

Taxation (CZE)

Sample Questions – September 2020

Get to know your exam

These graphical representations are intended to give an indication of past exam requirements and associated question content.

Please note that you will not be able to complete answers within these documents and in isolation they will not sufficiently prepare you for your exam.

We encourage you to visit the ACCA Practice Platform in order to attempt up to date practice exams within the computer-based exam environment.

Introduction screen



Introduction

This practice exam indicates how the live exam will be structured and assessed, and the likely style and range of questions that could be asked.

You should use the practice exam to become familiar with the question types and the features and functionality contained within the live exam.

The practice exam is reflective of the live exam experience but has some differences:

- The live exam will be timed, however there is no time limit in this exam.
- If you want to sit this exam in exam style conditions you should answer the questions presented within the time allowed for your live exam.
- Once you have started this exam you are able to leave at any time by closing the browser window. When you return, anything you have entered into the response options will be saved and you can continue sitting the exam.
- In the live exam your answers to the constructed response questions will be expert-marked. At the end of this exam, all objective test questions (OTs) be auto-marked however you should use the solution material provided to assess your performance in the constructed response questions.
- You will be able to access solution material at the end of this exam when using the Self-Marking resources which include a Marking Guide and/or Sample Answer for each question. If you wish to access these without completing the questions, click on [End Exam](#) on the Item Review Screen and navigate to the Marking tab on the Dashboard to Self-Mark.

Instruction screens


Instructions (1 of 4)

The instructions displayed below are representative of those displayed in the live exam. Where there are differences between this exam and the live exam these are explained.


General Instructions

- In this exam, the instruction screens are not timed however in the live exam they will be available for a maximum of 10 minutes prior to the exam starting.
- In the live exam, the stated exam time will automatically start once the 10 minute period has passed (or earlier if you choose to start the exam within the 10 minute period).
- A copy of the instruction screens can be accessed at any time during the exam by selecting the Help button provided.

Answering and Navigating

- Please read each question carefully.
- The question number you are viewing is displayed in the top display bar. You can hide or restore this display by selecting .
- You can navigate between screens by selecting **Next→** or **←Previous**, or by clicking on a question number from the Navigator or Item Review screens.
- A warning message will display to remind you that you cannot navigate away from a question if you have not viewed all of the question content. Ensure that you use all scrollbars and/or open any on-screen exhibits before navigating from each question.
- Some questions have the scenario and answer area divided by either a horizontal or vertical splitter bar. You can move this splitter bar to see more or less of the scenario or answer area.
- Please ensure you provide an answer for all elements of each question.
- You can revisit questions and change your answers at any time during the exam.




Flag for Review

- If you wish to revisit/review a question later in the exam, click  **Flag for Review**
- Click the button again if you no longer wish to revisit/review the question later in the exam.


Instruction screens (continued)

Instructions (2 of 4)



Help

- Click the **Help** button provided to access:
- A copy of these exam instructions.
- Help and guidance on constructed response questions. (in the constructed response section of the exam only).
- Formulae sheets/tax tables if your exam requires these. Note that the name of the Help button will indicate if formulae sheets/tax tables are available i.e.  **Help**,  **Help/Formulae Sheet** or  **Help/Tax Tables**


Calculator

- You have the option to use the on-screen standard or scientific calculators by selecting  **Calculator**
- Note that in the live exam you are also permitted to use your own calculator providing it does not have the facility to store or display text.

Highlight and Strikethrough

- You can highlight key phrases or figures in the question scenario by selecting  **Highlight**
- You can strikethrough text in the question scenario by selecting  **Strikethrough**
- Highlighted and strikethrough text will be displayed on all questions relating to the scenario.

Workings/Scratch Pad

- You may use an on-screen Scratch Pad to make notes/workings by selecting  **Scratch Pad**
- The Scratch Pad retains all notes/workings entered for all questions and these are available for the duration of the exam. They will not be submitted for marking after your live exam.
- You will also be provided with paper for notes/workings for your live exam, should you prefer to use it. This will not be submitted for marking. It will be collected at the end of the exam and must not be removed from the exam room.
- Important:**
 - The notes/workings entered onto the Scratch Pad or your workings paper during the live exam will not be marked.
 - If you want the marker to see any notes/workings for questions in the constructed response section of the live exam you must show them within the answer areas.

Instruction screens (continued)

Instructions (3 of 4)

Copy and Paste

- You can copy and paste from the Scratch Pad or question scenario into your answers in the constructed response section of the exam by using the Ctrl-C (Copy) and Ctrl-V (Paste) shortcuts. **Note:** When pasting into a spreadsheet in the live exam you must double-click the cell or paste directly into the formula bar. In this exam you can also paste into the spreadsheet by selecting the cell.

Symbol

- You can add a selection of currency symbols to your answers in the constructed response section of the exam by selecting **\$ Symbol** on the top toolbar.

Navigator Screen

- The Navigator screen can be accessed at any time during the exam by selecting **Navigator**
- This screen allows you to jump to any question number in the exam.
- It also allows you to see the status of questions and whether they have been viewed, are complete or incomplete, or have been flagged for review.

Close All

- You can close each window (eg. Calculator or Scratch Pad) individually or you can close multiple windows by selecting **Close All** on the top toolbar.

Reviewing the Exam

- You can review your exam once you have attempted any, or all, of the questions.
- To do this:
 - Navigate to the **last question** in the exam.
 - Click **Next→**
- This takes you to the Item Review screen.

Instruction screens (continued)

Instructions (4 of 4)

Item Review Screen

- This screen gives you an opportunity to see the flag and completion status of all questions before you exit the exam.
- You can select individual questions you wish to revisit, or quickly access groups of questions from the Item Review screen.
- During the item review period Navigator is not available however you can navigate to questions by selecting **Next→** , **← Previous** or **⇌ Review Screen**
- When reviewing questions you can change your answer and click **⇌ Review Screen** to view any updated status on the Item Review screen.

Ending the Exam

- Once you have completed your item review and wish to finally end the exam click **⇌ End Exam**
- Once you end the exam, you cannot revisit any questions.

Select **Next** to move to the Exam Summary screen.

Exam summary screen

Taxation - Czech Republic (TX - CZE) Sample Questions - September 2020

Time allowed: This sample exam is not timed.

This exam is divided into two sections:

Section A

- 15 objective test (OT) questions, each worth 2 marks.
- 30 marks in total.

Section B

- Six constructed response questions that may contain a scenario which relates to one or more requirement(s).
- Each constructed response question is worth 10 or 15 marks in total.
- 70 marks in total.

All questions are compulsory.

Select **Next** to start your exam.

← Previous Next →

Sample exam questions

Section A – summary screen

Taxation - Czech Republic (TX - CZE) Sample Questions - September 2020

Flag for Review

Section A

This section of the exam contains **15 objective test (OT) questions**.

Each question is worth **2 marks** and is compulsory.

This exam section is worth **30 marks** in total.

Important:

1. Calculations and workings need only be made to the nearest whole unit of currency, if the law does not require otherwise.
2. All apportionments should be made to the nearest month.

Select **Next** to continue.

Navigator

Next →

Section A - questions

Taxation - Czech Republic (TX - CZE) Sample Questions - September 2020

1 of 23

\$ Symbol

▼ Highlight

✖ Strikethrough

🧮 Calculator

📝 Scratch Pad

Close All Flag for Review

Klaudia is single with no children and rents out her flat in Prague to tourists. She charges the tourists CZK 3,000 per day.

Klaudia rented out her flat for 180 days in the year 2019. Her monthly service charges (electricity, heating, etc.) are CZK 6,000.

Klaudia does not have any other income in the year 2019.

What is Klaudia's personal income tax liability for 2019, using the most efficient way of taxing the rental income?

☐ CZK 45,360

☐ CZK 31,860

☐ CZK 56,700

☐ CZK 21,060

Okruhý, a.s. is a Czech value added tax (VAT) payer producing children's toys. It had the following sales in 2019:

(1) EU sales of CZK 1.2 million

(2) Local sales to Czech customers of CZK 2 million

(3) Export to third countries of CZK 0.5 million

(4) Rental of spare storage space to private individuals of CZK 0.6 million

What is Okruhý, a.s.'s VAT advance coefficient for 2020?

☐ 0.84

☐ 0.74

☐ 0.86

☐ 1.0

Section A – questions (continued)

Which of the following scenarios will create a Czech permanent establishment for the foreign company from a Czech corporate income tax perspective?

- (1) A Russian company with a sales office in Olomouc, Czech Republic, through which it sells products to Czech customers
- (2) A Slovak company which rents out a warehouse facility (including logistical services) in Brno, Czech Republic, for the storage of products which are sold to Czech customers
- (3) A senior manager seconded from a Hungarian headquarter company to a Czech sister company to provide management services for 15 months
- (4) A representative of a German company who concludes contracts in the Czech Republic which are legally binding for the German company

- ☐ 1, 3 and 4
- ☐ 2 and 4
- ☐ 1, 2 and 3
- ☐ 1 and 4 only

Livia worked during the year 2019 for only one employer and she would like to ask him for her 2019 annual reconciliation. Livia would like to apply her paid life insurance and interest.

By which date must Livia present her life insurance and interest documents to her employer so that he can perform her 2019 annual reconciliation?

- ☐ 31 January 2020
- ☐ 15 February 2020
- ☐ 20 February 2020
- ☐ 31 March 2020

Helsbrown Ltd, an entity established in the UK, is registered for Czech value added tax (VAT). It has a warehouse located in Plzeň, Czech Republic. The company responsible for Helsbrown Ltd's logistics across Europe is seated in Ostrava, Czech Republic. The tax advisory consulting company responsible for Helsbrown Ltd's VAT filings is seated at Prague 3, Czech Republic.

Which is the locally competent authority for Helsbrown Ltd for Czech VAT purposes?

- ☐ Tax Office for Plzeň
- ☐ Specialised Tax Office seated in Prague
- ☐ Tax Office for Moravian-Silesian region seated in Ostrava
- ☐ Tax Office for Prague 3

Section A – questions (continued)

Stromovky, s.r.o. is considering the donation of its obsolete printing machines to the local elementary school in Cheb, Czech Republic, and would like to deduct this gift from its 2019 corporate income tax base.

Stromovky, s.r.o.'s 2019 tax base amounts to CZK 1.2 million before any adjustments to the tax base have been made with respect to this donation. The tax residual value of the printing machines is CZK 150,000 and their total purchase price is CZK 450,000.

What is the total amount which can be deducted from Stromovky, s.r.o.'s 2019 corporate income tax base in respect of this donation?

- ☐ CZK 135,000
- ☐ CZK 165,000
- ☐ CZK 150,000
- ☐ CZK 120,000

Which of the following are tax exempt income for 2019 personal income tax purposes?

- (1) House inherited from grandfather
- (2) Sale of shares for CZK 120,000 acquired in January 2018 for CZK 86,000
- (3) Occasional income of CZK 10,000 from personal car rental to a friend
- (4) Life insurance benefit from life insurance contract

- ☐ 1, 3 and 4
- ☐ 2 and 4 only
- ☐ 1, 2 and 4
- ☐ 1 and 3 only

Saldea, s.r.o. depreciates its assets using the accelerated depreciation method.

Saldea, s.r.o. has depreciated a production machine (depreciation group 3) since it was purchased in 2015. The production machine was purchased for CZK 350,000 and at the end of 2018 its tax residual value was CZK 250,000.

In 2019 the production machine has been technically appreciated by CZK 80,000.

What are the tax depreciation costs of Saldea, s.r.o. in 2019, with respect to the production machine?

- ☐ CZK 43,000
- ☐ CZK 66,000
- ☐ CZK 55,000
- ☐ CZK 33,000

Section A – questions (continued)

Gumarny, s.r.o. has a financial year end of 31 July each year and its accounts are audited.

What is the deadline for the submission of Gumarny, s.r.o.'s 2019 corporate income tax return?

- ☐ 1 November 2019
- ☐ 1 July 2020
- ☐ 1 February 2020
- ☐ 31 January 2020

Halibaria, a.s., a Czech established company, is an unlimited partner in Volomar, v.o.s. and a limited partner (*komanditista*) in Kolomar, k.s. The profits in both Volomar, v.o.s. and Kolomar, k.s. are split according to the business share of the partners. Halibaria, a.s. also has a business share in its subsidiary company Halibarka, s.r.o.

The following tax bases and shares apply:

Entity	2019 tax base	Halibaria, a.s.'s share
	CZK	%
Halibaria, a.s.	500,000	N/A
Volomar, v.o.s.	700,000	30
Kolomar, k.s.	200,000	40
Halibarka, s.r.o.	100,000	20

What is Halibaria, a.s.'s tax base in 2019?

- ☐ CZK 790,000
- ☐ CZK 710,000
- ☐ CZK 580,000
- ☐ CZK 810,000

Offices, a.s. is a Czech value added tax (VAT) payer which rents out office spaces in Prague to Market, s.r.o., a small marketing agency and Czech VAT payer.

In May 2019, Offices, a.s. charged Market, s.r.o. CZK 100,000 for rental services and CZK 50,000 for office reconstruction work. Both parties agreed to exercise the option to charge output VAT on rental services.

What is the total VAT payable by Office, a.s. for May 2019?

- ☐ CZK 31,500
- ☐ CZK 10,500
- ☐ CZK 0
- ☐ CZK 21,000

Section A – questions (continued)

Richard has his own business providing garden maintenance. His son, Albert, is living in common household with Richard and has helped him throughout the year 2019. Richard decided to allocate part of his income to Albert in 2019.

Richard's 2019 taxable base from his business activity is CZK 1,350,000.

What is Richard's social security contribution for 2019?

- ☐ CZK 170,820
- ☐ CZK 137,970
- ☐ CZK 341,640
- ☐ CZK 118,260

Filip's 2018 personal income tax liability was CZK 140,000 and his personal income tax return for 2018 was filed by his Czech tax advisor. His 2018 personal income tax liability payable was CZK 80,000.

Later in the year 2019, Filip realised that he had made a mistake in his bank transfer when settling his tax liability and the tax office has imposed late payment interest on him for 120 days.

What are the late interest penalties the tax office will impose on Filip?

- ☐ CZK 4,143
- ☐ CZK 4,800
- ☐ CZK 8,400
- ☐ CZK 7,249

Daniel is a single German citizen with no children. He does not have any permanent home in Germany.

Daniel works in Liberec, Czech Republic, where he rented out a flat for the whole of 2019 and this is the place of his vital interests. In 2019, he spent 210 days working in Liberec, and the rest of 2019 was spent travelling in Asia.

In 2019, Daniel had the following income:

- Employment income from work performed in Liberec
- Sale of shares in a German joint stock company
- Sale of a personal car to his friend in Liberec, which Daniel bought in Germany

Which of the following statements is correct with respect to Daniel and his Czech personal income tax position?

- ☐ Daniel is Czech tax resident and his worldwide income is taxed in the Czech Republic, unless the Czech/German double tax treaty stipulates otherwise
- ☐ Daniel is Czech tax non-resident and his worldwide income is taxed in Germany, except the employment income which will be taxed in the Czech Republic
- ☐ Daniel is Czech tax resident and his worldwide income is taxed in the Czech Republic, except the income from the sale of shares in the German joint stock company
- ☐ Daniel is Czech tax non-resident and only his Czech sourced income is taxed in the Czech Republic, unless the Czech/German double tax treaty stipulates otherwise

Section A – questions (continued)

Lopital, Kft., a Hungarian established company, is registered for Czech value added tax (VAT).

Lopital, Kft. organises educational conferences in Prague, Czech Republic. In May 2019, it issued an invoice for a conference taking place in Prague to its client, Bliebet, GmbH, a German established company. The conference participants were employees of Bliebet, GmbH's Spanish sister company.

Where is the place of taxable supply for the invoice issued by Lopital, Kft. to Bliebet, GmbH in May 2019?

- ☐ Hungary
- ☐ Germany
- ☐ Czech Republic
- ☐ Spain

Section B – summary screen

Section B

This section of the exam contains **six constructed response questions**.

Each question may contain a scenario which relates to one or more requirement(s) which may be split over multiple question screens.

Each question is worth **10 or 15 marks** and is compulsory.

This exam section is worth **70 marks** in total.

Important

1. Calculations and workings need only be made to the nearest whole unit of currency, if the law does not require otherwise.
2. All apportionments should be made to the nearest month.
3. In your live exam you must:
 - Enter your answer for each question in the response area provided for that question. Any answers entered into a response area provided for a different question will not be marked.
 - Show all notes/workings that you want the marker to see within the response area provided for the question. Remember, any notes/workings made on the Scratch Pad or on your workings paper will not be marked.

Select **Next** to continue.

Section B – questions

Scenario 1

Taxation - Czech Republic (TX - CZE) Sample Questions - September 2020

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✎ Scratch Pad

This scenario relates to requirement (b) only.

Marketa, a private entrepreneur, has a small hairdressing salon and is a quarterly Czech value added tax (VAT) payer. Since her registration she has always been in a payable position. However, for the first quarter of 2019, Marketa declared an excess VAT deduction of CZK 0.5 million. Her tax advisor has pointed out that this VAT return might result in the local tax office initiating various tax administration procedures.

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Help/Tax Tables

Section B – questions (continued)

Scenario 1: requirements

(a)(i) Briefly explain the difference between direct and indirect taxation in the Czech Republic.

(2 marks)

(ii) State two examples of a direct tax and two examples of an indirect tax, indicating for each example who bears the tax and who pays the tax.

(6 marks)

A rich text editor toolbar with icons for undo, redo, search, bold, italic, underline, strikethrough, subscript, and superscript. Below the toolbar is a paragraph dropdown menu, a table icon, and alignment options (left, center, right, justified). The text area is empty.

(b) State two tax administration procedures (*postupy při správě daní*) which the tax office might initiate in respect of Marketa's VAT return.

Note: You should state the correct names for the two procedures you identify as per the relevant tax legislation.

(2 marks)

(10 marks)

A rich text editor toolbar with icons for undo, redo, search, bold, italic, underline, strikethrough, subscript, and superscript. Below the toolbar is a paragraph dropdown menu, a table icon, and alignment options (left, center, right, justified). The text area is empty.

Section B – questions (continued)

Scenario 2

Taxation - Czech Republic (TX - CZE) Sample Questions - September 2020

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This scenario relates to one requirement.

Ramona is married to Mario and they have a 12-year-old son. She is employed as a cleaner at Hobouklid, s.r.o., a household and office cleaning company based in Trutnov, Czech Republic. Ramona is disabled and is regarded as having a first degree disability. She receives a pension in accordance with the law.

The following information is relevant for Ramona for the month of November 2019:

- (1) Ramona has a monthly gross salary of CZK 27,000.
- (2) Hobouklid, s.r.o. provides Ramona with a free monthly public transport ticket worth CZK 850. She uses the ticket for travelling to clients and for her private travel to and from work.
- (3) Ramona received free work clothes displaying the company logo which cost Hobouklid, s.r.o. CZK 4,500. She is obliged to wear these clothes during working hours at her clients'.
- (4) Ramona received meal vouchers worth CZK 1,800 and she does not incur any salary deduction in respect of these. She also received a free influenza vaccination worth CZK 2,500.
- (5) Ramona went on a business trip to Prague and received per diems of CZK 1,500, of which only CZK 1,000 met the legal requirements for per diems set by the Czech legislation.
- (6) Ramona's salary is under execution by seizure (*exekuce na plat*) and Hobouklid, s.r.o. incurs monthly costs of CZK 200 with respect to payment of this execution.
- (7) Ramona received an interest free loan of CZK 280,000 from Hobouklid, s.r.o. which is repayable in five years. Monthly interest in respect of this loan would amount to CZK 1,400.
- (8) One of Ramona's regular clients, seated in an office building, offered her free non-alcoholic drinks. There is no special agreement for such gifts between Hobouklid, s.r.o. and the client. In November 2019, Ramona consumed drinks worth CZK 300 at the client premises.
- (9) Hobouklid, s.r.o. has contributed CZK 1,000 to Ramona's private life insurance. These contributions do not meet the criteria set by the Czech tax legislation.
- (10) Ramona received a book voucher for CZK 500 to buy children's books for her son.

Other information:

- (11) Ramona incurs monthly expenses of CZK 800 for her son to attend pre-school.
- (12) Ramona's husband Mario applies the tax credit for their son in respect of his employment but not the pre-school expense.

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Help/Tax Tables

Section B – questions (continued)

Requirements for Scenario 2

Calculate Ramona's total payroll tax payable for November 2019.

Note: Your answer should indicate clearly by use of zero (0) any of the items not included in your calculation.

(10 marks)

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Section B – questions (continued)

Scenario 3

Taxation - Czech Republic (TX - CZE) Sample Questions - September 2020

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This scenario relates to one requirement.

Digihouse, s.r.o. (Digihouse) is a company seated in Prague, Czech Republic, which is registered for value added tax (VAT). The company provides web hosting services globally.

In April 2019, Digihouse had the following transactions (all amounts are exclusive of VAT unless stated otherwise):

Sales


- (1) Digihouse provided web hosting services to Czech customers (all Czech VAT payers) for CZK 250,000.
- (2) Digihouse provided web hosting services to a company in Norway for CZK 100,000. The webpage of the Norwegian customer was stored on a server located in the Czech Republic.
- (3) Digihouse supplied microprocessors to the following customers:

Customer	CZK
Czech customer, a Czech VAT payer	300,000
Danish customer, a Danish VAT payer	200,000

- (4) Digihouse sold an old server located in the Prague office for CZK 35,000 to one of its employees. The market value of the server was CZK 45,000.

Purchases

- (5) Digihouse paid software license fees to its German parent company of CZK 80,000.
- (6) Digihouse purchased a new server from a supplier in Italy for CZK 150,000. The server was delivered directly from the Netherlands where the Italian supplier has its warehouse.
- (7) Digihouse paid fees of CZK 60,000 to one of its software engineering supplier companies seated in the United States of America (USA). An engineer came from the USA to Prague for one week to fix a software issue.
- (8) Digihouse acquired local office supplies for CZK 13,000 directly from a shop in Prague city centre. The supplies were delivered by a Prague taxi company, which is a Czech non-VAT payer, at a cost to Digihouse of CZK 500.
- (9) Digihouse purchased mobile phones for its employees for CZK 75,000 from a Czech VAT payer.
- (10) Digihouse purchased food and non-alcoholic drinks for CZK 15,000 for client meetings. Of this amount, food and drink costing CZK 5,000 was consumed at after work parties which Digihouse organises regularly for its employees.

 Help/Tax Tables

Section B – questions (continued)

Requirements for Scenario 3

Calculate the Czech VAT payable by or refundable to Digihouse, s.r.o. for April 2019.

Notes:

1. Your answer should indicate clearly by the use of zero (0) any of the items in the question not included in the calculation.
2. Germany, Italy and the Netherlands are European Union (EU) member states. The United States of America and Norway are not EU member states.

(10 marks)

Edit Format

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A1

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Section B – questions (continued)

Scenario 4

Taxation - Czech Republic (TX - CZE) Sample Questions - September 2020

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This scenario relates to two requirements.


Filmoteka, a.s. (Filmoteka) is a Czech established company producing movies and TV series. Filmoteka's tax advisor has prepared its 2019 corporate income tax calculation using the following figures:

	CZK
Accounting profit	1,900,000
Items increasing the tax base	250,000
Items decreasing the tax base	150,000

However, the statutory representative of Filmoteka forgot to mention to the tax advisor important information about the following items which may be relevant for the 2019 corporate income tax liability calculation:

- (1) Total interest costs of CZK 280,000 recorded in the company's accounts relate to a loan of CZK 9 million from Filmoteka's 100% holding company. The loan was acquired in 2015 and is repayable in full in April 2020. Filmoteka's equity (*vlastní kapitál*) as at 1 January 2019 amounted to CZK 2 million. On 30 November 2019, Filmoteka's board of directors decided to release other capital funds of CZK 500,000.
- (2) In 2012, Filmoteka incurred a tax loss of CZK 2.6 million, of which CZK 300,000 has not been utilised. In 2017, it incurred another tax loss of CZK 700,000, of which CZK 400,000 has not been utilised.
- (3) Filmoteka develops new movie recording techniques. The development project meets all the criteria for research and development as stipulated by the Czech tax legislation. The total amount of direct costs related to this project is CZK 320,000 in 2019.

Items (1) to (3) were all accounted for in line with the Czech accounting principles.

 Help/Tax Tables

Section B – questions (continued)

Requirements for Scenario 4

(a) Calculate the final 2019 corporate income tax liability payable by Filmoteka, a.s. (8 marks)

Edit Format

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(b) Briefly explain the rules for the utilisation of carried forward corporate income tax losses and state the latest year's tax base against which Filmoteka, a.s. can offset its losses from 2012 and 2017. (2 marks)





(10 marks)

Paragraph A B C D E F G H I J K L M N O P Q R S T U V W X Y Z AA AB AC AD AE AF AG AH AI AJ AK AL AM AN AO AP AQ AR AS AT AU AV AW AX AY AZ BA BB BC BD BE BF BG BH BI BJ BK BL BM BN BO BP BQ BR BS BT BU BV BW BX BY BZ CA CB CC CD CE CF CG CH CI CJ CK CL CM CN CO CP CQ CR CS CT CU CV CW CX CY CZ DA DB DC DD DE DF DG DH DI DJ DK DL DM DN DO DP DQ DR DS DT DU DV DW DX DY DZ EA EB EC ED EE EF EG EH EI EJ EK EL EM EN EO EP EQ ER ES ET EU EV EW EX EY EZ FA FB FC FD FE FF FG FH FI FJ FK FL FM FN FO FP FQ FR FS FT FU FV FW FX FY FZ GA GB GC GD GE GF GG GH GI GJ GK GL GM GN GO GP GQ GR GS GT GU GV GW GX GY GZ HA HB HC HD HE HF HG HI HJ HK HL HM HN HO HP HQ HR HS HT HU HV HW HX HY HZ IA IB IC ID IE IF IG IH II IJ IK IL IM IN IO IP IQ IR IS IT IU IV IW IX IY IZ JA JB JC JD <

Section B – questions (continued)

Scenario 5

Taxation - Czech Republic (TX - CZE) Sample Questions - September 2020


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This scenario relates to one requirement.

Erik is a Czech private entrepreneur with a franchised ski and bike rental shop based in Blatne, Czech Republic. Erik is married to Svetlana and they have two daughters aged 12 and 20.

The following information relates to Erik and his entrepreneurial activities in 2019. All revenues and costs were received and paid in the year 2019 unless stated otherwise.

- (1) Erik had total revenues of CZK 2,500,000 and he applies actual costs.
- (2) Erik incurred costs of CZK 52,350 in a local newspaper advertising his ski and bike rental services.
- (3) In December 2019, Erik sponsored a local cross-country skiing competition organised by the local municipality by donating three pairs of skis for sport purposes as defined by the Czech tax legislation. All skis were brand new and cost Erik CZK 8,000 for each pair.
- (4) Erik's total annual rental cost for the shop premises in Blatne was CZK 240,000. In accordance with the landlord's consent, Erik has subleased a small storage space (10% of the total rental space) to his friend free of charge.
- (5) According to the franchise agreement, Erik has to pay fees of 7.5% of his total revenues from the previous year to the franchisor. Erik's 2018 revenues were CZK 1,800,000.
- (6) Erik has two employees. The total salary costs were CZK 180,000, of which CZK 50,000 related to social and health insurance which was all settled by 31 December 2019.
- (7) Erik provides an annual lump sum of CZK 18,000 (CZK 9,000 each) for his two employees to use to acquire tools to conduct bike repairs.
- (8) Erik has concluded a long term rental agreement with a local sport club in Blatne for the rent of four branded bikes. In February 2019, Erik acquired the four branded bikes (depreciation group 2) for CZK 85,000 each, and he has decided to apply straight line depreciation.
- (9) Erik's father gave Erik a used ski grinder worth CZK 35,000 which Erik included in his business assets and sold at the end of the year 2019 for CZK 25,000. This revenue is included in the total revenue of CZK 2,500,000 as stated in note (1).

 Help/Tax Tables

Section B – questions (continued)

Scenario 5 (continued)

Other information

- (10) In October 2019, Svetlana sold a cottage in Beskydy, Czech Republic, for CZK 200,000 which she acquired before she married Erik.
- (11) Throughout 2019, Erik's eldest daughter went to a Spanish language school in Madrid, Spain, where she also worked as a part time waitress earning CZK 175,000 annually.
- (12) Since March 2019, Erik paid mortgage interest of CZK 360,000 on the mortgage of his house in Blatne in which he resides.
- (13) Erik paid CZK 17,000 for his, and CZK 15,000 for his wife's, life insurance which met all the conditions as stipulated by the Czech tax legislation.
- (14) In August 2019, Erik donated blood free of charge to a local hospital in Jihlava, Czech Republic.
- (15) Erik's 2018 personal income tax return was prepared by a Czech tax advisor, based on which he started to pay quarterly tax advances of CZK 53,200. He has never paid tax advances before. Erik's 2019 personal income tax return will be prepared by the same Czech tax advisor.
- (16) Svetlana did not have any other income during the year 2019 except the income mentioned in note (10).

? Help/Tax Tables

Requirements for Scenario 5

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Section B – questions (continued)

Scenario 6

Taxation - Czech Republic (TX - CZE) Sample Questions - September 2020

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This scenario relates to one requirement.

Staraliance, a.s. (Staraliance), seated in Prague, Czech Republic, is an operator of private jets across Europe. In 2019, its accounting profit was CZK 12 million and the following information is relevant for its 2019 corporate income tax return. All transactions were accounted for in accordance with the Czech accounting principles.

- (1) Staraliance's tax depreciation cost in respect of its own tangible assets was CZK 4.0 million and its accounting depreciation cost was CZK 2.5 million. The accounting depreciation cost in respect of Staraliance's low value assets was CZK 70,000.
- (2) Staraliance depreciated the technical appreciation on a building which is rented from Prague Airport Company, and is supported by a written agreement between the two companies. The total tax depreciation cost in respect of the technical appreciation of the rented building was CZK 80,000 in 2019. This cost was not accounted for by Staraliance.
- (3) Staraliance depreciated navigation software used in its aircraft as follows:

Purchase price of the software	CZK 180,000
Date of acquisition	5 May 2018
Accounting depreciation costs in 2019	CZK 50,000
- (4) In 2015, Staraliance bought a piece of land near Prague Airport for CZK 5.2 million, as it intended to build a new hangar for its aircraft. Due to a change in business strategy, in October 2019 it sold this land for CZK 4.8 million. During 2019, before the sale of the land, Staraliance engaged lawyers and real estate agents with respect to this sale at a cost of CZK 100,000.
- (5) In 2018, Staraliance created tax provisions for receivables with a nominal value lower than CZK 30,000 which were more than 12 months overdue. The total provision was CZK 800,000 in 2018. At 31 December 2019, Staraliance had total receivables of CZK 42 million. Staraliance decided to write off receivables which were more than one year overdue. The total amount of receivables written off was CZK 1.5 million, of which CZK 0.5 million were receivable with a nominal value lower than CZK 30,000. No tax provisions for receivables were created in 2019.
- (6) The following information relates to two of Staraliance's liabilities:
 - CZK 620,000 to a Spanish vendor which has been overdue since June 2016 and remained unsettled at the 2019 year end.
 - CZK 250,000 to an Austrian vendor, which has been overdue since May 2012, and has been properly treated by Staraliance for tax purposes in the past. In November 2019, Staraliance settled this outstanding amount as the Austrian vendor threatened to approach the media if the debt was not settled immediately.
- (7) Staraliance has labour unions. Costs related to the operation and material equipment of the labour unions were CZK 140,000 in 2019.

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Help/Tax Tables

Section B – questions (continued)

Scenario 6 (continued)

- (8) The collective agreement of Starliance states that a contribution of CZK 50,000 will be provided to each employee for their life insurance. In 2019 the total contribution paid for life insurance was CZK 680,000.
- (9) Starliance incurred costs of CZK 60,000 for the insurance of Starliance's directors against damage caused in the performance of their duties as company directors.
- (10) In September 2019, Starliance received dividends of CZK 900,000 from its subsidiary company. It has owned a 60% shareholding in the subsidiary since establishment of the subsidiary in June 2017. The indirect costs of Starliance related to this shareholding were CZK 30,500 in 2019.
- (11) The average number of disabled employees of Starliance was 4.5 in 2019.

 **Help/Tax Tables**

Section B – questions (continued)

Requirements for Scenario 6

Calculate Staralliance, a.s.'s corporate income tax liability for the year 2019.

Note: Your answer should indicate clearly by the use of zero (0) any items in the question not included in your calculation.

(15 marks)

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Taxation - Czech Republic (TX - CZE) Sample Questions - September 2020

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This scenario relates to requirement (b) only.

Marketa, a private entrepreneur, has a small hairdressing salon and is a quarterly Czech value added tax (VAT) payer. Since her registration she has always been in a payable position. However, for the first quarter of 2019, Marketa declared an excess VAT deduction of CZK 0.5 million. Her tax advisor has pointed out that this VAT return might result in the local tax office initiating various tax administration procedures.

(a)(i) Briefly explain the difference between direct and indirect taxation in the Czech Republic.

(2 marks)

(ii) State two examples of a direct tax and two examples of an indirect tax, indicating for each example who bears the tax and who pays the tax.

(6 marks)

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