Czech Tax Administration website <http://cds.mfcr.cz> under Tax Forms and on the Ministry of Finance website [www.mfcr.cz](http://www.mfcr.cz) in the Taxes and Duties Section (Taxes folder).**

#### **Procedure by Taxpayers with seats abroad**

If a taxpayer whose seat is in abroad, and whose source of income is in the Czech Republic, finds out its tax base through accounting, it fills in rows 10, 20 to 70, 100 to 170, 200 to 310, 340 and 360 including any relevant attachments. If other methods

pursuant to Section 23, subsection 11 of the Act, are used to determine the tax base, the taxpayer fills in row 10 with the calculations on a separate attachment and rows 200 to 310, 340 and 360.

If a taxpayer whose seat are in abroad, carries out an activity in the Czech Republic for which the tax base is found by accounting, and at the same time carries out an activity that is subject to the determination of the tax base by another manner pursuant to Section 23, subsection 11 of the Act, it shows on Row 10 the sum of the stated partial tax bases. Rows 20 to 70 and 100 to 170 are only filled out for the activity for which the tax base is determined through accounting. Rows 200 to 310 and 340 are filled out as a cumulative for both parts of the tax base.

### Part III – Resulting Tax of an Investment Company that Manages the Assets in Unit Trusts

This part is only filled in by Investment Companies that manage the assets of Unit Trusts.

Row 1 State the total amount of tax for each of the Unit Trusts for which the tax has been determined (sum of the amounts stated on Row 340 of Part II of the return form, worked out for each unit trust).

Row 3 Show the sum of the amounts declared on Row 360 of Part II for investment companies and for each unit trust whose assets they manage.

### Part IV – Supplementary Tax Return

This Part is only filled out if a **Supplementary Tax Return** is filed. The amounts of tax loss on Rows 4 and 5 must be in absolute values i.e. with out the minus sign (-).

Row 1 State the last known tax amount relating to the given taxable period even if the last known tax loss declared on Row 4 in from income that is being included in the general tax base. Otherwise cross out this row.

Row 2 On this row, state the tax amount from Row 340 of Part II, or an investment company which manages unit trusts; from Row 2 of Part III, even if the tax loss declared on Row 5 is from income that is being included in the general tax base. Otherwise cross out this row.

Row 3 This row is to be filled in at the same time as Row 6 if the last known tax amount becomes a tax loss (in this case, show the amount from Row 1 with a minus sign (-) on this Row) or in the opposite case from the last known tax loss becoming a tax amount (in this case show the amount from Row 2 with a plus sign (+) on this Row).

Row 4 Show the last known tax loss relating to the taxable period even if the last known tax amount declared on Row 1 is from income that is being included in a separate tax base. Otherwise cross this row out.

Row 5 On this row write the tax loss shown on Row 220 of Part II even if the tax amount declared on Row 2 is from income that is being included in an separate tax base. Otherwise cross this row out.

Row 6 This row is to be filled in at the same time as Row 3 if the last known tax loss becomes a tax amount (in this case show the amount from Row 4 with a minus sign (-) on this row) or in the opposite case from the last known tax amount becoming a tax loss (in this case show the amount from Row 5 with a plus sign (+) on this row).

### Part V – Payment of Tax

Row 1 State the total amount of tax advances that have been due during the taxable period or the period for which the tax return is being filed, including any overpayments that are being used as tax advances pursuant to Section 63, subsection 2 of the Act on the Administration of Taxes. On this row it is only possible to include in the total, those advances that have been paid by the last day of the taxable period and not the advances due in the taxable period or the period for which the tax return is being filed, that are in default of payment.

Row 2 Taxpayers who have their seats in abroad (Section 17, subsection 4 of the Act) and who are not residents of a European Union Member country or another country that makes up the European Economic Zone, show on this row, the total amount of secured taxes reduced for them by all their income tax payers pursuant to Section 38e, subsection 2 of the Act, which are a part of the tax base for the taxable period or the period for which the tax return is being filed; The break down of the amount, according to the individual payers is shown on a separate attachment. If these taxpayers are associates of a general partnership or the general partners of a limited partnership, the amount declared on this row will also include the secured taxes reduced for them by the general partnership or the limited partnership pursuant to Section 38e, subsection 3, letter b) of the Act, for the taxable period or the period for which the tax return is being filed.

Row 3 Taxpayers who have their seat abroad (Section 17 subsection 4 of the Act), and who are residents of the EU Member state or another states integrated in the European Economic Area, state on this row the total tax amount, which has withheld them by all income payers pursuant to Section 22 subsection 1 letters c), f) or g) points 1, 2, 4, 5, 6 or 12, and which they apply to credit on the total tax duty relating to all incomes from sources in the Czech Republic for the taxable period or period, for which a tax return shall be filed. Separation of the total amount according to particular payers shall be done in a special attachment.

Row 4 It is possible to request a refund of overpaid taxes from the tax administrator.

If it is a supplementary tax return that is being filed, Part V is left blank.

Filling of the data in declaration on trueness and integrity of the data stated in the tax return and on signature person.

**Data of the representative:** fill in only in cases, when tax return is filed and declared by the taxpayer's representative.

**Code of the representative:** fill in the number code according to below mentioned representatives.

1 – legal representative;

2 – appointed representative;

3 – common representative, contractual representative;

4a – general warrantee – individual, legal entity;

4b – individual tax consultant or lawyer

4c – legal entity providing tax consulting

**Date of birth/Registration number of the tax consultant/ID of the legal entity:** fill in date of birth of the representative – an individual, or registration number of the tax consultant – an individual, or identification number of the legal entity – taxpayer's representative.

**Individual authorized to signature (if the taxpayer or representative is a legal entity) with mention concerning a relationship to the legal entity (i. e. partner, agent, authorized employee):** fill in only in cases, when the tax return is declared by a legal entity including cases, when the legal entity is in position of the taxpayer's representative, whom it files and declares a tax return for.

**Signature of the taxpayer/person authorized to signature:** the tax return will be under own hand signature either directly by the taxpayer – an individual declaring it's tax return, or by he individual authorized to sign the tax return in behalf of the taxpayer – legal entity and in case of the taxpayer's representation by the accredited individual (including tax consultant), or by individual authorized to sign in behalf of the accredited legal entity (including legal entity providing tax consulting)

### Attachment no. 1 to Part II

Only those tables that are relevant to the taxpayer are to be filled out.

**It is necessary for an investment company and each unit trust whose assets it manages to complete a separate Attachment no. 1 to Part II.**

**Table A Allocation of expenses (costs) not being recognized as expenses (costs) incurred to generate, assure and maintain income filled in row 40, according to groups of accounts of Accounting class - Costs**

Taxpayers who keep the whole range of accounts, fill in the table using analytical accounts, created for the purpose of determining the income tax base to the appropriate synthetic accounts in the accounts class – expenditure. Taxpayers who keep a simplified range of accounting and took advantage of the possibility of setting up the charge of accounting out in only account groups, start, when filling out the Table, from their own analytical records from which it is possible to verify the facts decisive for fulfilling the obligations of increasing the trading result pursuant to Section 23, subsection 3, letter a) point 2, in conjunction with Section 24, subsection 1 of the Act. The value of any donations made by the taxpayer for the taxable period or the period for which the tax return is being filed are also to be included in the Table.

In this Table, do not show the difference by which the deductions for tangible and intangible assets (Section 26 and 32a of the Act) claimed in the accountancy exceeds the deductions for these assets stipulated pursuant to Section 26 to 33 of the Act.

The resulting amount on Row 13 of the Table must be the same as the amount on Row 40 of Part II.

**Table B Depreciation of Tangible and Intangible fixed assets**

On Rows 1 – 9 of Part a) of the Table, the taxpayer shows the claimed tax depreciation of tangible assets, determined pursuant to Sections 26 to 33 and the temporary provisions of the Act. In cases determined by Section 26, subsection 7 of the Act, it is only possible to claim a tax depreciation of up to half the annual depreciation pursuant to Section 31 and 32 of the Act; this also concerns those cases where the tax return is filed for a period that is not a taxable period (Section 26, subsection 7, letter a) point 3 and Section 26, subsection 7, letter c) of the Act) or for a taxable period which is shorter than 12 months (Section 26, subsection 7, letter d) of the Act).

On the appropriate rows 1, 3 and 4 also show the hitherto unclaimed tax depreciation of intangible assets entered into the records of the taxpayer's assets on 31<sup>st</sup> December 2000. Tax depreciation of intangible assets entered into the records of the taxpayer's assets in a taxable period commenced in the year 2004 will be shown on Row 10.

On Row 12 in part b) of the table, the taxpayer shows the accounting deductions, with the exception of those mentioned in Section 25, subsection 1, letter zg) of the Act; for tangible assets which for the purposes of the Act are not defined as tangible assets and the intangible assets which are not deducted pursuant to this Act, claimed as an expenditure (expense) incurred to generate, assure and maintain of a taxable income pursuant to Section 24, subsection 2, letter v) of the Act.

For intangible assets entered into the records of the taxpayer's assets on the 31<sup>st</sup> December 2000 and in the period from 1<sup>st</sup> January 2001 to the end of the taxable period begun in the year 2003, use the Act in its relevant validity, until such time as it is withdrawal from the taxpayer's assets.

**Table C Depreciation of receivables included into expenses (costs) incurred to generate, assure and maintain income and of statutory reserves (provisions) and statutory adjustments created pursuant to Act on Reserves for determining Income Tax Base no. 593/1992 Coll., as amended (hereinafter "Act on Reserves")**

The procedure for filling out this table arises from the definition of the real point of the individual rows.

Items on rows 3 up to 12, 23, 24, 27 and 28, regarding to setting and state of the corrective item are completed, if they are appropriate, in all tax returns, i.e. both for the taxable period (Section 17a of the Act) and period during liquidation or insolvency proceeding consistent with the taxable period of the calendar year or business year (Section 40 subsection 9 or Section 40b subsection 2 of the Administration of Taxes Act), and for part of the taxable period (Section 40 subsections 8, 9, 10 and 11 Section 40b subsections 1, 4 and 6 of the Administration of Taxes Act).

Items on Rows 13 to 18, 19 to 22, 25, 26 and 29 are completed if they are appropriate, in only those tax returns for a taxable period defined by Section 3, subsection 1 of Act no. 593/1992 Coll., on Reserves for the assessing of an Income Tax Base, as amended, i.e. for a taxable period pursuant to Section 17a of the Income Tax Act, if it lasts at least 12 calendar months or if it is shorter than 12 months but begins on the decisive day of a merger or the transfer of capital to an associate or the division of a trading company or co-operative company.

Taxpayers to whom the Czech National Bank has granted a bank licence pursuant to Act no. 21/1992 Coll., on Banks, as amended, state on Rows 14 and 17 of the b) part of the Table, and only up to the limit of the statutory entitlement, the bank's reserves and adjustments pursuant to Section 5 of the Act on Reserves, the amounts of created adjustments from current outstanding debts on credits (Section 5, subsection 2 letter a) of the Act on Reserves) and reserves for bank guarantees that have been provided for credits (Section 5 subsection 2 letter b) of the Act on Reserves) for the given taxable period. A higher creation of these allowances or reserves on the basis of a Decision by the tax administrator pursuant to Section 5, subsection 4 of the Act on Reserves is stated on Row 1 of the following separate attachment. All taxpayers that the b) part of the Table concerns, complete on Rows 2 to 6 of this separate attachment, other prescribed information connected with the creation of reserves pursuant to Section 5, subsection 2 letters a) and b) of the Act on Reserves, as valid on 1<sup>st</sup> May 2002.

1	Higher creation of adjustments or reserves on the tax base administrator's decision pursuant to Section 5, subsection 4 of the Act on Reserves	In CZK	
2	Average level of the Balance Sheet value of current not lapsed receivables from credits provided to non banking subjects, including the accessories		
3	Accessories to the not lapsed receivables from credits		
4	Average status of the Balance Sheet value of current not lapsed receivables from credits secured by bank guarantees		
5	Average level of not lapsed receivables that have arisen due to the payment of the claim on provided bank guarantees		
6	Average level of threatened not lapsed receivables in accordance with the relevant Arrangments of the Czech National Bank, by which the rules for the adjustments of receivables are stipulated		

**Attention:** Amounts of created adjustments on Rows 3, 6, 8, 10, 14 and 21 and amounts of created reserves on Rows 17, 23, 25, 27 and 29 only concern their creation, which is debited to the relevant account of accounting class – Expenditure. That is why these amounts cannot acquire negative values.

**Table E The deduction of a tax loss from the Tax Base pursuant to Section 34, subsection 1 of the Act or the reduction of the Tax Base of a Unit Trust by the negative difference between its income and expenditure pursuant to Section 20, subsection 3 of the Act**

This table is filled in by a taxpayer to whom, in the given period or in a preceding one but at the most, however, in seven taxable periods and from taxable period started in 2004 at the most in five taxable periods or periods for which a tax return is being filed, a tax



loss has arisen, which has or may be claimed as an item that is deductible from the tax base pursuant Section 34, subsection 1 of the Act.

In column 1 and in the prescribed form, state the time limit for the taxable period or the period for which the tax return was filed, in which the tax loss was declared.

In column 2 state the total amount of the tax loss that was assessed for the taxable period or the period for which the tax return was filed, as stated in column 1. State, on the relevant row in column 2, for the taxable period or the period for which the tax return was filed, the amount of the declared tax loss whilst bearing in mind that for a taxable period or for a period for which the tax return is being filed, begun in the year 2004, it is now only possible to deduct the tax loss declared on this Row from the tax base pursuant to Section 34, subsection 1 of the Act, in the following five taxable periods or periods for which the tax return is being filed.

In columns 3 to 5, in accordance with the stipulated computation, state the amounts of the deductions that relate to the assessed tax loss shown in column 2.

If it is not possible, in the taxable period or the period for which the tax return is being filed, a significant change takes place pursuant to Section 38na of the Act, and under the conditions stated in these provisions, to deduct the assessed but not claimed tax loss from the tax base, in a comparable taxable period or period for which the tax return is being filed, the relevant rows in column 4 stay blank. The assessed but not claimed tax loss or part thereof which it was not possible to deduct from the tax base for the taxable period or the period for which the tax return is being filed, will be shown in column 5; in cases where in the following taxable period or period for which the tax return will be filed, it will no longer be possible to deduct the assessed but unclaimed tax loss from the tax base as a consequence of the statutory limit expiring, write nil (0) in the box on the appropriate row in column 5.

Unit Trusts use the table to claim the negative difference between income and expenditure for the purpose of determining the tax base pursuant to Section 20, subsection 3 of the Act, with the idea that if in the description of the individual columns of this table, the expression, tax loss, is used, it is understood for Unit Trusts, to be the negative difference between their income and expenditure for the relevant taxable period.

The amount stated on Row 9 in column 4 of this Table must be the same as the amount stated on Row 230 of Part II; for Unit trusts that are claiming a reduction of the tax base negative difference between its income and expenditure, the same as the amount stated on Row 241 of Part II.

With the taxable period or the period for which the tax return is being filed that begins in the year 2009, the time-limit for claiming tax losses that arose in a taxable period of the calendar year 2002 as items that are deductible from the tax base pursuant to Section 34, subsection 1, of the Act in the following seven taxable periods, will expire. Therefore, if on Row 1 in column 1, there is a tax loss that arose in a taxable period in 2002 that could have been claimed as a deductible item in the next seven taxable periods shown, then the box in column 5 of this row is crossed out, even if this possibility was not fully utilised in the previous periods.

With the taxable period or the period for which the tax return is being filed that begins in the year 2009, the time limit for claiming the negative difference between income and expenditure declared by a Unit Trust for a taxable period from the year 2002 by which it is possible, pursuant to Section 20, subsection 3 of the Act, in the following seven taxable periods to reduce the tax base also expires. If, on Row 1 in column 1, there is stated a negative difference between income and expenditure declared for a taxable period in 2002, the box in column 5 of this row is crossed out, even if the above mentioned possibility was not fully utilised in the previous periods.

#### **Table F Deduction pursuant to Section 34, subsections 9 up to 12 and subsections 4 up to 8 of the Act**

##### **F a) Deduction pursuant to Section 34, subsections 9 up to 12 of the Act and Section 34, subsections 3 to 10 and 12 of the Act, as valid on 31<sup>st</sup> December 2004**

On Row 1, state the remaining amount of entitlement for deduction pursuant to Section 34, subsections 9 and 10 of the Act, as valid on 1<sup>st</sup> January 2008, which can be lastly applied for the taxable periods commenced in 2009. The specification of this amount is set out in a separate attachment.

Rows 2 and 4 are filled in according to the actual need addressed by the heading of the item of the relevant row.

##### **F b) Deduction of expenses (costs) from the tax base pursuant to Section 34, subsections 4 up to 8 of the Act, on the realisation of research and development programs**

Table is filled in by a taxpayer, who in the given period or in the preceding one, but at the most in three taxable periods or periods, for which a tax return is being filled, expended money (expenses) for the realisation of research and development projects, which can be applied as a deductible item from the tax base pursuant Section 34, subsections 4 up to 8.

Column 1 – on the particular rows show in the specified form upwardly time delimitation of the taxable periods or periods, for which tax return is being filled, in which were the mentioned expenses expended. On the row 1 it will be shown the oldest taxable period or period, for which tax return had been filled, in which entitlement for a deduction arose pursuant Section 34, subsection 4 and at the same time the possibility of its use did not end pursuant Section 34, subsection 5 of the Act; on the last used row the given taxable period or period, for which tax return is being filled.

Column 2 – on the used rows show the total sum of the expenses (costs) expended for the realisation of research and development projects, in the taxable periods or periods, for which tax returns are being filled, mentioned in column 1.

Columns 3 – 5 – according to given procedure show the process of a use of the entitlement for a deduction from a tax base pursuant Section 34, subsection 4 of the Act.

In column 4 on row 5 show the total amount applied to the deduction from a tax base. This amount must be equal to the amount on row 242 of the II. section for the taxable period or period, for which tax return is being filled.

In column 5 on row 5 show the total amount of the unused entitlement for a deduction from a tax base. The entitlement can be applied in the three following taxable periods or periods, for which tax returns are being filled, but only in respect of the terms defined in Section 34, subsection 5 of the Act. In the taxable period or period, for which the tax return is filed, commenced in 2009, the time-limit for claiming of unused entitlement for deduction of expenses (costs) on realization of research and development projects expires pursuant to Section 34 subsection 6 of the Act, incurred for the taxable periods or periods, for which the tax returns were filed, commenced in 2006. Therefore if on row 1 column 1 an entitlement for deduction of expenses (costs) on realization of research and development projects incurred for the taxable periods or periods, for which the tax return was filed, commenced in 2006, which was possible to apply as deductible item from a tax base in the three following taxable periods, is stated, the cell in column 5 of this row will be crossed x namely also in cases, if the possibility of deduction in three preceding taxable periods or periods, for which the tax returns were filed, was not fully used.

A taxpayer that is a limited partnership divides the entitlement for a deduction between the general partner and the limited partnership in the same proportions as the profit and loss are divided. Taxpayer states in column 2 on row, where the entitlement for a deduction is for the given taxable period or period, for which tax return is being filled, part of this entitlement for a deduction found for the limited partnership and reduced by the proportion of the entitlement that belongs to the general partner. The break down of the entitlement is shown on Row 4 of Table J.

If the taxpayer is an associate of a general partnership or the general partner to a limited partnership, the amount stated in column 2 on row, where the entitlement for a deduction is for the given taxable period or period, for which tax return is being filled, will also include the proportion of the entitlement for a deduction pursuant Section 34, subsection 3 of the Act, found for

the general partnership or the limited partnership. The proportion of the entitlement for a deduction for an associate of a general partnership is determined in the same proportion as the profit or loss is divided in accordance with the Sections of Incorporation or in equal parts and for the general partner in a limited partnership, in the same proportion as the profit or loss of the limited partnership is divided in accordance with a special statutory regulation. A separate attachment then shows the break up of the part relating to the general partnership or limited partnership and the part relating to the taxpayer's own business activities.

**Table G Total Value of Donations from which it is possible, on Row 260 to claim a deduction pursuant to Section 20, subsection 8 of the Act.**

On Row 1 of the Table state the total value of donations made by the taxpayer for the purposes defined in Section 20, subsection 8 of the Act, i.e. including donations made to universities and public research and development institutions, even if the sum total of the amount of these donations is higher than the tax base declared on Row 250, but at the least CZK 2,000 which is the minimum statutory value of a donation.

If the taxpayer is a limited partnership, it may, for the purposes of a deduction, claim from the total of the donations made by it, the highest amount belonging to the partners (Section 20, subsection 10 of the Act), calculated on Row 4 in column 3 of Table J.

For a taxpayer who is an associate of general partnership or the general partner in a limited partnership, a part of the value of donations that it is possible to deduct from the tax base, is also a part of the donations made by the general partnership or limited partnership for the legally defined purposes stipulated pursuant to Section 20, subsection 9 or 10 of the Act, the calculation of which is shown on a separate attachment.

On Row 2 of the Table, from the total amount of the value of the donations on Row 1, show the value of the part of the donations made to universities and public research institutions, by which it is possible to reduce the tax base reduced pursuant to Section 20, subsection 8 of the Act by a further 5% but at the most to a total sum of 10%.

If the taxpayer is a limited partnership, on this row, show the amount belonging to the partners (Section 20, subsection 10 of the Act), calculated on Row 9 in column 3 of Table J.

It is also possible to claim the deduction for part of the taxable period, for which the tax return is being filed.

When calculating the amount of the value of the donations which it is possible to deduct on Row 250 of Part II, proceed in accordance with the following computation:

Row	Item heading	In CZK
1	Total value of all donations made for the purposes defined in Section 20, subsection 8 of the Act, for a deduction from the tax base reduced pursuant to Section 34 of the Act (Row 1, Table G, Attachment no. 1 to Part II)	
2	From Row 1 the value of donations made to universities and public research institutions (Row 2, Table G, Attachment no.1 to Part II)	
3	Amount declared on Row 250 of Part II	
4	5% of the amount on Row 3	
5	Value of donations that may be claimed from Row 1: (amount from Row 1, at the most up to amount on Row 4)	
6	Value of donations that may be claimed from Row 2: (amount from Row 2 at the most up to amount on Row 4)	
7	Value of Donations claimable on Row 260 of Part II in total: (Row 5 + Row 6, i.e. up to 10% of the amount on Row 3, at the most up to the amount on Row 1)	

**Table H Allocation of the total entitlement of tax reliefs (Section 35, subsection 1 and Section 35a or Section 35b of the Act) that may be claimed on Row 300**

On Rows 1 to 4 of the Table, state the details of the statutory entitlement for claiming tax relief pursuant to Section 35, subsection 1 of the Act, even if, on Row 220, a tax loss is declared or it will not be possible to fully utilise this entitlement, considering the amount of the tax declared on Row 290 of Part II.

Rows 1

and 2 For the calculation of an entitlement for tax relief pursuant to Section 35, subsection 1, letter a) of the Act, what is decisive is the average converted number of disable employees, minus the severely disable employees, in the taxable period, rounded off to two (2) decimal points (Section 46a, subsection 4, of the Act on the Administration of Taxes).

For the calculation of a relief pursuant to Section 35, subsection 1, letter b) of the Act, what is decisive is the average converted number of severely disable employees in the taxable period, rounded off to two decimal points (Section 46a, subsection 4 of the Act on the Administration of Taxes). It is also possible to claim tax relief, pursuant to Section 35, subsection 1, letters a) and b), of the Act, for the period for which a tax return is being filed. In the calculation of the average annual conversion of the number of disable employees pursuant to Section 35, subsection 2, of the Act, use, as the divisor or possibly the denominator of the fraction, the full annual fund of working time pertaining to one employee, working full time, that is stipulated by statutory provisions, even if the period for which the tax return is being filed, is shorter than an uninterrupted length of twelve months.

If the tax return is to be filed for a taxable period of longer than twelve months or for an economic year taxable period or for a part of a taxable period, whose beginning and end fall into different calendar years, the total amount of the tax reliefs is determined as a sum of the partial allowance amounts, calculated independently for each of the parts of the taxable periods that fall into different calendar years. In the calculation of the partial amounts of reliefs, proceed pursuant to Section 35, subsection 2, of the Act in such a manner that for each calendar year or part thereof that falls into the period for which the tax return is being filed, use, as a divisor or possibly the denominator in a fraction, the full annual fund of working time pertaining to one employee, working full time, that is stipulated by the statutory provision of the relevant calendar year.

Taxpayers, who are associates of a general partnership or the general partners in a limited partnership or possibly limited partnerships, claim the relevant tax relief in an amount equivalent to only the proportion by which the tax base fixed for the general partnership or limited partnership is divided between them.

**Example of the calculation of the tax relief amount when employing disable employees:**

An employer, in whose workplace a 40 hour working week is stipulated, employed 3 disable employees (A, B, C) without a more severely disability (with DP without SDP) and 2 employees, (D and E) with a severely disability (with SDP) during the taxable period of the calendar year 2009, in which the annual working hours fund that makes up full time employment was, in a period of 251 days, 2,008 working hours, with the following usage of the annual working hours fund:

Employee	with DP without SDP			With SDP	
	A*)	B*)	C*)	D**)	E***)
Number of hours according to relevant employee's schedule of working time or individually negotiated working hours and the length of employment; from which is not included into the length of employment due to:	2008	2008	1184	1757	1255
- Maternity or Parenting leave	0	0	0	0	0
- Long-term release for performance of public office	0	0	0	497	0
Non-worked hours due to unexcused absence at work (employment)	0	0	8	0	0
Non-worked hours due to non worked-up time-off granted by the employer work without compensatory wage and in case when employee could not do his work due to important personal reasons	0	312	0	0	0
Non worked hours due to temporary health inability or quarantine, for which it does not appertain a refund of a wage, salary or remuneration or reduced wage or reduced remuneration for period of temporary labour inability or quarantine pursuant to special legal provision or health benefit from health insurance except for hours not actually worked falling on first three days of temporary labour inability, when a refund of wage or salary does not appertain to an employee	56	0	0	0	245
Adjusted number of hours	1952	1696	1169	1260	1010

\*) Employees A, B and C were employed for a 40 hour working week; employee C began work on 1<sup>st</sup> June 2009

\*\*) Employee D was employed for a 35 hour working week

\*\*\*) Employee E was employed for a 25 hour working week

*The calculation of the average annual converted number of employees with DP without SDP:*

The number of hours for disable employees without SDP according to relevant employee's schedule of working time or individually negotiated working hours and the length of employment reduced by the non-worked hours due to time-off granted by the employer work without compensatory wage and in case when employee could not do his work due to important personal reasons and temporary work disablement or quarantine, for which the refund of wage, salary or remuneration or reduced salary or reduced remuneration not belongs for the period of the temporary disablement or quarantine pursuant to special legal provision or health benefit from the health insurance except for hours not actually worked falling on first three days of temporary labour inability, when a refund of wage or salary does not appertain to an employee.

The average annual converted number of disable employees without SDP =  $\frac{\text{the total annual working hours fund pertaining to one employee, working on a full time basis, stipulated by special legal regulations}}{4816}$  = 2.3984 rounded off to **2.40 employees**

The calculation of the allowance for disable employees without SDP  $2.40 \times 18\,000 =$  **CZK 43,200**

*The calculation of the average annual converted number of employees with SDP:*

The number of hours for disable employees without SDP according to relevant employee's schedule of working time or individually negotiated working hours and the length of employment reduced by the non-worked hours due to time-off granted by the employer work without compensatory wage and in case when employee could not do his work due to important personal reasons temporary work disablement or quarantine, for which the refund of wage, salary or remuneration or reduced salary or reduced remuneration not belongs for the period of the temporary disablement or quarantine pursuant to special legal provision or health benefit from the health insurance except for hours not actually worked falling on first three days of temporary labour inability, when a refund of wage or salary does not appertain to an employee.

The average annual converted number of physically handicapped employees with SPD =  $\frac{\text{the total annual working hours fund pertaining to one employee, working on a full time basis, stipulated by special legal regulations}}{2,270}$  = 1.1305 rounded off to **1.13 employees**

The calculation of the relief for employing severely disabled employees  $1,13 \times 60\,000 =$  **CZK 67,800**

Row 3 Pursuant to Section 35, subsection 1, letter c) of the Act, a taxpayer who employs at least 25 employees, of whom the number of disable employees makes up more than 50% of the average annually converted number of employees, reduces its tax by half a tax calculated from the tax base shown from activities carried out by this taxpayer.

Findings the number of handicapped employees in %:

$\frac{\text{Average annual converted number of disable employees in the taxable period}}{\text{Average annual converted number of employees in the taxable period}} \times 100$

In the numerator of the fraction, the average annual converted number of disable employees in the taxable period is taken to be the sum of the average converted number of disable employees without a more severely disabled and the average converted number of more severely disabled employees, used for the purpose of calculating the tax reliefs pursuant to Section 35, subsection 1, letters a) and b), of the Act (see the previous example of the calculation for Rows 1 and 2 of Table H).

The average annual converted number of employees in a taxable period, stated in the denominator of the fraction is calculated by using the same procedure as for the calculation of the average annual converted number of disable employees without a more severely disability and also of the more severely disabled employees.

If the tax return is going to be filed for a taxable period that is longer than twelve months long or for the taxable period of an economic year or for the part of a taxable period, whose beginning and end fall into separate calendar years, then the



total share of disable employees is calculated as a serious arithmetical average from the sum of the multiples of the annual share of disable employees calculated for the calendar years that fall into the taxable period or parts of the taxable period and the number of months belonging to the relevant calendar year of the taxable period or part of the taxable period.

Determining of a claim on the relief from tax base shown from activities carried out by the taxpayer:

Claim on the relief is calculated pursuant to algorithm

$$\frac{[(\text{row 220 Part II} \times k) - (\text{row 230} + 240 + 241 + 242 + 251 + 260 \text{ of the Part II})] \times 50}{100} \times \frac{\text{row 280}}{100}$$

factor k is the coefficient, rounded off to decimal places, which is calculated pursuant the following formula

$$k = \frac{\text{part of the tax base from row 220, shown from the activities carried out by the taxpayers}}{\text{total tax base from row 220}}$$

Amount used in the numerator and the possible specification of the distinction, by which this amount is lower than the tax base shown on row 220, is set out in a separate attachment. From the tax base on row 220 it is excluded that part of the tax base, which does not cohere with incomes from activities carried out by the taxpayer, e. g. exceptional incomes from treatment with a property of the taxpayer, transfer of a part of the tax base of a public company on the taxpayer, who is its partner, or transfer of a part of the tax base of a special limited partnership on the taxpayer, who is its unlimited partner, namely pursuant to partnership agreement or pursuant to special legal provision etc.

In a supplementary tax return, it is necessary to adjust the claimed amount of allowance entitlement pursuant to Section 35, subsection 1, letter 3, of the Act, that is relative to the newly found tax base on Row 290 of Part II.

Row 5 This row is filled out only by those taxpayers who have been provided with an investment incentive in the form of a tax relief pursuant to Section 1, subsection 2, letter a) of Act no. 72/2000 Coll., on Investment Incentives and on the amendment to some Acts (Act on Investment Incentives) as amended, and who, on this row show the amount of this relief, claimed for the taxable period.

A type 9 taxpayer carries over to this row, the allowance amount declared in column 4 part of the Table, Claiming Reliefs pursuant to Section 35a, subsection 4, of the Act, which is a part of the Separate Attachment to Row 5, Table H, Attachment no. 1 to Part II (Form 25 5404/C MFin5404/C example no. 8).

A type 0 taxpayer carries over to this row, the relief amount declared in column 4 part of the Table, Claiming of Tax Relief pursuant to Section 35b, subsection 5, of the Act, which is a part of the Separate Attachment to Row 5, Table H, Attachment no. 1 to Part II (Form 25 5404/C MFin5404/C example no. 8).

#### Table I Tax credit of the tax that have been paid in abroad

The basis, when filling out Rows 2 and 3 of the Table, is the information contained in the Separate Attachment to Table 1 of Attachment no. 1 of Part II (Form 24 5404/D MFin 5404/D model No. 7), which is filled out separately for every country with which the Czech Republic has a signed Agreement on the elimination of double taxation, from whence, in the taxable period or the period for which the tax return is being filed, comes the source of income from which the paid tax, in accordance with this Agreement, can be claimed as an inclusion in the tax liability through the method of a simple credit (Section 38f, subsection 2, in conjunction with Section 38f, subsection 7 of the Act).

Row 1 On this Row show the total amount of taxes paid in another country, which it is possible, in accordance with the relevant provisions of Agreements on the elimination of Double Taxation, by which the Czech Republic is bound, to apply as a credit towards the tax liability using the method of **tax** credit. Its allocation according to the agreement partner countries must be supported by the list of the verification of the foreign tax authorities (Section 38 f, subsection 9 of the Act) or in the case of a isolated income from the foreign resources by verification of the foreign tax authority (Section 38 f, subsection 4 of the Act).

Row 2 Show the sum of the tax amounts paid in another country, which it is possible, in accordance with the relevant provisions of Agreements on the elimination of Double Taxation, by which the Czech Republic is bound, to apply as a credit towards the tax liability using the method of **simple** credit and which are declared on Row 3 of all the completed separate attachments to Table I.

Row 3 Show the sum of the amounts calculated on Row 7 of all the separate attachments to Table I.

Row 4 The amount shown on this Row is carried over to Row 320 of Part II, to a maximum, however, of the amount declared on Row 310 of Part II.

Row 5 It is possible, pursuant to Section 24, subsection 2, letter ch), of the Act, to claim the amount declared on this Row as expenses (costs) incurred to generate, assure and maintain income in the following taxable period or the period for which the tax return is going to be filed. This only applies, on the assumption that those amounts of tax paid abroad, that have been assessed and paid above the framework of the tax liability stipulated by international agreements on the elimination of double taxation, have been excluded from the sum of the amounts on Rows 1 and 2. It is also possible to claim as expenses (costs) incurred to generate, assure and maintain of income pursuant to Section 24, subsection 2, letter ch), with due consideration to Section 25, subsection 1, letter s, of the Act, taxes paid abroad from income whose source is in a country with which the Czech Republic does not yet have a signed Agreement on the elimination of Double Taxation or if the already signed Agreement has not yet come into validity.

For a taxpayer, who is an associate of a general partnership or the general partner in a limited partnership, a part of the total amount on Rows 1, 2 and 3 will also be the proportion of tax belonging to it from the total amount of tax for the general partnership or limited partnership.

#### Table J The allocation of some items in the case of a limited partnership

In the event of a tax loss being declared, the amounts on Rows 1 and 2 are shown with a minus sign (-). The amount declared in column 2 on Row 1 is carried over to Row 201 of Part II. In the other rows the transfer concerns the amounts declared in column 3. On rows 3, 4, 5, 6, 7 and 9 in column 3, show the amounts that belong to the general partners from the total entitlement for the limited partnership even in the event that it is not possible to claim the total amount in the tax base determination (Rows 240, 242 and 260) or taxes (Rows 300 and 330).

The amount on Row 3 in column 3 must be equal to the amount on Row 1, Table F/a, the amount on Row 4 in column 3 equals the amount in column 2 on Row of Table F/b on which the entitlement for a deduction is for the given taxable period or period, for which tax return is being filled ejected, the amount on Row 5 in column 3 equals the amount on Row 1 in Table G, the amount on Row 6 in column 3 equals the amount on Row 2 in Table G, the amount on Row 7 in column 3 equals the sum of the amounts on Rows 4 and 5 of Table H and the amount on Row 8 in column 3 equals the amount on Row 4 of Table I.

In cases when the income from a source abroad comes to a limited partnership from a country with which an Agreement on the elimination of Double Taxation has been signed, show, on Row 8, the amount of tax that it is possible to credit the tax liability with, using the method of full or simple credit (dividing it between the general partners and the limited partnership) but only up to the amount that may be collected in the country of origin of the income, in accordance with the provisions of such an Agreement.

**Table K Selected Economic Indicators**

Row 1 The information is filled in by all those taxpayers filing a tax return for the taxable period or the period for which a tax return is being filed, who, on this row, state the annual total net turnover, calculated pursuant to Section 20, subsection 1, letter a), point 2 of the Accounting Act. Taxpayers that were not formed or established for the purpose of commerce (Section 18, subsection 3 of the Act), state their annual total net turnover from all their activities, i.e. from the main and the economic activities.

Taxpayers, who after the 1<sup>st</sup> January 2009, kept their accounts in a single entry accounting system, show the total of all the income achieved in the taxable period or the period for which the tax return is being filed.

Row 2 On this row state the total average converted number of employees, including the cases of employment relationships of its members to a co-operative, for the taxable period or the period for which the tax return is being filed, which is, for a taxpayer that is in the position of an accounting unit, a part of the information stated in the attachment, the Financial Statement pursuant to

- a) Section 39, subsection 3 of Decree no. 500/2002 Coll., by which some of the provisions of Act 563/1991 Coll., on Accounting, as amended, are carried out, by accounting units that are **entrepreneurs** which keep their accounts in a double entry accounting system, as amended,
- b) Section 60, subsection 3, letter b) of Decree no. 501/2002 Coll., by which some of the provisions of Act no. 563/1991 Coll., on accounting, as amended, are carried out by accounting units that are **banks and other financial institutions**, as amended,
- c) Section 22, subsection 2, letter i) of Decree no. 502/2002 Coll., by which some of the provisions of Act no. 563/1991 Coll., on accounting, as amended, are carried out by accounting units that are **insurance companies**, as amended,
- d) Section 30, subsection 1, letter m) of Decree no. 504/2002 Coll., by which some of the provisions of Act no. 563/1991 Coll., on accounting, as amended, are carried out by accounting units whose **main object of activity is not a business enterprise**, if it keeps its accounts in a double entry accounting system, as amended.

Taxpayers and accounting units defined by Section 2 of Decree no. 503/2002 Coll., by which some of the provisions of Act 563/1991 Coll., on accounting, as amended, are carried out by **health insurance companies**, as amended, and by Section 2 of Decree no. 505/2002 Coll., by which some of the provisions of Act no. 563/1991 Coll., as amended, are carried out by accounting units that are **self-governing Local Area Units, non-profit making organisations, State Funds and the organizational components of the State**, as amended, for which the above mentioned Decrees do not stipulate the obligation to state the total average converted number of employees in an attachment to the Financial Statement, do so for the taxable period or the period for which the tax return is being filed, only if they have a reporting duty to deliver a statistical statement pursuant to Decree no. 398/2008 Coll., by which the Statistical Findings Program for the year 2009, is stipulated, a part of which is the number of employees indicator (eg P 3-04, Zdp 3-04, Prace 2-04).

The average recounted number of employees is rounded onto whole numbers, with using the procedure defined in Section 46a, subsection 4 of the Administration of the Taxes Act. This information is not compulsory for taxpayers who after the 1<sup>st</sup> January 2009 kept their accounts in a single entry accounting system.