

Fundamentals Level – Skills Module

Taxation (Czech)

Thursday 9 June 2016



Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

This question paper is divided into two sections:

Section A – ALL 15 questions are compulsory and **MUST** be attempted

Section B – ALL SIX questions are compulsory and **MUST** be attempted

Tax rates and allowances are on pages 2–5.

Do NOT open this question paper until instructed by the supervisor.

During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.

Do NOT record any of your answers on the question paper.

This question paper must not be removed from the examination hall.

Paper F6 (CZE)

Think Ahead

ACCA

The Association of
Chartered Certified
Accountants

SUPPLEMENTARY INSTRUCTIONS

- 1. Calculations and workings need to be made to the nearest CZK if the law does not require otherwise.
- 2. All apportionments should be made to the nearest month.
- 3. All workings should be shown in Section B.

TAX RATES AND ALLOWANCES

The following tax rates and allowances for 2015 are to be used in answering the questions.

Corporate income tax rate

19%

Corporate income tax credits (CZK)

Disabled employees 18,000/60,000

Personal income tax rate

15%

Solidarity surcharge on income over CZK 1,277,328 7%

Personal income tax credits – annual amounts (CZK)

Personal tax credit	24,840
Dependent spouse credit	24,840
First child credit	13,404
	(maximum bonus CZK 60,300)
Second child credit	15,804
Third and further child credit	17,004
Student credit	4,020
Credit for expense in preschool facility	9,200
Disabled employees	18,000/60,000

Social security and health care contributions

Cap for social security purposes CZK 1,277,328

Employment

Health care	Employee's contributions	4.5%
	Employer's contributions	9.0%
Social security	Employee's contributions	6.5%
	Employer's contributions	
	Pension scheme	21.5%
	Illness insurance	2.3%
	Unemployment insurance	1.2%
	Total	25.0%

Private entrepreneur

Health care contributions 13.5%

Minimum monthly/annual assessment base CZK 13,305.50/159,666

Social security contributions

Social security	29.2%
Illness insurance	2.3%

Minimum monthly/annual assessment base for the main activity CZK 6,653/79,836

Minimum monthly/annual assessment base for the secondary activity CZK 2,662/31,944

Threshold limit for obligatory participation in social security
in the case of the secondary activity CZK 63,865

Value added tax (VAT)

Standard rate 21%

Reduced rates 10% and 15%

Threshold registration limit CZK 1,000,000

Repo interest rate

Applicable on 1 January 2015 0.05%

Minimum wage

CZK 9,200

Tax depreciation

Tax depreciation periods for tangible assets

Group 1	3 years
Group 2	5 years
Group 3	10 years
Group 4	20 years
Group 5	30 years
Group 6	50 years

Tax depreciation periods for intangible assets

Audiovisual work	18 months
Software and R&D results	36 months
Start-up costs	60 months
Other intangible assets	72 months

Depreciation rates under the straight-line method

	1st year	following years	for increased input price
Group 1	20	40	33.3
Group 2	11	22.25	20
Group 3	5.5	10.5	10
Group 4	2.15	5.15	5.0
Group 5	1.4	3.4	3.4
Group 6	1.02	2.02	2

Where the depreciation rates for the first three groups are increased by 10% in the first year:

	1st year	following years	for increased input price
Group 1	30	35	33.3
Group 2	21	19.75	20
Group 3	15.4	9.4	10

Depreciation rates under the accelerated method

	1st year	following years	for increased input price
Group 1	3	4	3
Group 2	5	6	5
Group 3	10	11	10
Group 4	20	21	20
Group 5	30	31	30
Group 6	50	51	50

Tax deductible provisions limits valid up to the end of 2013

Due time after the maturity date of a qualifying provision

More than	
6 months	20%
12 months	33%
18 months	50%
24 months	66%
30 months	80%
36 months	100%

Tax deductible provisions limits valid for 2014

Due time after the maturity date of a qualifying provision

More than	
18 months	50%
36 months	100%

Tax deductible provisions limits valid from 2015

Due time after the maturity date of a qualifying provision

More than	
18 months	50%
30 months	100%

Tax reserves

Creation of tax reserves – maximum number of years for creation

Group 2	3 years
Group 3	6 years
Group 4	8 years
Group 5	10 years
Group 6	10 years

Section A – ALL 15 questions are compulsory and MUST be attempted

Please use the grid provided on page two of the Candidate Answer Booklet to record your answers to each multiple choice question. Do not write out the answers to the MCQs on the lined pages of the answer booklet.

Each question is worth 2 marks.

1 Dest, s.r.o. is a monthly value added tax (VAT) payer, producing umbrellas. In October 2015 its input supplies included the following:

- (1) Purchase of fabric for umbrellas from Czech VAT payers. The tax document is available
- (2) Purchase of stationery for the accountancy office from a non VAT payer. A cash sales receipt which has all the attributes of a simplified tax document was received
- (3) Purchase of metal components from a Czech VAT payer. A tax document was received after one month's delay
- (4) Purchase of a television from a Czech VAT payer, for the exclusive use by an executive director of Dest, s.r.o. in his flat. A tax document was received

On which of these purchases can Dest, s.r.o. apply input VAT in October 2015?

- A** 1 and 3 only
- B** 2 and 3
- C** 1, 3 and 4
- D** 1 only

2 Which of the following statements in its entirety correctly describes the general rules embedded in the legal framework of tax administration?

- A** Equality before law of the taxpayer and the tax administrator; secrecy of the tax administrator, non-public proceedings; lawfulness
- B** Ban on the misuse of the powers of the tax administrator; participation of third parties; substance over form, secrecy of the taxpayer
- C** Non-public proceedings; secrecy of the tax administrator; economy; equality before law of persons participating in tax administration proceedings
- D** Co-operation of the tax administrator and taxpayer; secrecy of the tax administrator; adequacy of the tax administrator's actions; lawfulness

3 Hynek had the following income in 2015:

- (1) Rental income from the lease of a computer to a neighbour from 1 March to 25 March 2015 of CZK 1,000
- (2) Proceeds of CZK 120,000 from the sale of the copyright to a film he inherited from his father
- (3) A settlement amount of CZK 500,000 after he terminated his participation in MOTO, s.r.o. He had acquired his share in MOTO, s.r.o. in 2001 for CZK 350,000
- (4) Proceeds in December 2015 from the sale of a car he used for private purposes of CZK 230,000. He had acquired the car in February 2015 for CZK 260,000

What is the partial tax base from other income (§10) to be included in Hynek's tax return for 2015?

- A** CZK 120,000
- B** CZK 270,000
- C** CZK 151,000
- D** CZK 90,000

- 4 Asignor, s.r.o. uses lump sum expenses for the tax expenses related to the use of a business car. During 2015 the car was used by an executive manager for both business and private purposes. The tax depreciation charge on the car for 2015 was CZK 56,000. Also during 2015, Asignor, s.r.o. paid the following invoices or bills in total for the car: CZK 2,500 for parking; CZK 1,800 for road tax; CZK 2,000 for compulsory insurance; CZK 10,000 for commercial insurance; CZK 12,000 for repairs; CZK 34,000 for fuel.

What is the lump sum expense, tax depreciation and total amount of other expenses which Asignor, s.r.o. can apply in 2015?

- A A lump sum expense of CZK 60,000; tax depreciation of CZK 56,000; and other expenses of CZK 25,800 (road tax; compulsory insurance; commercial insurance; repairs)
 - B A lump sum expense of CZK 48,000; tax depreciation of CZK 56,000; and other expenses of CZK 21,000 (road tax; 80% of compulsory insurance; 80% of commercial insurance; 80% of repairs)
 - C A lump sum expense of CZK 48,000; tax depreciation of CZK 44,800; and other expenses of CZK 39,840 (80% road tax; 80% of compulsory insurance; 80% of fuel; 80% of repairs)
 - D A lump sum expense of CZK 48,000; tax depreciation of CZK 44,800; and other expenses of CZK 21,000 (road tax; 80% of compulsory insurance; 80% of commercial insurance; 80% of repairs)
- 5 Petra operates a business based on a trade licence (*živnost*). In 2015 she had business revenues of CZK 560,000 and total business expenses of CZK 200,000. In addition, in 2015 she had CZK 150,000 of rental income from renting a flat and CZK 120,000 net income from the sale of shares which are not included in her business assets. Petra keeps tax evidence for her business but uses percentage expenses both for business and rental income.

What is Petra's assessment base for social security and health insurance premiums in 2015?

- A CZK 112,000
 - B CZK 240,000
 - C CZK 224,000
 - D CZK 154,000
- 6 Jana renders services as an independent entrepreneur based on a trade licence. In 2014 she kept tax evidence but in 2015 she decided to switch to using percentage expenses. As of 31 December 2014, Jana documented CZK 15,000 of receivables, CZK 16,900 of liabilities and CZK 1,500 of inventory. In 2015, the 2014 receivables were paid by her customers in the amount of CZK 14,000, she paid all the 2014 liabilities and sold the 2014 closing inventory for CZK 2,000. In 2015 Jana's total business revenue was CZK 890,000.

What are the adjustments which Jana should make in her 2014 and 2015 income tax returns?

- A In 2014 through an additional tax return a total adjustment to the tax base of plus CZK 16,500; and in 2015 a reduction of CZK 14,500
- B In 2014 through an additional tax return a total adjustment to the tax base of minus CZK 400; and in 2015 a reduction of CZK 1,400
- C In 2014 through an additional tax return a total adjustment to the tax base of minus CZK 400; and in 2015 a reduction of CZK 15,500
- D In 2014 through an additional tax return a total adjustment to the tax base of plus CZK 16,500; and in 2015 a reduction of CZK 15,500

7 Which of the following tax administration actions is a taxpayer obliged to file in a required form?

- (1) An application to reduce advance tax payments
- (2) A tax registration application
- (3) An appeal against tax payment assessment
- (4) An additional income tax return

- A** 3 and 4
- B** 2 and 4 only
- C** 1, 2 and 4
- D** 2 and 3

8 Bert, s.r.o. produces cleansing products and also operates as a broker of insurance contracts. In 2015 it made the following supplies. All amounts are stated excluding any applicable value added tax (VAT):

- (1) Sold cleansing products to Czech stores, who were all VAT payers, for CZK 1,040,000
- (2) Sold cleansing products to Czech final customers who were non VAT payers for CZK 450,000
- (3) Exported products with a value of CZK 300,000 to the USA and Canada
- (4) Sold land which it had owned for four years and is not a building plot, to a VAT payer for CZK 1,500,000
- (5) Received revenues of CZK 560,000 from insurance contracts it had provided as a broker

What is Bert, s.r.o.'s 2015 VAT coefficient?

- A** 0.71
- B** 0.47
- C** 0.73
- D** 0.77

9 In 2015, Mr Koubelka, a Czech tax resident, received an annual salary of CZK 1,340,000 from his employer, Dvur, s.r.o. and was paid CZK 150,000 by Atrium, s.r.o. as remuneration for the function of executive director in November 2015.

Which of the following correctly describes the positions of Mr Koubelka, Dvur, s.r.o. and Atrium, s.r.o. regarding the return of any overpayments of social security contributions?

- A** The social security authority will return employers' premiums of CZK 21,309 to Dvur, s.r.o. Mr Kubelka will claim back CZK 13,824 referring to both employments
- B** The social security authority will not return any amount of employers' premiums to either Dvur, s.r.o. or Atrium, s.r.o. Mr Kubelka will claim back CZK 4,074 referring to his employment with Dvur, s.r.o.
- C** The social security authority will not return any amount of employers' premiums to either Dvur, s.r.o. or Atrium, s.r.o. Mr Kubelka will claim back CZK 13,824 referring to both employments
- D** The social security authority will return employers' premiums of CZK 21,309 to Dvur, s.r.o. Mr Kubelka will claim back CZK 4,074 referring to his employment with Dvur, s.r.o.

10 In 2015, Carriage, s.r.o. acquired a van on a financial lease contract with a total lease value of CZK 1,350,000. The leasing contract is for 54 months, at the end of which the van will be transferred to Carriage, s.r.o. for an additional CZK 1,000. Carriage, s.r.o. paid CZK 350,000 as an advanced rental payment under the lease. The contract was concluded on 1 February 2015 and the van was handed over to Carriage, s.r.o. on 5 March 2015. They paid monthly instalments of CZK 18,518.50 from March 2015.

What is the 2015 tax expense relating to the financial lease of the van for Carriage, s.r.o.?

- A** CZK 250,185
- B** CZK 250,000
- C** CZK 225,000
- D** CZK 185,185

11 Andrea is a tax resident of Belgium. She was employed in the Czech Republic from 1 March to 31 December 2015 and received an annual income of CZK 1,450,000 from her Czech employer Rotor, a.s. Andrea remained in the Belgian social security system throughout the year 2015. In addition to her Czech employment income, in 2015 she had income from the renting out of her house in Brussels of CZK 240,000 net of expenses; and interest income from her Belgian bank account of CZK 2,000 from which tax was withheld at source in Belgium. Andrea has a daughter, Lisa, who stayed with her in the Czech Republic during her employment. Lisa attended a kindergarten and Andrea paid an attendance fee of CZK 9,000 for the period from March to December 2015.

What tax credits is Andrea entitled to use for purposes of her Czech annual tax liability in 2015?

- A** Only the personal tax credit of CZK 24,840
- B** A personal tax credit of CZK 24,840 and a child tax credit of CZK 13,404
- C** A personal tax credit of CZK 24,840 and a child tax credit of CZK 11,170
- D** A personal tax credit of CZK 24,840, a child tax credit of CZK 11,170 and a credit for kindergarten fees of CZK 9,000

12 Which of the following are persons who carry on a business as a secondary activity for social security purposes?

- (1) A pensioner
- (2) A woman with a parent subsidy
- (3) A person employed for a small range of work with a wage of CZK 1,000 or less
- (4) A disabled person with a disability pension

- A** 1, 2 and 4
- B** 1, 2 and 3
- C** 2, 3 and 4
- D** 1, 3 and 4

13 UBA is a company which is tax resident in Country B, a non-EU country which does not have a tax treaty with the Czech Republic. UBA does not have a permanent establishment in the Czech Republic.

Which of the following incomes of UBA will have their source in the Czech Republic?

- (1) UBA owns a house in Brno. They rent it to an American resident company and receive regular rental payments
- (2) The proceeds of the sale of shares in a Czech company Ceska, s.r.o., which UBA sold to a Czech resident company
- (3) The proceeds of the sale of shares in a Czech company CECHIA, a.s., which UBA sold to an American resident company
- (4) UBA leases a production machine to a permanent establishment of an American resident company situated in the Czech Republic

- A** 2 and 4 only
- B** 1 and 3
- C** 1, 2 and 4
- D** 1 and 4 only

14 Roman carries on a family business assisted by his wife. Roman keeps tax documentation and in 2015 he had CZK 2,190,000 of taxable income and CZK 1,000,000 of expenses.

What are the maximum amounts of revenues and expenses which Roman can transfer to his wife's income tax return in 2015?

- A** CZK 876,000 of revenues and CZK 400,000 of expenses
- B** CZK 657,000 of revenues and CZK 300,000 of expenses
- C** CZK 1,095,000 of revenues and CZK 500,000 of expenses
- D** CZK 993,782 of revenues and CZK 453,782 of expenses

15 Which of the following accounting expenses are tax deductible for a company in the tax year 2015?

- (1) A commercial penalty accounted for in 2015 and paid on 21 January 2016 to a supplier for late payment
- (2) The tax residual value of a computer donated to a school
- (3) Marketing expenses for an advertisement in a journal
- (4) Road tax for 2015 paid, with a delay, on 2 January 2016

- A** 1 and 2 only
- B** 3 and 4
- C** 1 and 3
- D** 1, 2 and 4

(30 marks)

Section B – ALL SIX questions are compulsory and MUST be attempted

Please write your answers to all parts of these questions on the lined pages within the Candidate Answer Booklet.

- 1 (a) The tax authority has called on Karolina to prove certain figures stated in her income tax return. The letter from the tax authority was delivered to Karolina on 5 May 2015 and stated an eight-day time limit for the provision of the information. On 8 May 2015, Karolina appealed for an extension of the deadline until 30 May 2015. The tax authority rejected the appeal and notice of this rejection was delivered to Karolina on 5 June 2015.

Required:

- (i) **State, giving reasons, by which date Karolina is obliged to deliver the required documents to the tax authority.** (2 marks)
- (ii) **State whether or not Karolina can appeal against the negative decision of the tax authority.** (1 mark)

- (b) Jiri is a sole entrepreneur, who keeps double entry accounting. He filed his 2014 income tax return in time on Wednesday, 1 April 2015. On 17 August 2015, he realised that he had not included an invoice for services of CZK 258,000 in his 2014 income. Assume that Jiri's income will not be high enough for him to need to pay the solidarity surcharge.

Required:

- (i) **State what Jiri needs to do to resolve this situation.** (1 mark)
- (ii) **Assuming Jiri paid the additional tax due to the tax authority on 30 August 2015, calculate the default interest which will be assessed by the tax authority, clearly identifying the relevant deadlines.**

Note: 5 April 2015 was Easter. (2 marks)

- (c) Projekt, a.s. was assessed to corporate income tax for 2014 of CZK 1,250,000 based on a tax audit. The tax audit was finished on 11 August 2015 and the tax assessment was delivered to Projekt, a.s. on 30 August 2015. The original self-assessed tax in Projekt, a.s.'s income tax return for 2014 was CZK 1,152,000.

Required:

- (i) **Calculate the penalty which will be assessed on Projekt, a.s. by the tax authority.** (1 mark)
- (ii) **State by what date(s) the tax and the penalty should be paid by Projekt, a.s.** (1 mark)
- (iii) **State the extent to which the tax authority may remit the penalty and the conditions to be satisfied for Projekt, a.s. to ask for such remission.** (2 marks)

(10 marks)

- 2** Katerina is employed with KORTES, s.r.o. where she has signed the declaration for personal tax credits. Katerina has three sons – aged 11, 9 and 5 years. She has agreed with her husband that she will claim the child allowance for the two younger sons as a second and third child and use the credit for expense in a pre-school facility. Katerina is also a partner (shareholder) and an executive manager of BYTY, s.r.o., a repair service company.

The following information is applicable to Katerina's employment with KORTES, s.r.o. for January 2015:

- (1) Received a monthly salary of CZK 48,500 and a bonus for 2014 of CZK 60,000.
- (2) KORTES, s.r.o. contributed a monthly payment of CZK 1,200 to Katerina's pension insurance.
- (3) Received a vitamin package with a value of CZK 500 and was vaccinated against the flu in the value of CZK 390.
- (4) KORTES, s.r.o. paid a contribution to her family vacation stay directly to the travel agency of CZK 24,300.

The following information is applicable to Katerina and BYTY, s.r.o. for January 2015:

- (1) Received a remuneration of CZK 5,600 for her work as an executive director.
- (2) Received a remuneration of CZK 9,600 based on contract on work done (*dohoda o provedení práce*) for preparation of a marketing presentation.
- (3) Had at her disposal a business car which she can also use for personal purposes. In January 2015, the ratio of her business trips and personal trips was 60/40. The acquisition price of the car in 2013 was CZK 330,000.

Required:

Calculate the payroll tax deducted from Katerina's incomes in January 2015 by each of KORTES, s.r.o. and BYTY, s.r.o.

(10 marks)

3 Drevovyroba, s.r.o. is a monthly value added tax (VAT) payer. The company produces wooden design products, renders consultancy services for start-ups in the industry and provides premises for both short-term rental (for conferences) and long-term rental (to start-ups).

The following information is applicable to Drevovyroba, s.r.o. for the month of January 2015. All amounts are stated excluding VAT (where applicable) unless stated otherwise.

- (1) Sold products to a Czech final customer, who is a non-VAT payer, for CZK 35,000.
- (2) Sold products to a Slovak distributor, registered for VAT in Slovakia, for CZK 140,000. The delivery document was received before the end of January.
- (3) Sold products to a company in Austria, with a VAT establishment registered in the Czech Republic, for CZK 190,000.
- (4) Rendered consultancy services to a German company, registered for VAT in Germany, for CZK 23,000.
- (5) Rented premises for a two-day conference to a Czech VAT payer for CZK 34,000.
- (6) Rented part of its production hall to Mr Kutil, a non-VAT payer. The rental contract is for the whole of the year 2015 and the rental payment received was CZK 45,000.
- (7) Sold a business car for CZK 100,000 to a non-VAT payer on 15 January. The car had been acquired in 2013 for CZK 250,000, when the related VAT was CZK 52,000. At the time of acquisition, Drevovyroba, s.r.o. applied input VAT in relation to 70% of the car's value.
- (8) Purchased materials from Czech VAT payers for CZK 90,000.
- (9) Purchased materials from a German VAT payer for CZK 290,000.
- (10) A clearance invoice for legal services from a Czech lawyer in the final amount of CZK 34,000 (including VAT) was received on 31 January. An advance payment of CZK 13,000 (excluding VAT) had been paid by Drevovyroba, s.r.o. in December 2014.
- (11) Purchased a car which will be used 80% for business purposes and 20% for the personal usage of the company's executive manager for CZK 350,000.
- (12) Purchased 100 gift items for CZK 250 each and 30 gift items for CZK 800 each. None of these gift items have the logo or name of Drevovyroba, s.r.o. on them. The gifts were all given to the company's trading partners before 31 January 2015.
- (13) Purchased and installed a new heating system in all its production halls, including those which are rented out, for a total of CZK 60,000.

Drevovyroba, s.r.o.'s 2015 advanced coefficient is 0.95.

Required:

Calculate the value added tax (VAT) payable by or refundable to Drevovyroba, s.r.o. for the month of January 2015.

(10 marks)

4 Avera, s.r.o. has three partners (shareholders): AVERA SK, s.r.o, a Slovak tax resident, which holds a 50% share, and Mr Klepeta and Mr Noha who each hold a 25% share. Mr Klepeta and Mr Noha are also the executive managers of Avera, s.r.o. In 2015 the following liabilities were accounted for in Avera s.r.o.'s accounting books:

- (1) A money loan of CZK 14 million from Mr Klepeta for the purchase of stock concluded on 1 June 2014. The interest rate agreed was 12% p.a. which corresponded to the market price at the time of the conclusion of the contract. No payments of principal were made in 2015, but interest was accounted for on an accruals basis and paid as a lump sum amount on 12 March 2016. Mr Klepeta keeps accounting records and he has provided the loan from his business assets.
- (2) A credit of CZK 9 million from a Czech commercial bank provided on 5 November 2013 for the purpose of current operational expenses. Avera, s.r.o. pays regular principal monthly instalments of CZK 250,000 and the outstanding amount as at 31 December 2015 was CZK 2.75 million. The annual interest amount paid in 2015 was CZK 220,000. This credit is guaranteed by the company's assets and life insurances of both Mr Klepeta and Mr Noha for the benefit of the bank.
- (3) An investment credit of CZK 2.1 million from AVERA SK provided on 14 February 2015 for the building of new premises. The construction of the new premises was started immediately and the premises started to be used on 30 November 2015. The credit is repayable on 14 February 2022. On 1 December 2015, Avera, s.r.o. paid a principal instalment of CZK 450,000. The annual interest for 2015 of CZK 189,000 was paid on 30 December 2015, of which CZK 173,250 was accounted for against the acquisition of the asset and CZK 15,750 of December interest was accounted for as an expense. The interest rate is calculated on an arm's length basis.
- (4) An interest-free loan of CZK 10.2 million from Mr Noha, who does not keep accountancy records, provided on 1 June 2015. No instalments have been agreed and the loan is repayable as a lump sum by no later than the end of 2018.

The shareholder's capital (*vlastni* capital) of Avera, s.r.o. as at 1 January 2015 was stated as CZK 6.65 million. On 8 May 2015, the company's general meeting decided to pay shares on profit in the amount of CZK 3.5 million and to pay out part of its reserve fund in the amount of CZK 1.5 million. The company's accounting profit as of the balancing day of 31 December 2015 was stated as CZK 3.54 million.

Required:

For each of the loans (1) to (4), state, with reasons, whether Avera, s.r.o. will be required to make a transfer pricing and/or thin capitalisation adjustment in its 2015 income tax return and calculate the total amount of any adjustments to be made.

(10 marks)

- 5 Pavel Kutny is divorced and has a nine-year-old daughter who lives with her mother. Pavel lives with a new partner, Martina, and her two children, three-year-old twins, Michal and Martin. Pavel and Martina married on 15 February 2015 and have a daughter, Linda, born on 5 April 2015.

Up until August 2015 Martina was on maternity leave and after that on parents' vacation. She also carries on her own business, producing hand-made jewellery. In 2015, Martina's income was: CZK 45,000 maternity leave compensation, CZK 46,000 parents' subsidy and CZK 15,000 from her business.

Pavel is employed with Service, s.r.o., and also runs a business as a real estate consultant and is a partner in Reality, v.o.s. where he has a 50% share. In 2015 Pavel received the following incomes:

- (1) His monthly salary from Service, s.r.o. is CZK 45,000. In 2015 he received this salary in all months except July, when he received CZK 20,000 as salary, CZK 12,000 as compensation for vacation and CZK 16,700 as compensation for illness, of which CZK 8,000 was according to the Labour Code and legislation on social security premiums and the rest was paid based on the company's internal regulations. The total payroll tax withheld from Pavel's income for the year 2015 was CZK 38,500.
- (2) In September he concluded two additional contracts on work done (*dohoda o provedení práce*) with Service, s.r.o. From the first contract he earned CZK 8,000 and from the second CZK 7,500.
- (3) Service, s.r.o. pays him a regular lump sum compensation for the amortisation of his own computer, which he uses in his work for Service, s.r.o., of CZK 200 per month.
- (4) Reality, v.o.s. had the following accounting results in 2015: CZK 976,000 of taxable income and CZK 1,320,000 of tax deductible expenses. The statute of association stipulates division of the accounting profit/loss according to the shares of the partners.
- (5) As an independent consultant he earned CZK 845,000 in 2015. Pavel started his business in 2012 based on trade licence and keeps tax documentation. The following expenses were paid in 2015:

	CZK
(i) 2015 advance payments of social security and health insurance premiums	31,000
(ii) Road tax	1,800
(iii) Rental payments for office premises	80,000
(iv) Net wages of two employees	199,000
(v) Advance tax withheld from employees' wages	14,100
(vi) Social security and health premiums relating to employees' wages (both for employees and employer)	106,500
(vii) Other tax deductible expenses	11,000
	443,400

- (6) Pavel leases an apartment to Mr Krizek for an annual amount of CZK 150,000. Pavel bought this apartment in 2012 for CZK 2 million, financing it from a mortgage. He paid mortgage interest in 2015 of CZK 65,000.
- (7) Pavel acquired some shares in Datel, a.s. for CZK 67,000 on 5 January 2015 and sold these shares on 6 November 2015 for CZK 120,000.
- (8) Pavel pays his own pension insurance of CZK 2,000 per month.
- (9) Pavel does not use a tax adviser to submit his tax return.

Required:

- (a) **Prepare Pavel's 2015 income tax return and calculate his tax payable.** (14 marks)
- (b) **State the due date for filing Pavel's 2015 income tax return.** (1 mark)

(15 marks)

6 ArchStudio, s.r.o. (ARCHSTUDIO) is a Czech resident company, with its seat in Prague. The company's tax return is prepared by a tax adviser. In 2015, ARCHSTUDIO's accounting profit was CZK 879,000 and the following information is relevant for preparing the company's 2015 corporate tax return. All transactions were accounted for in accordance with the accounting regulations to accounting groups 6 and 50–58.

- (1) ARCHSTUDIO employs eight architects and ten technical and administrative employees. ARCHSTUDIO paid member fees of CZK 48,000 to the Czech Chamber of Architects, a compulsory professional association of architects.
- (2) ARCHSTUDIO paid two students of architecture a motivation contribution of CZK 6,700 per month each during the period March to June 2015. The students each spent 79 hours with the company based on a contract with Faculty of Architecture within a practical study.
- (3) ARCHSTUDIO purchased theatre tickets for its employees in the amount of CZK 14,300.
- (4) In September somebody broke into ARCHSTUDIO's garages and stole a business van. The 2015 tax depreciation value of the van was CZK 420,000, and its accounting residual value was CZK 350,000. The police finalised their investigation in December but they did not find the trespasser. The insurance company paid ARCHSTUDIO CZK 300,000 as compensation for the loss.
- (5) ARCHSTUDIO's receivables as at 31 December 2015 included the following:

Debtor	Type of supply	Nominal value CZK	Payable on	Note
Mr Kratky	Services (project)	580,000	24 December 2013	ARCHSTUDIO has taken part in court proceedings. A 33% tax provision was created in 2014, no accounting provision was created in 2015
Mr Dlouhy	Services (project)	380,000	15 March 2014	No court proceedings have been initiated. No accounting provision was created in either 2014 or 2015

- (6) ARCHSTUDIO acquired a two-year-old copy/print machine (group 1) from a shop selling second-hand administrative machines for CZK 180,000 on 1 July 2015. The company used the straight-line method for tax depreciation of the machine. The 2015 accounting depreciation charge for the machine was CZK 40,000.
- (7) ARCHSTUDIO sold a business car (group 2) for CZK 200,000. This car (CAR 1) was first included in its business usage on 1 March 2014 with an input price of CZK 300,000. The 2015 accounting depreciation charge for CAR 1 was CZK 55,000 and its residual value was CZK 150,000. The company used accelerated tax depreciation for CAR 1.
- (8) ARCHSTUDIO donated CZK 50,000 to a grammar school to support an art competition among its students.
- (9) A customer did not pay an invoice in time. According to the contract, the customer was obliged to pay contractual default interest of CZK 15,000 but the interest had not been paid by the end of 2015.
- (10) On 15 February 2016, ARCHSTUDIO paid social security premiums of CZK 35,200, which had been deducted from their employees' December 2015 wages.
- (11) A business car (CAR 2) was liquidated due to damage sustained in a crash and the insurance company paid ARCHSTUDIO compensation of CZK 95,000. The tax residual value of CAR 2 was CZK 120,000, and its accounting residual value was CZK 65,000.
- (12) ARCHSTUDIO has established a kindergarten for their employees. The expenses to operate this kindergarten in 2015 were CZK 458,000 and ARCHSTUDIO treated these expenses as tax deductible. The kindergarten fees received from the parents amounted to CZK 340,000 for 2015.

Required:

- (a) Prepare ArchStudio s.r.o.'s 2015 corporate income tax return and calculate the tax payable. (13 marks)
- (b) State the due date for filing ArchStudio s.r.o.'s 2015 corporate income tax return, who will be responsible for filing the return and the type of mailing channel to be used. (2 marks)

(15 marks)

End of Question Paper