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INSTRUCTIONS TO ATTACHMENT No. 2

State the amounts in whole CZK. The numbers computed in the course of tax liability are indicators pursuant to provision of Section 146 of the Tax Administration Act; they are to be rounded to two decimal points. Sequential rounding in two or more stages is forbidden.

Joint instructions for calculation of partial tax bases for income from lease (Section 9 of the Act) and for other income (Section 10 of the Act).

The following rows will contain income from sources in the Czech Republic and incomes from sources in abroad converted to CZK. Income from foreign sources are, for the purposes of this Act, all and any incomes from sources in abroad reduced by any related expenses expressed as actual amounts or as percentage from income, as per this Act. Pursuant to Section 25(1i) of the Act, the taxpayer (Section 2 Subsection 2 of the Act) cannot claim as expenses (costs) incurred to generate, assure and maintain income exempt under an International Double Taxation Agreement any expenses which exceed the income. Deductible items and items which reduce the tax base under foreign tax law cannot be used in the course of tax base determination.

To eliminate double taxation of a foreign income pursuant to Section 38f of the Act, Section 38 will be applied to currency conversion, as follows:

- If you keep accountancy, use the foreign exchange rates published by the Czech National Bank for use in accountancy.
- If you do not keep accountancy, use the standardised exchange rate pursuant to Section 38 Subsection 1 of the Act, unless you use the foreign exchange rates published by the Czech National Bank for use in accountancy.

1. Instructions of calculation of partial tax base from lease pursuant to Section 9 of the Act

I claim a percentage of my income as deductible expenses if you claim a percentage of your income as deductible expenses pursuant to Section 9 Subsection 4 of the Act (30 %, but at most in the amount of 600,000 CZK) cross the appropriate box. If not applicable, leave it empty.

I have received income from matrimonial property if you have income from lease of assets which are in joint ownership of spouses (save for assets in which the spouses have ownership interests), cross the appropriate box. If not applicable, leave it empty.

row 201 Total income pursuant to Section 9 of the Act on row 201 give your income from lease pursuant to Section 9 subsection 5 of the Act according to the records of income and expenses.

row 201a incomes pursuant to Section 9 of the Act only from the lease of immovable property (from row 201) on row 201a state your income ONLY from the lease of immovable property.

row 202 Expenses pursuant to Section 9 of the Act on row 202 state you expenses in connection with lease pursuant to Section 9 Subsection 6 of the Act according to the records of income and expenses or expenses deducted by percentage from incomes pursuant to Section 9 subsection 6 of the Act.

If these are income generated over two or more taxpayers by virtue of joint ownership of an asset, the joint expenses incurred in connection with generating and maintaining the income are to be divided among the taxpayers based on their respective ownership interests or using a formula negotiated in a contract. If an income from lease is generated by spouses who have joint ownership, it is to be taxed only by one of them; the spouse who taxes the income will state it in his/her tax return. The data is stated before alterations pursuant to Section 5, Section 23 and before other statutory alterations.

row 203 Difference between income and expenses (row 201 – row 202) or trading result (profit or loss) before tax – give the calculated figure according to the data on the form. The data is stated before alterations pursuant to Section 5, Section 23 and before other statutory alterations. If your expenses exceed the income or the trading result before tax is a loss, mark the amount with a minus.

row 204 Total of amounts pursuant to Section 5, Section 23 and other alterations according to the Act which increase the difference between the income and expenses or the trading result before tax (profit, loss) state the total of amounts which increase the difference between the income and expenses.

row 205 Total of amounts pursuant to Section 5, Section 23 and other alterations according to the Act which reduce the difference between the income and expenses or the trading result before tax give the total of amounts which reduce the difference between the income and expenses or the profit(loss) before tax.

row 206 Partial tax base, tax loss from lease pursuant to Section 9 of the Act (row 203 + row 204 – row 205) – calculate the amount according to the instruction. A difference less than a zero is a partial loss according to Section 9 of the Act. Copy item from **row 39, Part II of the main tax return on page 2**.

State the reserves with respect to leased assets as per the Act No. 593/1992 Coll., on Reserves for tax base determination, as amended, as at the beginning and the end of the taxable period.

2. Instructions for calculation of partial tax base from other income pursuant to Section 10 of the Act

Data in the table

Type of income pursuant to Section 10 Subsection 1 of the Act – state the income; before the description, use the appropriate code:

A – occasional activity, **B** – sale of real estate, **C** – sale of movable items, **D** – sale of securities, **E** – income from transfer under Section 10 Subsection 1 Letter c) of the Act, **F** – other income (e.g. income from gambling pursuant to § 10 subsection 1 letter h) points 2 to 6 of the Act), **G** – incomes from gratuitous transactions, **H** – income from lottery and raffle pursuant to § 10 subsection 1 letter h) point 1 of the Act.

Column 1 and 2 – state your other income pursuant to Section 10 of the Act, which includes income from sources of the Czech Republic and incomes from abroad converted to CZK as described above.

According to Section 10 Subsection 1 of the Act, other income is income which increases the value of assets, excluding income pursuant to Section 6 – Section 9 of the Act. Each individual income is stated separately in the table. For example, if you sold two houses and some securities within one taxable period, these transactions constitute two types of income and each type is considered separately. Section 10 Subsection 1 of the Act classifies as income also any gain for surrendering an apartment which was not eligible for tax exemption pursuant to Section 4 Subsection 1 Letter v) of the Act. If a taxpayer (tax resident of the Czech Republic) includes all income mentioned in § 10 subsection 1 letter h) point 1 of the Act in the tax return, the tax withheld from this income is credited to his tax (the withheld tax please give on row 87a page 3 of the main part of the tax return form). The taxpayer is obliged to give the income not decreased by expenses and prove it by confirmation on paid income pursuant to § 10 subsection 1 letter h) point 1 of the Act and on tax withheld from the income at a special tax rate.

Column 3 – state documented expenses incurred for income generation, in their actual amounts. This is not applicable for income pursuant to § 10 subsection 1 letter h) point 1 of the Act (income from lottery and raffle). For agricultural production, forestry and water management only that are not operated by entrepreneur a fixed percentage of 80 % can be used for taxable period 2020. Expenses can be claimed to the maximum amount of 1 600 000 CZK.

Column 4 – state the difference of income and expenses for individual types of income. Calculate the total in the last row by counting only positive balances – a loss from one type of income cannot be compensated by another type of income, e.g. a loss from the sale of securities cannot be compensated by a gain from the sale of residential property.

Column 5 – “p” is a code for income from agricultural production if you claim a percentage of your income as a deductible (80 %). Expenses can be claimed to the maximum amount of 1 600 000 CZK. If your income is from assets which are jointly owned by spouses, state “s” in column 5. If your income is from abroad, use “z” as the code in column 5. If is filled in the table (gratuitous) income (type of income „G”) and it is immovable property, fill in column 5 (code) letter „n”.

Decision number of catastral office – In the case that in the column 1 of the table is listed type of income B – sale of real estate or in column 5 of the table is listed code „n” (it is a real estate), please state decision number of catastral office from the ownership sheet and attached notification of deposit. Data, for which is insufficient space, shall be stated to separate sheet.

row 207 Income pursuant to Section 10 of the Act – according to individual types of income state the total of amounts in column 2 of the table.

row 208 Expenses pursuant to Section 10 of the Act – according to individual types of income state the total of amounts in column 3 of the table.

If, for any of your incomes, the expenses exceed the income, the total will include the expenses only to the amount of the income. If the expenses connected with a type of income (category other income) exceed the income in question, the balance is not taken into consideration according to Section 10 Subsection 4 of the Act.

row 209 Partial tax base attributable to other income under Section 10 of the Act (row 207 – row 208) – calculate the base using the data in the form; the amount should be equal to the total of positive balances of individual types of income in column 4. Copy the item to **row 40, Part II of the main tax return on page 2**.