

Applied Skills

Taxation – Czech (TX – CZE)

Tuesday 4 December 2018



Time allowed: 3 hours 15 minutes

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.

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

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

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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 2018 are to be used in answering the questions.

Corporate income tax rate	
Rate	19%

Corporate income tax credits (CZK)	
Disabled employees	18,000/60,000

Personal income tax rate	
Rate	15%
Solidarity surcharge on income over CZK 1,438,992	7%

Personal income tax credits – annual amounts (CZK)	
Personal tax credit	24,840
Dependent spouse credit	24,840
First child credit	15,204
	(maximum bonus CZK 60,300)
Second child credit	19,404
Third and further child credit	24,204
Student credit	4,020
Credit for expense in preschool facility	12,200
Disabled employees	18,000/60,000

Social security and health care contributions

Cap for social security purposes CZK 1,438,992

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 14,989·50/179,874
Social security contributions	
Social security	29·2%
Illness insurance	2·3%
Minimum monthly/annual assessment base for the main activity	CZK 7,495/89,940
Minimum monthly/annual assessment base for the secondary activity	CZK 2,998/35,976
Threshold limit for obligatory participation in social security in the case of the secondary activity	CZK 71,950

Value added tax (VAT)

Standard rate	21%
Reduced rate	10% and 15%
Threshold registration limit	CZK 1,000,000

Repo interest rate

Applicable on 1 January 2018	0·5%
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Minimum wage

CZK 12,200

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
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 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 Ahaefekt, s.r.o. (Ahaefekt), a Czech resident company, had the following sources of income in the year 2018:
- (1) Profits from a permanent establishment of Ahaefekt in Monaco
 - (2) Income from services performed at a customer's premises in Slovakia where Ahaefekt has no permanent establishment
 - (3) Income from the sale of goods from a warehouse located in France, where Ahaefekt has no permanent establishment
 - (4) Proceeds from the sale of a Czech resident subsidiary company

The Czech Republic has double taxation agreements with France and Slovakia, but not with Monaco.

Which of these sources of income are subject to taxation in Ahaefekt, s.r.o.'s Czech corporate income tax return for the year 2018?

- A 1, 2, 3 and 4
 - B 3 and 4 only
 - C 1, 2 and 4 only
 - D 1, 2 and 3 only
- 2 Throughout the year 2018 Martin rented out a residential flat. He received monthly rent of CZK 12,000 and additional monthly advance payments of CZK 2,000 for service charges (e.g. electricity, heating, water). Martin decided to apply the lump sum rental cost rules.

What is Martin's partial rental tax base for the year 2018?

- A CZK 117,600
- B CZK 100,800
- C CZK 84,000
- D CZK 86,400

- 3 Hobliny, s.r.o., a monthly Czech value added tax (VAT) payer, had the following total income in the year 2018:

	CZK
(1) Sales to Czech customers (VAT payers) for marketing services	1,600,000
(2) Sales to Czech customers (non-VAT payers) of marketing promotional materials	300,000
(3) Rental income from the use of office space by a charitable organisation (non-VAT payer)	200,000
(4) Commission for negotiating insurance contracts for clients	120,000
(5) Sales of goods to Czech customers	400,000
	<hr/>
	2,620,000

What is Hobliny, s.r.o.'s annual VAT coefficient for 2018?

- A 0.76
- B 0.73
- C 0.88
- D 0.84

- 4 Kiras, s.r.o. is a quarterly Czech value added tax (VAT) payer. On 5 April 2018, the Czech tax authority commenced a tax audit of the first quarter VAT period for 2015.

In relation to the Czech tax authority's entitlement to commence a tax audit, which of the following statements is true?

- A The tax authority is entitled to commence a tax audit as the time limit for a tax audit elapses on 31 December 2018
 - B The tax authority is not entitled to commence a tax audit as the time limit for a tax audit elapsed on 31 March 2018
 - C The tax authority is not entitled to commence a tax audit as the time limit for a tax audit elapsed on 25 April 2017
 - D The tax authority is entitled to commence a tax audit as the time limit for a tax audit elapsed on 25 April 2018
- 5 In April 2018, Amaleta, a.s. donated CZK 1 million to a Czech political party's election campaign. In the year 2017 Amaleta, a.s. had a tax loss of CZK 500,000.

Which of the following statements correctly describes the amount of the donation which is tax deductible from Amaleta, a.s.'s 2018 tax base?

- A The donation cannot be deducted as it was made to a political party
 - B The full amount of the donation can be deducted, provided that Amaleta, a.s. has a sufficient amount of tax base
 - C The maximum deduction is 10% of Amaleta, a.s.'s 2018 tax base
 - D The donation cannot be deducted because the company had a tax loss in the year 2017
- 6 Melania runs her own fitness sports club business. The following information relates to her tax position in the year 2018:
- (1) Total revenues from the fitness sports club of CZK 1,400,000 and total expenses incurred of CZK 800,000
 - (2) Income of CZK 50,000 from the sale of fitness machines which were already fully depreciated
 - (3) Profit of CZK 60,000 from the sale of securities which were not part of her business assets

What is the total social security contribution payable by Melania for the year 2018?

- A CZK 96,360
 - B CZK 94,900
 - C CZK 211,700
 - D CZK 189,800
- 7 Nebudit, s.r.o. (Nebudit), a monthly Czech value added tax (VAT) payer, makes taxable supplies and has been registered for VAT since 1 September 2018.

Nebudit had the following purchases and expenses in the years 2017 and 2018 (all amounts stated exclusive of Czech VAT):

Purchases	Date	CZK
Assets	November 2017	200,000
Assets	July 2018	50,000
Expenses		
Office rental fees	August 2018	20,000
Telecommunication services	September 2018	10,000

What is the total input VAT claimable by Nebudit, s.r.o. in its Czech VAT return for September 2018?

- A CZK 54,600
- B CZK 12,600
- C CZK 58,800
- D CZK 16,800

- 8 Karel started a new job in February 2018 and during the period to 31 December 2018 he provided his employer with the following documents:

- (1) The birth certificate of his 5-year-old son
- (2) Confirmation of bank interest paid in 2018 on a mortgage provided to acquire his permanent residence
- (3) Confirmation of his life insurance contributions paid in 2018
- (4) Confirmation of fees paid to the pre-school facility attended by his son during the year 2018

Which of these documents are relevant when calculating Karel's November 2018 payroll tax?

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

- 9 Jelipos, s.r.o., which uses the straight-line method of depreciation, bought the following assets in 2018:

Date	Purchase	CZK
April 2018	Copy machine (depreciation Group 1)	37,000
May 2018	Software	25,000
November 2018	Company car (depreciation Group 2)	600,000

Jelipos, s.r.o. has set the limit for accounting depreciation of the tangible and intangible assets at the amounts stated in the tax legislation.

What is Jelipos, s.r.o's total tax depreciation cost in 2018 in respect of the assets purchased?

- A CZK 151,000
- B CZK 66,000
- C CZK 98,400
- D CZK 128,000

- 10 Elena, a Czech private entrepreneur who provides IT consultancy services to businesses, is not registered as a Czech value added tax (VAT) payer.

For the year 2018 her fees totalled CZK 950,000. The fees relating to January 2018 totalled CZK 50,000. In January 2019, Elena billed a customer in Canada consultancy fees of CZK 180,000.

In relation to Czech VAT registration, which of the following statements is correct?

- A Elena must register for VAT by 15 January 2019 and will become a Czech VAT payer with effect from 1 March 2019
- B Elena does not have to register for VAT and will not become a Czech VAT payer
- C Elena must register for VAT by 15 March 2019 and will become a Czech VAT payer with effect from 1 April 2019
- D Elena must register for VAT by 15 February 2019 and will become a Czech VAT payer with effect from 1 March 2019

11 Teodor is employed at Kulminarium s.r.o. and in respect of March 2018 he received:

- (1) A gross salary of CZK 30,000
- (2) Use of a company car, for both private and business purposes, which cost his employer CZK 500,000 to purchase
- (3) Daily allowances for a business trip totalling CZK 4,500, of which only CZK 3,000 met the legal conditions
- (4) An advance payment of CZK 8,000 to pay for fuel used for business purposes

What is the total amount of Teodor's payroll tax base for March 2018?

- A** CZK 52,930
- B** CZK 48,910
- C** CZK 122,610
- D** CZK 59,630

12 A Polish corporation is considering various methods of starting a business in the Czech Republic and has been advised that it must register for corporate income tax within 15 days if certain conditions are satisfied.

The Polish corporation is considering the following options:

- (1) Creating a permanent establishment in the Czech Republic
- (2) Obtaining permission to perform activities which are subject to tax in the Czech Republic
- (3) Receiving income which is subject to withholding tax in the Czech Republic

Which of these options will require the Polish corporation to register for corporate income tax in the Czech Republic?

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

13 Petr is a 22-year-old Czech university student. In April 2018, he worked at Coffeteria, s.r.o. under a contract for work (*dohoda o provedení práce*) where he received a monthly salary of CZK 20,000. Petr signed the declaration for payroll purposes at Coffeteria, s.r.o.

What is the amount of tax which Coffeteria, s.r.o will deduct from Petr's April 2018 salary and pay to the tax authority?

- A** CZK 0
- B** CZK 1,950
- C** CZK 1,615
- D** CZK 930

14 Galisia, a.s. has the following receivables:

- (1) CZK 50,000, settled in 2018 and relating to the sale of company products in the year 2018
- (2) CZK 25,000, settled in 2018, which relates to a contractual penalty which was treated in 2017 as an item decreasing the tax base
- (3) CZK 80,000, which will be settled in February 2019, which relates to a provision of company services to a client in December 2018
- (4) CZK 5,000 which relates to a late payment interest sanction charged to a customer in 2018 and which remains unsettled at the end of year 2018

What is Galisia, a.s.'s total taxable amount in the year 2018 with respect to the above receivables?

- A** CZK 155,000
- B** CZK 80,000
- C** CZK 130,000
- D** CZK 110,000

15 Mariana, a private entrepreneur, has a dental practice and in 2018 she had the following sources of income:

- (1) CZK 180,000 from the sale of securities which she bought in January 2014 which were not part of her business assets
- (2) Business income of CZK 50,000 from the dental practice which is an exempt supply for VAT purposes
- (3) CZK 80,000 from the sale of shares in Dentalnite, s.r.o. which she acquired in February 2014
- (4) Income of CZK 250,000 inherited from her father on his death

Which of these sources of income are exempt from personal income tax in the year 2018?

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

(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)** Tamaha, s.r.o. has prepared its annual accounts, they have been audited and the following documents have been submitted to the tax office during the year 2018:

- Corporate income tax return for the year 2017;
- Value added tax (VAT) return for September 2018;
- Reconciliation of the employees 2017 wages (which was filed electronically).

Tamaha, s.r.o.'s accountant recently received an official query from the Czech tax office relating to its submitted VAT return for September 2018 asking for additional supporting documentation.

Required:

- (i) State, with reasons, the relevant due date for each of the three documents Tamaha, s.r.o. has submitted to the tax office.** (3 marks)
- (ii) List ANY TWO acceptable methods Tamaha, s.r.o. may use to communicate in writing with the tax office when answering the VAT query.** (2 marks)

- (b)** Mr Kopitko's 2017 personal income tax return has been filed with the tax office by a registered Czech tax adviser. The associated tax of CZK 80,000 was paid to the tax office on 23 July 2018.

Required:

Calculate the late payment interest payable, if any, by Mr Kopitko in respect of his 2017 personal income tax liability.

Note: 5 July 2018 (Thursday) and 6 July 2018 (Friday) are public holidays. (2 marks)

- (c)** The finance director of Kitrosa, a.s. has received a decision from the tax office relating to a tax audit which has been completed. A demand to pay outstanding value added tax (VAT) for the May 2018 period has been issued to Kitrosa, a.s. by the Czech tax office.

Required:

State any THREE items of information which must be included in an official decision from the tax office. (3 marks)

(10 marks)

- 2** Marie, a Czech tax resident, is employed by Koblíhy, s.r.o. (Koblíhy), a Czech resident company, as a production line operator making toasters. She is married with two children, aged three and ten years.

Marie has signed the declaration for payroll purposes and the following information is relevant for Marie for the month of March 2018:

- (1) Marie received a monthly gross salary of CZK 24,000.
- (2) Koblíhy contributed CZK 1,500 into her pension insurance with state contribution and Marie contributed CZK 500.
- (3) Koblíhy provided Marie with the use of a truck for business purposes which she used also to move into her new flat. The cost of the truck was CZK 1·2 million.
- (4) Marie received equipment for use in her work (such as working clothes, shoes) throughout the year 2018 which cost her employer CZK 2,300 per month to provide.
- (5) On 5 March 2018, Marie purchased from Koblíhy one of the toasters fabricated by Koblíhy for CZK 900. The market price of the toaster if sold to one of Koblíhy's customers is CZK 1,800.
- (6) Marie received qualifying meal vouchers totalling CZK 1,600 which met all of the conditions set by the Czech tax legislation.
- (7) Koblíhy's employee of the month special cash bonus of CZK 5,000 was awarded to Marie in March 2018.
- (8) Koblíhy paid for a ski trip for Marie and her family which cost CZK 27,000.
- (9) Marie paid CZK 6,000 for re-certification exams taken in accordance with the Law on Certification and Confirmation of Results of Continuing Education which related to her employment at Koblíhy.
- (10) Marie attended a training course in Pardubice and was reimbursed travel allowances of CZK 1,800, of which CZK 800 met the legal conditions for a qualifying travel allowance.

Required:

Calculate Marie's total payroll tax payable for the month of March 2018 and state the due date for payment by Koblíhy, s.r.o. to the Czech tax office.

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

(10 marks)

- 3** Feburias, a.s. (Feburias), a Czech value added tax (VAT) payer, has a production facility and warehouse in Plzeň, Czech Republic producing and storing luxurious furniture. It also has a warehouse in Rome, Italy and is registered for VAT in Italy.

In June 2018 Feburias had the following transactions. All amounts are stated exclusive of any applicable VAT unless stated otherwise.

Sales

- (1) Sales of products of CZK 450,000 to Czech customers.
- (2) The collection of advance payments of CZK 242,000 (inclusive of VAT) in relation to purchase orders from Czech VAT registered customers.
- (3) Sales of products of CZK 200,000 to EU VAT registered customers, of which CZK 170,000 has been delivered to EU countries and the rest have remained in the Czech Republic.
- (4) Sales of products of CZK 300,000 directly from the Italian warehouse of Feburias to Italian customers.
- (5) The provision of furniture design services for CZK 60,000 to a customer in the United States of America.
- (6) The provision of transportation services of assets which do not belong to Feburias:
 - from Plzeň, Czech Republic to Rome, Italy for CZK 20,000 provided to a VAT registered Czech customer;
 - from Plzeň, Czech Republic to Torino, Italy for CZK 15,000 provided to a VAT registered Italian customer.

Acquisitions

- (7) The acquisition of materials for CZK 150,000 from a Czech VAT registered supplier.
- (8) Purchases of IT services for CZK 40,000 from an IT firm in the United States of America.
- (9) Advance payments of CZK 250,000 made to a Chinese supplier of furniture.
- (10) Purchases of material for CZK 320,000 from a Slovak VAT registered supplier.
- (11) Purchases of fittings for CZK 23,000 from a non-VAT registered Czech supplier
- (12) Purchases of office supplies for CZK 5,000 from a Czech VAT registered supplier. The invoice was received and paid by Feburias in July 2018.
- (13) The provision of refreshments on a teambuilding event in the Czech Republic for staff for CZK 4,000.

Required:

Calculate the Czech value added tax (VAT) payable by or refundable to Feburias, a.s. for June 2018.

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. The Czech Republic, Italy and Slovakia are European Union (EU) member states. The United States of America and China are not EU member states.

(10 marks)

- 4 Stavomania CZ, a.s. (SCZ) is a Czech resident real estate development company operating throughout Europe. The share capital (*vlastní kapitál*) of SCZ as at 1 January 2018 was CZK 3 million, of which 40% is owned by Stavomania DE GmbH, Germany (SDE). SCZ has a wholly owned Hungarian subsidiary.

SCZ's accounting profit for the year to 31 December 2018 was CZK 3.5 million, after taking account of the following transactions:

- (1) SCZ provided management services to its Hungarian subsidiary during the year ended 31 December 2018 and charged CZK 1.2 million, which has been included as revenue. The commercial director of SCZ has advised that the market value of this type of service would be CZK 1.7 million.
- (2) On 1 February 2017, SCZ obtained a loan of CZK 7.0 million from SDE to finance a new development project in Hungary. The interest cost was accrued in the accounts and will be paid as a lump sum in January 2019. The agreed interest rate was 5% p.a. and was negotiated on an arm's length basis. On 1 May 2018, at the company's general meeting, it was decided to pay shareholders CZK 1.5 million out of profit and CZK 0.5 million out of its reserve fund.
- (3) SCZ obtained a loan of CZK 4.5 million for business purposes from a Czech commercial bank. The outstanding loan at 31 December 2018 was CZK 3.5 million and the annual interest costs paid to the bank totalling CZK 320,000 were deducted as an expense by SCZ.
- (4) In May 2018, SCZ paid an outstanding amount of CZK 80,000 relating to social security and health insurance costs for its employees for 2017. SCZ's tax base was increased by CZK 80,000 in 2017.

The following transaction has not yet been recorded in SCZ's accounts for the year to 31 December 2018:

- (5) SCZ sold an obsolete pickup truck for CZK 120,000 on 1 June 2018. The truck had an accounting residual value of CZK 150,000 and tax residual value of CZK 85,000. In 2016 and 2017, SCZ created tax deductible reserves of CZK 20,000 each year for the maintenance of the pickup truck which were accounted for correctly. However, the maintenance of the truck never took place.

Required:

For each of the transactions (1) to (5), explain whether any adjustment to the accounting profit is required when preparing Stavomania CZ, a.s.'s 2018 corporate income tax base and, if so, quantify the amount of the adjustment.

(10 marks)

- 5 Roman, a Czech tax resident, is married to Jarmila and they have two sons, aged five and seven years. On 1 March 2018, Roman became a private entrepreneur owning an agricultural bio farm which produces milk, eggs and vegetables.

The following information is relevant for Roman's tax position in 2018:

- (1) In January and February 2018 Roman was unemployed and received unemployment compensation of CZK 12,000 per month.
- (2) In 2018 when Roman commenced his entrepreneurial activity, his total income from his bio farm was CZK 1.8 million.
- (3) In May 2018, Roman received CZK 80,000 of compensation from an insurance company for damage to some agricultural machines caused by a fire at the bio farm. The machines, which had a tax residual value of CZK 60,000, were completely destroyed by the fire.
- (4) In June 2018, Roman received a state subsidy of CZK 120,000 to enhance the production of his bio farm, in order to meet the strict bio production requirements.
- (5) Roman incurred the following expenses in relation to the year 2018:

– Commercial insurance of the bio farm	CZK 60,000
– Veterinary treatment for animals	CZK 40,000
– Financial lease accrued expense for a tractor used on the farm	CZK 50,000
– Other costs (which includes the tax residual value of the agricultural machines destroyed in the fire)	CZK 250,000
- (6) Roman has lent some pieces of art to an exhibition. He received CZK 36,000 for this in 2018.
- (7) During 2018, Roman paid CZK 13,450 into his life insurance and a further CZK 16,000 into his pension insurance with a state subsidy. Both insurance policies meet the conditions as stipulated by the Czech tax legislation.

Jarmila

Jarmila had the following sources of income in 2018:

- (8) Income from employment of CZK 35,000 based on a contract for work (*dohoda o provedení práce*);
- (9) Income from her own business of CZK 50,000.

Required:

- (a) Calculate Roman's personal income tax payable for the year 2018, taking account of the maximum possible tax deductible costs and allowances.

Note: Your answer should indicate clearly by the use of zero (0) any of the items in the question not included in the calculation. (12 marks)

- (b) Calculate the personal income tax advance payments payable by Roman in the year 2019 and state the due dates of the payments. (3 marks)

(15 marks)

- 6 Persony, s.r.o. (Persony), a Czech recruitment and labour agency seated in Prague, Czech Republic, has a 70% shareholding in a Czech subsidiary, Green s.r.o which it acquired in 2015.

All transactions included in the accounts were accounted for in accordance with the accounting regulations in the relevant revenue and expenses accounts.

The following information is applicable to Persony for the year 2018:

- (1) Total accounting revenues for the year 2018 were CZK 10,600,000, **including**:

- accounting reserves of CZK 90,000 which were released and treated as a non-deductible tax expense in 2017;
- dividends of CZK 400,000 from Green, s.r.o.

- (2) The total accounting expenses amounted to CZK 5,200,000, **excluding**:

- depreciation charges as follows:

Persony acquired a second hand copy machine (depreciation group 1) in 2017 for CZK 250,000. In April 2018, the technical capability of the copy machine was enhanced at a cost of CZK 30,000. Persony uses the straight-line tax depreciation method.

The accounting depreciation of the second hand copy machine required in the accounts for the year 2018 has been calculated at CZK 45,000, but this amount has not yet been charged in the accounts. Similarly, the depreciation of CZK 150,000 in relation to Persony's remaining non-current assets has not yet been charged in the accounts. This amount is equal to the tax depreciation charge on these non-current assets.

- accounting provisions of CZK 140,000, of which CZK 60,000 were tax deductible.
- costs of CZK 25,000 incurred in acquiring special eye protection filters for computer screens for disabled employees. The average number of disabled employees working at Persony during the year 2018 was 1·7.

- (3) Persony is a general partner in Korelia, k.s., a limited partnership in which it has a 40% share. The 2018 tax base of Korelia, k.s. was CZK 1 million and profit is shared in the proportion of the partners' interest in the partnership. During the year 2018, Korelia, k.s. donated CZK 50,000 to a research and development project at Charles University in Prague.

Persony suffered tax losses of CZK 250,000 in 2016 and CZK 100,000 in 2017.

Required:

Calculate Persony, s.r.o.'s final corporate income tax liability for the year 2018.

(15 marks)

End of Question Paper