

# 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, organizational units of the State pursuant to special legal regulation, unit trusts, and with effect from 1<sup>st</sup> January 2013 the funds of pension companies (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 shows a zero tax base or a tax loss. The investment company is obliged to file the tax returns for the unit trusts, which it manages (controls), as integral part of its own tax return (Section 38m subsection 5 of the Act). The pension company files a tax return on behalf of its funds (Section 17 subsection 1 letter d) of the Act). The tax return is presented to a local branch of appropriate tax office, where the file of a particular taxpayer obliged to corporate Income tax is situated (Section 13 of the Act no. 456/2011 Coll. on Financial Administration of the Czech Republic, as amended - hereafter "the Act on Financial Administration"). 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 the tax administrator requests it to do so pursuant to Section 135 subsection 1 of the Act no. 280/2009 Coll. on Administration of Taxes, as amended (hereinafter "Administration of Taxes Act").
  - 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 (Section 72 subsection 1 of the Administration of Taxes Act). 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. Any enclosures indicated in the relevant form are also a part of the tax return (Section 72 subsection 2 of the Administration of Taxes Act). 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 19a 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 **Taxes electronically – EPO Electronic documents**.
  - 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.
- Tax return**
- 4) **The income tax return** is filed no later than three months after the expiration of the taxable period (Section 136 subsection 1 of the Administration of Taxes Act in connection with Section 38m subsection 6 of the Act). 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 its tax return is being filed by a tax advisor, then the tax return must be filed no later than six months after the expiration of the taxable period (Section 136 subsection 2 of the Administration of Taxes Act). 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 (Section 33 subsection 4 of the Administration of Taxes Act).
  - 5) The tax administrator may, at the request of the taxpayer or on its own initiative, **extend the period for filing the tax return** by up to three months from the expiration of the time-limit for filing. If part of the taxable income stated in the tax return is also income liable to tax abroad, the tax administrator may, at the request of the taxpayer, extend the period for filing the tax return by up to ten months from the expiration of the taxable period (Section 36 subsection 4 of the Administration of Taxes Act).
  - 6) Taxpayers registered to the corporate income tax, to whom the tax duty did not arise in the relevant taxable period, have not the obligation pursuant to Section 136 subsection 5 of the Administration of Taxes Act, i. e. to notify this fact to a tax administrator within the time-limit for filing the tax return, namely with respect to Section 4 of the Administration of Taxes Act, pursuant to which this Act or its relevant provisions apply, if any other Act does not govern the administration of taxes differently. In these cases the Act lays down the obligation to file the tax return even in case of showing of a zero tax base or a tax loss (Section 38m subsection 1 of the Act) and in Section 38m subsection 8 of the Act excludes the taxpayers pursuant to Section 18 subsection 3 of the Act from the duty pursuant to Section 136 subsection 5 of the Administration of Taxes Act, if the obligation to file the tax return did not arise to them because of the reasons stated in Section 38m subsection 7 letter a) of the Act or they did not have a tax liability in the relevant taxable period.

<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.

- 7) If the **taxpayer dissolved without liquidation** including its dissolution by means of transformation, its legal successor or founder or incorporator, is obliged to file a tax return for the expired taxable period by the end of the month following its dissolution (Section 240 subsection 4 of the Administration of Taxes Act).
- 8) In case of **winding-up a permanent establishment in 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 (Section 240 subsection 4 of the Administration of Taxes Act).
- 9) 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 (Section 240 subsection 5 first sentence of the Administration of Taxes Act), namely within the statutory, time-limits for filing the tax return for the taxable period (Section 136 subsection 1 or 2 of the Administration of Taxes Act).
- 10) On the date preceding the day of entry into liquidation the taxpayer is obliged to file a tax return or a supplementary tax return for that part of the preceding taxable period, for which a tax return has not been filed yet (Section 240 subsection 5 second sentence of the Administration of Taxes Act).
- 11) On the date of **processing of the proposal for diversification of remaining assets** the taxpayer is obliged to file a tax return or a supplementary tax return for that part of the preceding taxable period, for which a tax return has not been filed yet; **this time-limit may not be extended** (Section 240 subsection 5 third sentence of the Administration of Taxes Act).
- 12) If the **last part of privatized property of a State enterprise is transferred to an authority, 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 time limit may not be extended** (Section 240 subsection 6 of the Administration of Taxes Act).
- 13) 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; **this time-limit may not be extended**. 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 and provides necessary assistance for tax assessment according to materials and information (Section 244, subsection 1 of the Administration of Taxes Act).
- 14) A tax return is also filed **during the insolvency proceeding** (Section 244, 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 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 136, subsection 1 or 2 of the Administration of Taxes Act).
- 15) 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 244, subsection 5 of the Administration of Taxes Act).
- 16) 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 244, subsection 4 of the Administration of Taxes Act), and file it within 15 days from the date, on which a tax return should have been processed (Section 244 subsection 5 of the Administration of Taxes Act).
- 17) In the limits according to points 9 up to 13 and 15, 16 the duty to file a tax return or supplementary tax return arises for preceding taxable period, for which a tax return has not been filed yet if the original time-limit for its filing has not been expired yet (Section 245 of the Administration of Taxes Act).
- 18) A tax return form is also filed for the period
  - **preceding the decisive day of merger or 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 or fiscal year, **no later** than the end of the third month following the month, in which falls the date
    - of decision of 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, provided the **resolution date precedes or coincides with** the date of decision of the Annual General Meeting or the Partners or the members meeting of the co-operative on merger or transfer of capital to an associate or the division of a company or co-operative, if the decisive day 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 or fiscal year (Section 38m subsection 2 letter a) and subsection 3 letter a) point 1 of the Act),
    - preceding the decisive day of merger or transfer of capital to an associate or the division of a company or co-operative, if the decisive day comes after decision of 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 division of a company or co-operative, if the decisive day of the merger or transfer of capital to an associate or division of a company or co-operative is not the first day of the calendar or fiscal year (Section 38m subsection 2 letter a) and subsection 3 letter a) point 2 of the Act),
  - preceding 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 third 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 (Section 38m subsection 2 letter b) and subsection 3 letter b) of the Act),
  - **preceding the change of the taxable period 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 third 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 (Section 38m subsection 2 letter c) and subsection 3 letter c) of the Act),
  - **preceding 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 third 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 (Section 38m subsection 2 letter e) and subsection 3 letter d) of the text).
  - from the decisive day of transformation of a company until the date of registration of this transformation in the Companies Register for a dissolving or splitted company or co-operative, at which a legal successor is the taxpayer defined in Section 17 subsection 4 of the Act, that does not have on the date of registration of transformation in the Companies Register any permanent establishment within the territory of the Czech Republic, that is at the latest until the end of the third month following the month, in which falls the date preceding the registration of transformation in the Companies Register, if a legal successor of a company or co-operative fulfils the conditions set forth in subsection 2, letter e) of the Act (Section 38m subsection 2 letter e) and subsection 3 letter e) of the Act)

- preceding the day of registration of transformation of an company in the Companies Register by a taking over associate on behalf of a dissolving company, if it is transfer of capital of a company to an associate, who is an individual, and the tax return for this taxable period has not been filed yet, that is at the latest until the end of the third month following the month, in which falls the date preceding the registration of transfer of capital in the Companies Register to an associate, who is an individual. (Section 38 subsection 2 letter f) and subsection 3 letter f) of the Act),
  - preceding the decisive day of fusion or consolidation of unit trusts or an unit trust and foreign collective investment fund, for which the tax return has not been filed yet, if the day preceding the decisive day is not the last day of a calendar or fiscal year of the investment company, which controls (manages the assets of) the fund under fusion or consolidation, that is at the latest until the end of the third month following the month, in which falls the date preceding the decisive day of fusion or consolidation of unit trusts or of an unit trust and foreign collective investment fund (Section 38m subsection 2 letter g) and subsection 3 letter g) of the Act),
  - from the decisive day of fusion or consolidation of unit trusts or of an unit trust and foreign collective investment fund until the end of a calendar or fiscal year of succession controller of the fund, if the decisive day is not the first day of a calendar or fiscal year of succession controller (manager) of the fund, that is at the latest until the end of the third month following the month, in which falls the date, that is the last day of a calendar or fiscal year, if the decisive day of fusion or consolidation of unit trusts or of an unit trust and foreign collective investment fund is not the first day of a calendar or fiscal year of succession controller (manager) of the fund (Section 38m subsection 2 letter h) and subsection 3 letter h) of the Act),
  - preceding the decisive day of consolidation of the funds of pension companies, for which the tax return has not been filed yet, if the date preceding the decisive day is not the last day of a calendar or fiscal year of a pension company, which controls (manages the assets of) the consolidated fund, that is at the latest until the end of the third month following the month, in which falls the date preceding the decisive day of consolidation of the funds of pension companies (Section 38m subsection 2 letter i) and subsection 3 letter i) of the Act),
  - from the decisive day of consolidation of funds of pension companies until the end of a calendar or fiscal year of a succession pension company, if the decisive day is not the first day of a calendar or fiscal year of a succession pension company, that is at the latest until the end of the third month following the month, in which falls the date, that is the last day of a calendar or fiscal year, if the decisive day of consolidation of funds of pension companies is not the first day of a calendar or fiscal year of a succession pension company (Section 38m subsection 2 letter j) and subsection 3 letter j) of the Act).
- 19) The taxpayer himself is obliged, in the tax return, to calculate the tax and state prescribed specifications as well as further factors decisive for assessment of a tax (Section 135 subsection 2 of the Administration of Taxes Act). The tax is due on the last day of the time-limit for filing a tax return (Section 135 subsection 3 of the Administration of Taxes Act).
- 20) The decisive facts for the calculation of taxes are assessed separately for each taxable period (Section 134 subsection 2 of the Administration of Taxes Act).
- 21) If an investment company that manages the assets of unit trusts 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 a tax loss (Section 38n subsection 1 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.
- 22) If a tax return is not filed, a tax administrator calls upon a taxpayer to do so and determine an alternative time-limit. If a taxpayer does not fulfil this call, a tax administrator may assess a tax by means of materials and information (Section 145 subsection 1 of the Administration of Taxes Act).

#### Supplementary Tax Return

- 23) If the taxpayer discovers that its **tax liability should be higher than its last known tax**, 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 (Section 141 subsection 1 and 8 of the Administration of the Taxes Act). In a **supplementary tax return** a taxpayer states difference against the last known tax and date of recognition of this difference (Section 141 subsection 5 of the Administration of the Taxes Act). 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 unit trusts may, under the same conditions, also apply for each individual trust for higher amounts for deductibles pursuant to Section 20, subsection 3 of the Act, as valid until 14 July 2011.

The taxpayer **is obliged** to file a supplementary tax return also in case that the tax loss should be lower than its last known tax loss, namely till the end of the month following the month, when was the change ascertained (Section 38n subsection 2, in connection with Section 141 subsection 1 of the Administration Taxes Act). In a **supplementary tax return** the taxpayer states the difference against the last known tax loss and date of recognition of this difference (Section 141 subsection 5 of the Administration Taxes Act).

- 24) The taxpayer **is eligible** to file a supplementary tax return if it finds out, that its **tax shall be lower than last known tax**; this needs to be done until the end of the month following the month, when the change was ascertained (Section 141 subsection 2 of the Administration of Taxes Act). In a supplementary tax return the taxpayer states difference against the last known tax, date of recognition of this difference and reason for filing a supplementary tax return (Section 141 subsection 5 of the Administration of Taxes Act).

The taxpayer applies the same process in case it finds out, that its **tax loss shall be higher than last known tax loss** (Section 38n subsection 2 of the Act, in connection with Section 141 subsection 1 of the Administration of Taxes Act).

Supplementary tax return according to point 24) is inadmissible, if the decision, which the last known tax results from, was made pursuant to materials and information or issued on the basis of agreement on tax (Section 141 subsection 3 of the Administration of Taxes Act).

- 25) The taxpayer **is eligible** to file a supplementary tax return, which does not change the last known tax or tax loss, but only the information stated earlier by the taxpayer. This needs to be done until the end of the month following the month, when the taxpayer ascertained the changes (Section 141 Subsection 4 of the Administration of Taxes Act). In a supplementary tax return the taxpayer states the reasons for filing this tax return and date of recognition of the changes (Sections 141 subsection 5 of the Administration of Taxes Act).

- 26) Supplementary tax return is inadmissible to tax, that is controlled under ongoing audit, eventually is object of a call pursuant to Section 87 subsection 2 of the Administration of Taxes Act, notified to the taxpayer, or if there is some proceedings relating to this tax within extraordinary remedial instruments, supervisory instrument or proceedings regarding accusation brought against a decision of a tax administrator. These circumstances stop the time-limit for filing a supplementary tax return pursuant to Section 141 subsection 1 first sentence of the Administration of Taxes Act; new time-limit starts to run in the moment of finalization of a tax audit according to which the last known tax does not change or as a supplementary payment order comes into force, if it has been issued based on the tax audit, eventually as the decision, which concludes proceedings within extraordinary remedial instruments, supervisory instrument or proceedings regarding accusation brought against a decision of a tax administrator, comes into force (Section 141 subsection 6 of the Administration of Taxes Act).

- 27) If the taxpayer files a supplementary tax return before assessment of a tax, eventually before retrospective assessment of a tax, the proceedings initiated by this administrative action ceases. The information stated in such filed supplementary tax return is used at assessment or retrospective assessment of this tax (Section 141 subsection 7 of the Administration of Taxes Act).
- 28) The taxpayer is obliged to file a supplementary tax return also for another tax liability, if this tax liability arises after filing the regular or supplementary tax return until the date of expiry of liquidation, eventually until the date of its dissolution. This tax liability is considered as tax liability arisen till the date of processing of the proposal for diversification of remaining assets (Section 240 subsection 5 of the Administration of Taxes Act). A supplementary tax return needs to be filed on a printed form issued by General Financial Directorate, which is to be marked in its heading as "supplementary" (item 03). Item 03 should also indicate the date of recognition of the facts leading to filing of a supplementary tax return.  
Information in relevant rows of the Part II is to be filed in total amounts, not only differences against the original amounts of changed information. These changes against the last known tax or last known tax loss are to be indicated only in Part IV of a supplementary tax return according to partial instructions to its filing.
- 29) If it can be reasonably assumed, that the tax is going to be assessed, a tax administrator may call upon the taxpayer to file a supplementary tax return and determine an alternative time-limit. If the taxpayer does not fulfil this call in the given time-limit, a tax administrator may assess the tax according to materials and information (Section 145 subsection 1 of the Administration of Taxes Act).

#### Corrective Tax Returns

- 30) Before the expiration of the time-limit for filing a tax return the taxpayer may replace an already filed tax return by a **corrective tax return** (Section 138 subsection 1 of the Administration of Taxes Act). In further proceedings this corrective tax return is decisive and previous tax return should not be taken into account. This procedure may be used also while replacing of supplementary tax returns or already filed corrective tax returns (Section 138 subsection 2 of the Administration of Taxes Act). Information in relevant rows of the Part II is to be filled in a corrective tax return in total amounts, not only in amounts of differences against the original amounts of changed information.

#### Tax Arrears and Penalties

- 31) A taxpayer (tax debtor) is in default if it does not pay the tax amount or the advance tax amount by the due date (Section 252 subsection 1 in connection with Section 153 subsection 1 of the Administration of Taxes Act).
- 32) 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, for advance payments up to due date of the prepaid tax. If there is an alternative due date for the tax, the default interest amount starts to run as from fifth working day following its original due date (Section 252 subsection 2 and 4 of the Administration of Taxes Act).
- 33) The default interest amount is not imposed and the taxpayer is not obliged to reimburse it, until it exceeds CZK 200 in one taxable period or period, for which a tax return is filed (Section 253 subsection 1 of the Administration of Taxes Act).
- 34) The tax payer is further obliged to pay any penalties for the amount of subsequently assessed tax that was determined contrary to the last known tax, 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  
1 %, if the tax loss is reduced  
Penalty is due on the same date as additionally assessed tax (Section 251 of the Administration of Taxes Act).

#### Penalty for late tax statement

- 35) If the tax return or supplementary tax return has not been filed on time, although it should have been, or has been filed after the legal time-limit, and this delay exceeded 5 working days, the taxpayer is obliged to pay the following penalties for late statement:  
– 0,05 % of the assessed tax for each of the subsequent default days, but not more than 5 % of the assessed tax,  
– 0,01 % of the tax loss for each of the subsequent default days, but no more than 5 % of the tax loss (Section 250 subsection 1 of the Administration of Taxes Act).  
If such calculated amount is lower than CZK 500, the penalty amount for late tax statement is CZK 500 (Section 250 subsection 3 of the Administration of Taxes Act), the highest amount may not be higher than CZK 300,000 (Section 250 subsection 4 of the Administration of Taxes Act). Penalty is due to 30 days from the date of payment order notification, which is used by a tax administrator for purpose of determination about a penalty for late tax statement (Section 250 subsection 5 of the Administration of Taxes Act).

#### The Corporate Income Tax Return Form

- 36) The form is divided into 5 parts (I-V) and investment companies complete this form for each unit trust it manages (controls). **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. 1 to the Part II**, issued only electronically, if the obligation to complete them arises from the following parts of these instructions.
- 37) 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 "**Tax office for / Specialized tax office**", the taxpayer fills in the remainder of the official title of its relevant tax office (tax administrator) (e.g. Tax Office for capital city Prague, or South Bohemian Region etc.). If the taxpayer is selected tax subject pursuant to Section 11 subsection 2 of the Act on Financial Administration, it completes the item with the words Specialized tax office.

In the indicated frame **Local branch, in, for** it is stated the local tax authority, where the file a particular taxpayer obliged to corporate income tax is located (Section 13 of the Act on Financial Administration). It further fills in the preprinted frames 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 trusts whose assets it manages.

- 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** – the assigned identification number has to be stated (Section 21 and 22 of Act no 89/1995 Coll., on State Statistical Services, as amended). Unit Trusts (and after 1 January 2013 the funds of pension companies as well) do not fill in this information.
- 03 **Tax Return** – make note whether it is an ordinary income tax return or supplementary tax return or a corrective return that it is possible to file prior to the expiration of the period for filing returns for purpose of replacing of an ordinary tax return or a supplementary tax return or already filed corrective tax return. While filing a corrective tax return the marking of a tax return, which is being replaced, remains uncrossed e. g. indication "supplementary" and "corrective" remain uncrossed at a corrective tax return replacing a supplementary tax return, it means, that only marking "proper" is to be crossed.

In case of a corrective tax return replacing a previous corrective tax return the combination of uncrossed indication "corrective" and uncrossed marking of an initial tax return, that was replaced by a previous corrective tax return, need to be used, e. g. indication "proper" and "corrective" remain uncrossed and indication "supplementary" is to be crossed while filing a corrective tax return replacing a corrective tax return replacing proper tax return.

**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; after 1<sup>st</sup> January 2013 also pension companies including funds of a pension company (Section 17 subsection 1 letter d) of the Act)
- 5 – investment company including managed (controlled) unit trusts
- 4 – investment fund (joint stock company) or foreign collective investment fund (Section 21 subsection 2 letter c) of the Act)
- 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 space 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 **on the date of processing of the proposal for diversification of remaining assets**
- 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**, registration of transformation of the company to the Companies Register by a taking over associate, an individual, fusion or consolidation of unit trusts or of an unit trust and foreign collective investment fund or consolidation of funds of pension companies, for which a tax return has not been filed yet if this decisive day is not the first day of the calendar or fiscal 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

Note: The type A of the tax return shall be used also for a period from the decisive day of fusion or consolidation of unit trusts or of an unit trust and foreign collective investment fund, or from the decisive day of consolidation of pension companies, until the end of a calendar or fiscal year of a fund's succession controller (manager) of succession pension company, eventually for the period from the decisive day of transformation until the date of registration of this transformation in the Companies Register for a dissolving or splitted company or co-operative or for part of a company or co-operative, at which a legal successor is the taxpayer defined in Section 17 subsection 4 of the Act, that does not have on the date of registration of transformation in the Companies Register any permanent establishment within the territory of the Czech Republic.

The types R, S, T and U shall be used also for indication of tax returns for periods that follow the bankruptcy order pursuant to the Act no. 328/1991 Coll., on bankruptcy and composition, as amended.

**Notice:** The capital letters of the alphabet B, C, D, G, H, J, K, O, P, R, S, T and U shall be used for indication of tax returns also in case, if the taxpayer in position of an accounting entity decides for the possibility to use the procedure set forth in Section 3 subsection 4, letter c) and d) of the Accounting Act, meaning that the tax return shall be filed for an accounting period longer than consecutive running twelve months, however at most for fifteen consecutive calendar months.

In case of a "short accounting period" lasting at most three months that is attached to an accounting period of a calendar year or fiscal year, it is worth considering effects of this approach to calculated tax base (tax loss), i. a. in connection with taxes depreciation of tangible or intangible property, eventually with limitation at tax reserve creation and rectifying items.

**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 a taxpayer, 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: ( 1 | A ) Taxable period pursuant to Section 17a, letter ( b ) of the Act.

b) tax return by a taxpayer for a taxable period that is a calendar year

Item 04 - code differentiating type of return is filled in thus: ( 4 | A ) Taxable period pursuant to Section 17a, letter ( a ) of the Act.

c) tax return by a taxpayer 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: (1 | B) Taxable period pursuant to Section 17a, letter (a) of the Act.

d) Tax return by a taxpayer, with the exception of those taxpayers marked by symbols 2 to 0, claiming an accounting period of a calendar year, which decides for the possibility to use an accounting period longer than twelve months, at most in length of fifteen months, pursuant to Section 3 subsection 4 letter d) of the Accounting Act, until the date preceding the day of entry into liquidation, and files a tax return for taxable period of an accounting period, which is longer than consecutive running twelve months.

Item 04 – code differentiating type of return is filled in thus: (1 | B) Taxable period pursuant to Section 17a letter (d), of the Act.

e) Tax return by a taxpayer, with the exception of those taxpayers marked by symbols 2 to 0, claiming an accounting period of a calendar year, which decides for the possibility to use an accounting period longer than twelve months, at most in length of fifteen months, pursuant to Section 3 subsection 4 letter d) of the Accounting Act, until the date preceding the day when the failure order comes into effect, and therefore files a tax return for taxable period of an accounting period, which is longer than consecutive running twelve months.

Item 04 – code differentiating type of return is filled in thus: (1 | P) Taxable period pursuant to Section 17a letter (d), of the Act.

f) Tax return by a taxpayer, with the exception of those taxpayers marked by symbols 2 to 0, claiming an accounting period of a calendar year, which decides for the possibility to use an accounting period longer than twelve months, at most in length of fifteen months, pursuant to Section 3 subsection 4 letter d) of the Accounting Act, until the date preceding the decisive day of merger or transfer of capital to an associate or the division of a company or co-operative and therefore files a tax return for taxable period of an accounting period, which is longer than consecutive running twelve months.

Item 04 – code differentiating type of return is filled in thus: (1 | J) Taxable period pursuant to Section 17a letter (d), 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.

1) 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 2013 and is filing a tax return for the period from 1<sup>st</sup> January 2012 to 30<sup>th</sup> June 2013 pursuant to Section 17a, letter d) of the Act, fills in the code differentiating the type of tax return: (1 | L) Taxable period pursuant to Section 17a, letter (d) and the taxable period from (0 | 1 | 0 | 1 | 2 | 0 | 1 | 2) to (3 | 0 | 0 | 6 | 2 | 0 | 1 | 3)

b) on 1<sup>st</sup> July 2013 and is filing a tax return for the period 1<sup>st</sup> January 2013 to 30<sup>th</sup> June 2013 pursuant to Section 38m, subsection 3, letter d) of the Act fills in the code differentiating the type of tax return: (1 | L) Taxable period pursuant to Section 17a, letter (a) and the period for which the tax return is being filed from (0 | 1 | 0 | 1 | 2 | 0 | 1 | 3) to (3 | 0 | 0 | 6 | 2 | 0 | 1 | 3)

2) A joint-stock company claiming an accounting period longer than twelve months enters into liquidation on 26<sup>th</sup> March 2013 and decides for:

a) possibility to use an accounting period longer than twelve months, at most in length of fifteen months, pursuant to Section 3 subsection 4 letter d) of the Accounting Act, and files the tax return for the taxable period from 1<sup>st</sup> January 2012 to 25<sup>th</sup> March 2013 pursuant to Section 17a letter d) of the Act,

- fills in the code differentiating the type of tax return (1 | B), taxable period pursuant to Section 17a letter (d)
- and taxable period from (0 | 1 | 0 | 1 | 2 | 0 | 1 | 2) to (3 | 0 | 0 | 6 | 2 | 0 | 1 | 3);

the tax return shall be also in this case filed within the time-limit set forth in Section 240 subsection 5 second sentence of the Administration of Taxes Act, i.e. within one month from the date of entry into liquidation,

b) possibility not to use an accounting period longer than twelve months, at most in length of fifteen months, pursuant to Section 3 subsection 4 letter d) of the Accounting Act, and therefore it files two tax returns, that is for the taxable period of the calendar year 2012

- code differentiating the type of tax return (1 | A), taxable period pursuant to Section 17a letter (a)
  - taxable period from (0 | 1 | 0 | 1 | 2 | 0 | 1 | 2) to (3 | 1 | 1 | 2 | 2 | 0 | 1 | 2);
- and for part of the taxable period of the calendar year 2013

- code differentiating the type of tax return (1 | B), part of the taxable period pursuant to Section 17a letter (a)
- the period, for which the tax return is being filed from (0 | 1 | 0 | 1 | 2 | 0 | 1 | 3) to (2 | 5 | 0 | 3 | 2 | 0 | 1 | 3),

both tax returns shall be filed within the time-limit set forth in Section 240 subsection 5 second sentence of the Administration of Taxes Act, i.e. within one month from the date of entry into liquidation, because the tax return for the calendar year 2012 is governed by Section 245 of the Administration of Taxes Act concerning unification of time-limits.

3) A joint-stock company claiming an accounting period longer than twelve months, which is in failure based on order that came into effect on 28<sup>th</sup> February 2013, decides for:

c) possibility to use an accounting period longer than twelve months, at most in length of fifteen months, pursuant to Section 3 subsection 4 letter d) of the Accounting Act, and files the tax return for the taxable period from 1<sup>st</sup> January 2012 to 27<sup>th</sup> February 2013 pursuant to Section 17a letter d) of the Act,

- fills in the code differentiating the type of tax return (1 | P), taxable period pursuant to Section 17a letter (d)
- and taxable period from (0 | 1 | 0 | 1 | 2 | 0 | 1 | 2) to (2 | 7 | 0 | 2 | 2 | 0 | 1 | 3);

the tax return shall be also in this case filed within the time-limit set forth in Section 244 subsection 1 of the Administration of Taxes Act, i.e. within one month from the date, when the failure order came into effect,

d) possibility not to use an accounting period longer than twelve months, at most in length of fifteen months, pursuant to Section 3 subsection 4 letter d) of the Accounting Act, and therefore it files two tax returns, that is for the taxable period of the calendar year 2012

- code differentiating the type of tax return (1 | A), taxable period pursuant to Section 17a letter (a)

– taxable period from 01|01|2012 to 31|12|2012;

and for part of the taxable period of the calendar year 2013

– code differentiating the type of tax return (1|P), part of the taxable period pursuant to Section 17a letter (a)

– the period, for which the tax return is being filed from 01|01|2013 to 27|02|2013,

both tax returns shall be filed within the time-limit set forth in Section 244 subsection 1 of the Administration of Taxes Act, i.e. within one month from the date, when the failure order came into effect, because the tax return for the calendar year 2012 is governed by Section 245 of the Administration of Taxes Act concerning unification of time-limits.

4) A limited liability company claiming a taxable period of a calendar year, which does not have the statutory obligation to have final accounts verified by an auditor, and whose tax return is not filed by a tax advisor, participates in merger with another limited liability company. The decisive day of a merger was set on 1<sup>st</sup> April 2013 based on decision of associates of the participating companies from 15<sup>th</sup> February 2013. The company decides for:

e) possibility to use an accounting period longer than twelve months, at most in length of fifteen months, pursuant to Section 3 subsection 4 letter d) of the Accounting Act, and files the tax return for the taxable period from 1<sup>st</sup> January 2012 to 31<sup>st</sup> March 2013 pursuant to Section 17a letter d) of the Act,

– fills in the code differentiating the type of tax return (1|J), taxable period pursuant to Section 17a letter (d)

– and taxable period from 01|01|2012 to 31|03|2013;

the tax return shall be in this case filed within the time-limit set forth in Section 136 subsection 1 of the Administration of Taxes Act, i.e. within three months after the end of the last taxable period

f) possibility not to use an accounting period longer than twelve months, at most in length of fifteen months, pursuant to Section 3 subsection 4 letter d) of the Accounting Act, and therefore it files two tax returns, that is for the taxable period of the calendar year 2012

– code differentiating the type of tax return (1|A), taxable period pursuant to Section 17a letter (a)

– taxable period from 01|01|2012 to 31|12|2012;

and for part of the taxable period of the calendar year 2013

– code differentiating the type of tax return (1|J), part of the taxable period pursuant to Section 17a letter (a)

– the period, for which the tax return is being filed from 01|01|2013 to 31|03|2013,

the tax returns for the taxable period of the calendar year 2012 shall be filed within the time-limit set forth in Section 136 subsection 1 of the Administration of Taxes Act, the tax return for the period from 1<sup>st</sup> January 2013 to 31<sup>st</sup> March 2013 shall be filed within the time-limit set forth in Section 38m subsection 3 letter a) point 2. of the Act, i.e. at the latest till the end of the third month following the month, in which falls the date preceding the decisive day of a merger.

#### Part I – the Taxpayer's details

05 **Name of the legal person** (unit trust, fund of pension company) – 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. As regards unit trusts it shall be stated the seat of controlling (managing) investment company; the same type of data shall be stated for funds of pension companies accordingly.

07 **Bank Connections** – fill in the number of the bank account at the payment services provider that is recorded by the tax administrator (Section 127, subsection 1, letter e) 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 19a 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 2012 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 (operating) result** before taxation (profit or loss), 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 2012 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 extraordinary 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 244, 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 (operating) Result which are used to determine the tax base (hereinafter “trading result”) 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 Expenditures**

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 2012 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, letters e) and f) 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.
- 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 10 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 2010 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**. A tax loss, which arises and is assessed for a taxable period or period, for which a tax return is filed, commenced in the year 2011, may be applied as the item deductible from a tax base in at longest five immediately subsequent taxable periods (pursuant to Section 34 subsection 1 of the Act).
- 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 of a tax base stated on row 220, and at the same time it must be identical as the amount stated on Row 9 in column 4 of Table E Attachment no. 1 to Part II.
- Remaining part of a tax loss arisen and assessed for a taxable period or period of time, for which a tax return is filed, commenced in the year 2007, may be applied as deductible item from a tax base at the latest for a taxable period or period of time, for which a tax return is filed, commenced in the year 2012.
- The unit trust state on this row the amount of the tax loss deduction arisen and assessed for the taxable period commenced in 2011. This amount plus the amount applied to deduction on row 241 must not in total exceed the amount of a tax base stated on row 220, and at the same time it must be identical as the amount stated in column 4 on the appropriate row regarding the taxable period commenced in the year 2011.
- 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). The amount on this row must be equal to the amount on row 4 in partial table F of the Attachment No. 1, 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 unused amount of negative distinctions between its incomes and expenses as applicable till 14<sup>th</sup> July 2011, if they arose at the unit trust for the taxable period or period, for which the tax return is being filed, commenced in the years 2007 – 2010. This amount must be the same as total sum of the amounts stated in column 4 of Table E, Attachment no. 1, Part II on appropriated rows regarding the taxable periods commenced in the years 2007 - 2010.
- 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.
- 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 2012 the tax rate pursuant to Section 21, subsection 1 of the Act is 19 %, 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 This row is not filled. Its use is possible only if the Act defines (except tax allowances) new circumstances that are grounds for further adjustments of tax liability.
- 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 2012 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.

**A joint stock company, which was an unit trust only part of the taxable period (Section 20a of the Act), uses for calculation of the tax amount on row 290 of Part II 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 <http://cds.mfcr.cz> in the folder Tax Forms.**

#### **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 IV – Supplementary Tax Return**

This Part is only filled out if a **Supplementary Tax Return or a Corrective Tax Return replacing a supplementary tax return or an already filed corrective tax return replacing 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, an investment company, which manages unit trusts, states the amount 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 If the shown amount on row 340 of Part II is  $\leq 200$  Czech crowns (see Section 38b of the Act), the simplified algorithm in the form (row 1 + row 2 + row 3) shall be used for calculation of the amount on this row.  
In case of returnable overpayment the taxpayer may ask the tax office (tax administrator) for using this overpayment to cover arrear of payment that has at different tax administrator or to cover arrear of payment of different taxpayer at the same or different tax administrator (Section 155 Subsection 1 of the Administration of Taxes Act) or for refund of this overpayment (Section 155 Subsection 2 of the Administration of Taxes Act).

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

### Filling of the data in declaration on truthness 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.

**Autograph signature of an individual authorized to signature:** the tax return shall be signed by autograph signature of an individual, who files the tax return on behalf of the taxpayer – corporation or in case of representative of the taxpayer – corporation, of an authorized individual (including tax advisor), or an individual competent to signature on behalf of corporation authorized by the taxpayer (including corporation performing tax consultancy).

#### Attention:

If the tax return is filed by a taxpayer's statutory body, consisting of several individuals (associates, general partners, executives or members of statutory body), who act together according to articles of incorporation or articles of association and this fact is stated in the Companies Register, they shall fill the following text "statutory body - see attachment" in the declaration on the last page in edited field marked as "Name, surname/relationship to the legal entity" and specified identity information about of each of these persons including their signatures shall be stated in separate attachment pointed out by the following text: "WE DECLARE, THAT ALL STATED INFORMATION IN THIS TAX RETURN ARE TRUE AND COMPLETE".

**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.

The Attachment no. 1 to Part II shall be completed for each investment company and every controlled (managed) unit trust separately. After 1<sup>st</sup> January 2013 the same procedure shall apply for pension company and funds it controls (manages).

#### 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 7 of the Act on Reserves, as applicable until 31 <sup>st</sup> December 2010	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, as valid until 14 July 2011.**

This table is filled in by a taxpayer to whom, in the given taxable period or period, for which a tax return is being filed, eventually if five immediately preceding taxable periods and in the taxable period 2003, a tax loss has arisen, which may be claimed as an item 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 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.

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 is filed, it will no longer be possible to deduct the assessed but unclaimed tax loss from the tax base, write nil (0) on the appropriate row in column 5.

With the taxable period or the period for which the tax return is being filed that begins in the year 2012, the time-limit for claiming a tax loss arisen and assessed for the taxable period or period for which the tax return is being filed commenced in 2007 as items deductible from the tax base in the following five taxable periods. Therefore, if on relevant rows in column 2, there is a tax loss that arose in the taxable period or period for which the tax return is being filed commenced in 2007 which may be claimed as a deductible item in the following five taxable periods, then the nil (0) is stated on these rows in column 5, even if this possibility was not fully utilised in the previous taxable periods.

A remaining part of a tax loss arisen and assessed for the taxable period or period, for which a tax return is filed, commenced in 2006, may not be used for deduction from a tax base for the taxable period or period, for which a tax return is filed, commenced in the year 2012.

Unit trusts shall use the table E not only to claim the tax loss deduction arisen and assessed for the taxable period commenced in 2011 for purpose of calculation of a tax base for the taxable period commenced in 2012, but also to claim remaining amounts unused deductions of negative distinction between their incomes and expenses pursuant to Section 20 subsection 3 of the Act, as applicable till 14<sup>th</sup> July 2011 for the taxable period or period, for which the tax return is being filed, commenced in the years 2007 – 2010. If the negative distinction between incomes and expenses is declared on the row corresponding to the taxable period commenced in 2007, the nil (0) shall be stated in column 5 of this row, even if the possibility to reduce a tax base in the particular taxable period or in previous taxable periods was not fully used.

The amount shown by **unit trusts** on row 9 in column 4 of table E must be the same as total sum of amounts stated on rows 230 and 241 of Part II relating to deduction from a tax base for the taxable periods commenced in 2012. The total sum of amounts from all rows shall be stated on row 9 in column 5 of table E; in doing so no difference is made, as to whether it is claim for deduction of a tax loss or unused claim for deduction pursuant to Section 20 subsection 3 of the Act, as valid and applicable until 14<sup>th</sup> July 2011.

**Table F Deduction pursuant to Section 34 of the Act, as valid until 31 December 2004**

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

On row 4 state the amount of deduction applied in the relevant taxable period from the unused claim arisen in the previous taxable periods pursuant to Section 34 subsections 3 to 10 and 12, as valid on 31<sup>st</sup> December 2004.

**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 2012, 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 2009. 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 2009, which was possible to apply as deductible item from a tax base in the three following taxable periods, is stated, the nil (0) is shown in column 5 of this row, even 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 ejected, 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 ejected, 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 146, subsection 3, of the Administration of Taxes Act).

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 146, subsection 3 of the Administration of Taxes Act). 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 2012, in which the annual working hours fund that makes up full time employment was, in a period of 252 days, 2,016 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:	2016	2016	1168	1764	1260
- Maternity or Parenting leave	0	0	0	0	0
- Long-term release for performance of public office	0	0	0	483	0
Non-worked hours due to unexcused absence at work (employment)	0	0	16	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	296	0	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	0	56	0	0	195
Adjusted number of hours	1720	1960	1152	1281	1065

\*) Employees A, B and C were employed for a 40 hour working week; employee C began work on 1<sup>st</sup> June 2012

\*\*\*) 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 =  $\frac{\text{the total annual working hours fund pertaining to one employee, working on a full time basis, stipulated by special legal regulations}}{4832}$

=  $\frac{2016}{4832} = 2.3968$  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 =  $\frac{\text{the total annual working hours fund pertaining to one employee, working on a full time basis, stipulated by special legal regulations}}{2346}$

=  $\frac{2016}{2346} = 1.1637$  rounded off to **1.16 employees**

The calculation of the relief for employing severely disabled employees (SDP):  $1.16 \times 60\,000 =$  **CZK 69,600**

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 model no. 11).

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 model no. 11).

#### 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. 10), 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 10 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 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 242 and 260) or taxes (Rows 300 and 320).

The amount on Row 4 in column 3 must be equal to the amount on Row 2, Table F/b, on which the entitlement for a deduction is shown for the given taxable period or period, for which tax return is being filed, 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 Row 4 of Table H and the amount on Row 9 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 9 in column 4, 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 2012, 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 k) 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. 410/2009 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 **self-governing Local Area Units, voluntary municipality unions, cohesion regions regional councils, non-profit making organisations, State Funds and the organizational units 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 regulation no. 275/2011 Coll., by which the Statistical Findings Program for the year 2012, 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. This information is not compulsory for taxpayers, who have kept their accounts in single entry accounting system after the 1<sup>st</sup> January 2012.

**Attention**

The form 2505404 MFin 5404 - model no. 23 shall be used for filing the Corporate Income Tax Return also for part of the taxable periods commencing in 2013, for which the time-limit for filing the tax return expires until 31 December 2013, i. e. before publication of the new model no. 24.

The taxpayers of the corporate income tax will be informed about eventual changes in material content of the items of the form 2505404 MFin 5404 - model no. 23, which occur before 31 December 2013 on the basis of amendments of the Act No. 586/1992 Coll., on Income Taxes, accepted with effect for the taxable period 2013, on the web sites of the Ministry of Finance or the Czech tax administration by means of Notice to the mentioned form.