
Answers

Section A

- 1 A CZK 3,000 ($20,000 \times 0.15$)

From 2015, gifts and inheritances are subject to income tax. Inheritances are exempt for all types of taxpayers. Gifts to individuals are exempt only if given by certain close relatives, which do not include cousins. Gifts from third parties are exempt if they do not exceed CZK 15,000 from any one donor.

2 D	CZK
Personal credit	24,840
Frantisek child credit	13,404
Credit for preschool facility	9,000
Total	<u>47,244</u>

- 3 A CZK 47,500 ($950,000 - 500,000$) $\times 0.15$ up to a maximum of 5% of the gross income ($950,000 \times 0.05$)
Tax base when paying liquidation proceeds is the difference between the income and the acquisition price of the shares, i.e. CZK 450,000 ($950,000 - 500,000$).
The tax according to Income Tax Act is 15% of the tax base: CZK 67,500 ($450,000 \times 0.15$).
But the tax cannot exceed that according to the double tax treaty, which is 5% of the gross income, i.e. CZK 47,500.

- 4 B

- 5 A

- 6 C

- 7 B Vladimir 2015 reconciliation:

	CZK
Employment tax base	<u>241,200</u>
Tax at 15%	36,180
Personal tax credit	<u>(24,840)</u>
Tax payable	11,340
Tax advances withheld	<u>(23,760)</u>
Reconciliation	<u>12,420</u>

- 8 D No income tax is payable ($1,500,000 - 1,600,000 = (100,000)$ loss), so Petr's partial tax base from the sale of the flat is 0; but he cannot offset the loss against his business profit.

The sale is not exempt as Petr had not used the flat as his main residence nor owned it for at least five years, so he did not meet the conditions for exemption.

- 9 B

- 10 B

- 11 D

12 B

13 C

14 A 0.83 ($1,460,000/1,760,000 = 0.8295$ rounded up to two significant figures)Numerator: $(450,000 + 670,000 + 340,000) = 1,460,000$ Denominator: $(450,000 + 670,000 + 340,000 + 300,000) = 1,760,000$ 15 D Employment income subject to social security and health care insurance includes income from the contract for work done (*dohoda o provedeni prace*), because the amount is over the limit of CZK 10,000. The assessment base is thus CZK 432,000 ($420,000 + 12,000$).Social security $432,000 \times 0.065$ CZK 28,080Health insurance $432,000 \times 0.045$ CZK 19,440The tax base for the business income under s.7 will be CZK 44,400 ($111,000 - (0.60 \times 111,000)$).

As this is a secondary activity and the tax base does not exceed the limit of CZK 63,865, no social security premiums are payable (CZK 0).

2 marks each

30

Section B
Marks

1	(a)	(i) 25 June 2015.	1
		(ii) 1 September 2016.	1
		(iii) If filed in a paper form, 28 February 2016; If filed electronically, 20 March 2016.	1 1
			<u>4</u>
	(b)	(1) No, the filing was not valid. Helena's annual turnover exceeds CZK 6 million, so even though she does not have a data box she is still obliged to file electronically using EPO (Ministry of Finance web).	1·5
		(2) Yes, the filing was valid. The electronic signature of the executive director is not necessary.	1
		(3) No, the filing was not valid. The filing should have been done in 'xml' format; 'pdf' is not a valid format.	1·5
			<u>4</u>
	(c)	The tax should have been paid on 25 March 2015. Therefore, the default interest will be calculated from Wednesday, 1 April 2015 (the fifth working day from the due date) up to and including the day of payment. The default interest will be: $(76,400 \cdot (14\% + 0\cdot05\%) \cdot 20 \text{ days}) / 365 = \text{CZK } 589$.	1 1
			<u>2</u>
			10

2 Jakub – Payroll tax deducted for January 2015

		CZK	
Remunerations as executive director		95,600	0·5
Use of car	(650,000*0·01)	6,500	1
Travel allowances over the limit	(2,500 – 1,200)	1,300	0·5
Flat rent benefit	(15,000 – 3,500)	11,500	1
Wage compensation	exempt	0	1
Contribution to pension and life insurance	exempt ((1,000 + 1,500)*12) is within the annual limit of CZK 30,000)	0	1
Base		114,900	
Employers contributions at 34%		39,066	0·5
Tax base		153,966	
Rounded up to '000		154,000	0·5
Tax at 15%		23,100	
Base for solidarity surcharge	$((1,277,328/12) - 114,900) = 8,456$		1
Solidarity surcharge at 7%		592	0·5
Total tax		23,692	
Personal tax credit (24,840/12)	2,070		0·5
Tax credit for first child (13,404/12)	1,117		0·5
Tax credit for second child (15,804/12)	1,317		0·5
Tax credit for wife (cannot be applied within monthly payroll)	0		0·5
		(4,504)	
January advanced (payroll) tax payable		19,188	0·5
			10

			Marks
3	(a)	Jan – Value added tax (VAT) registration	
		The rental income is included in the calculation of the turnover limit of CZK 1 million.	0·5
		Therefore, the limit would be exceeded in May 2015: (220,000 + 300,000 + 190,000 + 30,000 + 90,000 + 30,000 + 115,000 + 30,000) = CZK 1,005,000.	0·5
		Jan was obliged to register by 15 June 2015 and became a VAT payer as of 1 July 2015.	1
			<u>2</u>
	(b)	Favorit, s.r.o. – Value added tax (VAT) return for the quarter January to March 2015	
		Value CZK	VAT CZK
		Output supplies	
		Sale of goods to Czech customers	355,000 74,550 0·5
		Export of goods to USA (exempt)	254,000 – 0·5
		Export of goods to a customer in Poland registered for VAT in the Czech Republic	160,000 33,600 0·5
		Business car at personal use of partner	340,000 71,400 0·5
		Contractual penalties received (not subject to VAT)	40,000 – 0·5
		Rental from VAT non-payer (exempt)	120,000 – 0·5
		Rental income from VAT payers	360,000 75,600 0·5
		Reverse charge (materials from German suppliers)	290,000 60,900 0·5
		Import of spare parts from a USA supplier, (including customs duty)	107,000 22,470 0·5
		Total output	<u>338,520</u>
		Input supplies	
		Purchase of goods from Czech suppliers	450,000 94,500 0·5
		Purchase of materials from German suppliers	290,000 60,900 0·5
		Purchase of spare parts from a USA supplier (including customs duty)	107,000 22,470 1
		Purchase of material from Czech suppliers used to maintain all three storage warehouses (claim reduced to 46,200*0·89)	220,000 41,118 1
		Total input	<u>218,988</u>
		VAT payable	<u>119,532</u> 0·5
			<u>8</u>
			<u>10</u>

4 Forma, s.r.o. – Tax depreciation adjustments for 2015

	CZK	CZK	Adjustment to taxable income	
Printer				
Input price	30,000			
2015 tax depreciation		10,000	No adjustment	1
Tutorial note: <i>The printer is a small asset, so the tax depreciation charge is the same as the accounting charge.</i>				
Business car				
Input price	450,000			
2015 tax depreciation	$(450,000 \cdot 0.2225)$	100,125		0.5
Difference	$(112,500 - 100,125)$		Increase by CZK 12,375	0.5
Machine A				
Input price	150,000			
2015 tax depreciation	$(150,000/5 + 10\% \text{ of } 150,000)$	45,000		1
Difference	$(35,000 - 45,000)$		Decrease by CZK 10,000	0.5
Software				
Input price	340,000			
2015 tax depreciation	$((340,000/36) \cdot 3)$	28,334		1
Difference	$(30,000 - 28,334)$		Increase by CZK 1,666	0.5
Factory				
Input price	6,780,000			
2013 tax depreciation	$(6,780,000/30)$	226,000		0.5
Residual value	6,554,000			
2014 tax depreciation	$(2 \cdot (6,554,000 + 5,000,000)/30)$	770,267		1
Residual value	10,783,733			
2015 tax depreciation	$((2 \cdot 10,783,733)/(30 - 1))$	743,706		1
Difference	$(300,000 - 743,706)$		Increase by CZK 443,706	0.5
Machine B				
Input price with the partner	200,000			
2014 tax depreciation	$(200,000/5 + 10\% \text{ of } 200,000)$	60,000		1
Residual value	140,000			
2015 tax depreciation with the partner	$((2 \cdot 140,000)/(6 - 1))/2$	28,000		
Residual value	112,000			
2015 tax depreciation with Forma	$((2 \cdot 112,000)/(6 - 1))/2$	22,400		0.5
Difference	$(40,000 - 22,400)$		Decrease by CZK 17,600	0.5
				10

Tutorial note: *Forma, s.r.o. must continue to depreciate Machine B on the same basis as used by the partner.*

5 (a) Ludvik – 2015 income tax return

	CZK	CZK	CZK	
Employment income				
Tetris				
Salary	(45,000*11 + 15,000)		510,000	0·5
Illness compensation	exempt		0	0·5
Life insurance and pension insurance contributions	exempt (12*500 + 15,000) less than CZK 30,000		0	0·5
Interest free loan	notional interest not subject to tax		0	0·5
Duplos remuneration	(12*3,000)		36,000	0·5
Total employment income			546,000	
Social security paid by employer	(546,000*0·34)		185,640	0·5
Partial tax base			731,640	
Capital income				
Duplos profit share			20,000	
Partial tax base	(taxed by withholding)		0	1
Rental income				
Income from rent	(12*11,000)		132,000	0·5
Lump sum expenses	(132,000*30%)		(39,600)	0·5
Partial tax base			92,400	
Other income				
Sale of ADA, a.s. shares	exempt (held more than six months)		0	1
Sale of CAD, a.s. shares	exempt (within annual limit of CZK 100,000)		0	1
Partial tax base			0	
Tax base			824,040	
Mortgage interest deduction		98,000		0·5
Pension insurance	no allowance	0		1
Blood donation	(2*2,000)	4,000		0·5
			(102,000)	
Tax base after deductions			722,040	
Rounded tax base (down to '00s)			722,000	0·5
Tax at 15%			108,300	0·5
Personal tax credit		24,840		0·5
Spouse credit	(income over limit)	0		0·5
Child credits – first	13,404			
– second	15,804			
– third	17,004			
		46,212		1
			(71,052)	
Tax after credits			37,248	
Tax prepayments			(67,150)	0·5
Tax payable			0	
Tax bonus			29,902	0·5
				13

(b) Ludmilla – 2015 social security and health insurance

As her business activity is her main activity, Ludmilla must pay minimum social and health care insurance contributions from the month she started her business, i.e. for 10 months.

		CZK	
Minimum assessment base for social security (10 months)	((79,836/12)*10)	66,530	0·5
Social security contributions at	29·2%	19,427	0·5
Minimum assessment base for health care insurance (10 months)	((159,666/12)*10)	133,055	0·5
Health care insurance contributions at	13·5%	17,963	0·5
			2
			15

6 NABYTEK, a.s.

(a) 2015 corporate income tax

	CZK	
Accounting profit	5,456,700	
<i>Add back</i>		
Receivables (working)	62,000	W
Acquisition price of the shares sold	500,000	0.5
Gift to the school	250,000	0.5
Loss on sale of land (no adjustment)	0	0.5
Difference in accounting and tax depreciation (1,950,000 – 1,785,000)	165,000	0.5
Non-deductible beverages	98,000	1
Entertainment expenses	380,000	0.5
Promotion expenses (cups and pencils with logo and costing less than CZK 500 per item)	0	0.5
Total add back	1,455,000	
<i>Minus</i>		
Inherited income	750,000	1
Proceeds from sale of shares (holding >10%, held for more than 12 months)	900,000	1
2014 social security paid after 31 January 2015	34,000	0.5
Receivables (working)	279,000	W
Total minus	1,963,000	
Adjusted tax base	4,948,700	
Tax loss	(230,000)	0.5
Tax base after tax loss	4,718,700	
Gift allowance (maximum 10% of CZK 4,718,700)	(250,000)	1
Reduced tax base	4,468,700	
Reduced tax base rounded (down to '000s)	4,468,000	0.5
Tax at 19%	848,920	0.5

Working – Receivables

	Tax base decrease CZK	Tax base increase CZK	
Model house (more than 30 months overdue) (180,000*(0.8 – 0.5))	54,000	–	1
Studion (more than 18 months overdue) (450,000*0.5)	225,000	–	1
Education Centre (less than 18 months overdue) (250,000*0.2)	0	50,000	1
Model house (no tax provision possible, contractual penalty)	0	12,000	1
Total minus/add back	279,000	62,000	
			13

(b) 2016 corporate income tax advances

NABYTEK's 2015 corporate income tax liability is higher than CZK 150,000, therefore its 2016 tax advances will be payable on a quarterly basis.

Tax advance amount (848,920/4) CZK 212,230 1

Tax advances of CZK 212,300 (rounded up to hundreds) will be due on each of: 15 September 2016, 15 December 2016, 15 March 2017 and 15 June 2017. 1

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