	Tax payer	
	resident	nonresident
impact on tax liability*:	unlimited tax liability in CZ => CZ tax on worldwide income	limited tax liability in CZ => CZ tax on CZ-origin income
impact on tax return*:	to disclose worlwide income	to disclose CZ-origin income
conditions*:	seat (address registerec or permanent place of eff	if none of two conditions for tax residency are not

** evidence from CZ*

branch	low autonomy => tax non-residen
subsidiary	high autonomy +> tax resident in

t in CZ	limited tax liability of this entity
CZ	unlimited liability of this entity

income taxed by witholding tax (WHT) (15% rate)
income taxed in separate tax base (15% rate)
income taxed in general tax base (19% rate)

Ac
Income subject to tax

taxable income
dividend income **received** by CZ tax resident **from** other **CZ tax resident**
tax base is not decreased by any costs
tax base and tax are both rounded down to whole CZK and 15% tax is witheld by payer of income
income belonging to WHT tax base is booked in revenues of recipient in **net amount** and adjustment of PBT must be made ('less'adjustment - see proforma)
dividend income **received** by CZ tax resident **from CZ tax non-resident**
tax base is not decreased by any costs
tax base and tax are both rounded down to whole thousands of CZK and 15% tax is paid by recipient of income
if there is foreign tax witheld by payer of income, foreign tax can be credited against CZ tax liability from separate tax base. Such credit is allowed only if related DTT has been concluded.
all other corporation income
general tax base is difference between taxable income and tax-deductable costs. Thus the starting point for calculation is accounting income as per CZ accounting standards and then tax **non-deductable costs are added** and **non-taxable incomes are deducted** from it.
all adjustments will be increasing PBT ('add back' adjustments)

:counting revenue
tax exempt income
income taxed in separate tax base (15% rate),income taxed by witholding tax (WHT) (15% rate)
release of accounting provision and reserves where their creation was tax non-deductable cost
all adjustments will be decreasing PBT ('less' adjustments)

Income not subject to tax
very few examples (income from privatisation)

Corporate tax return (annual)

NOTES:

Adjustment to tax base depending on accoun

Treatment
B
A
A
C
E
D
F
A
F

Tax base deductions

Tax liability deduction:

Tax treatment of provisions and reserves

Tax treatment of contractual penalty

Tax treatment of SHI

Tax treatment of depreciation (amortization)

Profit before tax (PBT)

Add back adjustment
Less adjustments

Tax base I

Examption of foreign tax base included into PBT (if existing DTT allows)

Tax base II

Tax base deductions I

Tax base III

Tax base deductions II

Tax base IV after all tax base deductions

Tax base IV after all tax base deductions rounded down to '000

Tax rate 19% for general tax base

Tax liability

Tax liability deductions

Tax liability after deductions

Ordinary tax credit of foreign CIT witheld abroad (if exisitng DTT allows)

Tax liability after deductions and after tax credit

Tax liability at 15% from separate tax base

Final tax liabillity

Tax advances due in current tax period (and actually paid before deadline)

Tax liability under/overpayment

ıting and tax recognition of individual elements of PBT:

Because tax base is calculated as 'incomes - costs = profit before tax (PBT)' we need to knov

inco

accounting only (=accounted/booked)

it is revenue which is recognized from accounting perspective but it is tax exempt income from tax perspective (**treatment A**)

because it is not recognized from tax perspective, adjustment to PBT will be '**less**' (i.e. since it is tax exempt we do not pay CIT on it)

e.g. dividedns received from CZ tax resident taxed by WHT, divideds received from CZ tax non-resident taxed in separate tax base, release of accounting provision and reserves where their creation was tax non-deductable cost

co

accounting only (=accounted/booked)

it is cost which is recognized from accounting perspective but it is tax non-deductable from tax perspective (=cannot be deducted form total incomes when arriving to PBT) (**treatment D**)

because it is not recognized from tax perspective, adjustment to PBT will be '**add back**' (i.e. since it is tax non-deductable we cannot decrease total income by its amount thus we need to pay CIT on that portion of accounting and taxable incomes which was reduced by applying this accounting cost) e.g. costs specifically listed in the law (e.g. representation costs, entartainment expenses, costs related to health care of employees or their family members above requirements by law (voluntarily flu vaccination, vitamins), costs related to recreational and educational facilities, workplace libraries, printed books, physical training and sports facilites used by employees or their family members, costs related to culturaland sport events visited by employees or their family members, contribution to holidays or excursions of employees or their family members, general gifts and donations, non-contractual fines and penalties, accounting depreciation and net book value of assts diposed, accounting reserves and provisions, SHI contributions paid by employer after deadline), costs related to exempt income or income not subject to CIT, costs not incurred in order to generate, ensure and maintain taxable income, costs not supported by relevant documentation, costs related to another taxable income

Type of individual transaction
Taxable income (=taxable in general tax base)
Income taxable in separate tax base
Income tax exempt or taxed by WHT
Non-accounted taxable income
Tax-deductable costs
Tax non-deductable costs
Non-accounted and tax deductable costs
Accounting depreciation
Tax depreciation

Type of deduction

tax loss
R&D allowance
professional education allowance
donations/gifts

Type of deduction
disabled employees
investment incentive

Creation
Release

received (income) - should be recorded (=booked) and related payment should be received
paid (cost) - should be recorded (=booked) and related payment should be made

paid (cost) - should be recorded (=booked) and related payment should be made

*should be paid by the end of the month following the nd of the taxable period (till statuto

tax depreciation is never booked in accounting books. It is separate evidence for tax purpos
Accounting depreciation is booked in costs and it is non-deductable cost. Tax depreciation i

TRV of disposed asset is tax deductable in case of:

tax loss
R&D allowance
acquisition of assets for training of employees
professional education allowance

gifts and donations

disabled employees
investment incentive

ν nature of each type of income and each cost from accounting and from tax perspective wh

ımes	
accounting & tax recognized (=accounted/booked &	recognized only (=taxable but not book
it is revenue which is recognized from both accounting perspective and tax perspective (**treatment B**)	it is revenue which is recognized from tax perspective (is taxable income) but it is not recognized as income from accounting perspective
because it is recognized from both accounting and tax perspective it is already included into list of all incomes generted by company on the basis of which its PBT was calculated, thus **no adjustment** to PBT is needed.	accounting perspective it is not included into list of all incomes generted by company on the basis of which its PBT was calculated, thus adjustment to PBT will be '**add back**'
	e.g. received contractual penalties if they are paid, unpaid liabilites overdue for more than 30 months (they may be tax deductable again in taxable period when liability is paid; this does not relate to those liabilities which were never

sts	
accounting & tax recognized (=accounted/booked & tax non-deductable/deductable)	tax recognized only (=tax deductable aka tax eligible)
it is revenue which is recognized from both accounting perspective and tax perspective (**treatment E**)	it is cost which is recognized from tax perspective (is tax-deductable cost) but it is not recognized as cost from accounting perspective (**treatment F**)
because it is recognized from both accounting and tax perspective, it is already included into list of all costs incurred by company and deducted from income part on the basis of which its PBT was calculated, thus **no adjustment** to PBT is needed.	because it is not recognized from accounting perspective it is not included into list of list of all costs incurred by company and deducted from income part on the basis of which its PBT was calculated, thus adjustment to PBT will be '**less**' (i.e. since it is tax-deductable we do not

e.g. accounting costs incurred in order to generate, ensure and maintain taxable income (e.g. purchased materials, goods and services, rental fees, insurance fees, license fees, energy consumption), some employees'non-monetary benefits (meal vocuhers up to 55%), travel expenses wihtin limits of Labor code, promotional gifts (with certain conditions), statutory SHI contributions and contractual penalties if due paid. Also some accounted costs which are ususally considered as tax non-deductable under normal conditions but if they were recharged to 3d party they are considered as tax- deductable i amount of related income booked in current period or previous periods.	e.g. statutory SHI contributions from wages and contractual penalties if overdue paid (i.e. they relate to previous periods but paid in the current period), tax depreciation and tax residual value of assets, tax statutory reserves and provisions (for unpaid receivables overdue), tax non-deductable costs up to related taxable income.

Recogognized from perspective:	accounting income
AC + TX	X
AC+TX	X
AC	X
TX	
AC + TX	
AC	
TX	
AC	
TX	

Conditions for deduction

If tax loss is created, it can be carried forward and offset against future periods for a max of 5 consecutive taxable periods. Utilization of a tax loss is not possible if company does not satisfy the 'same business' test or 'same ownership' test (i.e. change in ownership in registered capital by more than 25%)
Companies can deduct up to 100% of R&D costs from their annual TB. BUT! Not all R&D costs incurred by companies are tax eligible. Eligible costs are: direct tax deductable costs (e.g. payroll costs of R&D engineers, consumed materials), tax depeciation of assets used for R&D with exception of immovables, other operational expenses directly related to realization of R&D activities (telecommunications fees, electricity, water). Non-eligible costs are: R&D services acquired from 3d parties, license fees. Also for eligible costs taxpayer always needs to have written R&D project description. Can be carried forward for a max of 3 consecutive taxable periods.
This deduction is to support professional education in two parts: the deduction to support acquisition of assets for professional education and to support the expenses incurred per student within the scope of professional education. Taxpayer needs to have class register or similar records. Deduction can be carried forward for max 3 consecutive taxable periods. If it is deduction to support acquisition of assets for professional education then such assets should be in use between 30% and 50% of working time (to compensate capital expenditutes and operating costs) and the max limit of such support is 5,000 czk/student (to compensate payroll costs). If it is deduction to support professional training of students, max limit for such support is 200 czk/hour spent in the workplace.
in general donations represent tax non-deductable cost except the following cases: receipient is NPO; purpose of donation is finance science, education, R&D, culture, school, health care, physcial education, elimination of effects of natural disasters; min amount of donation is 2,000 czk and max limit for deduction is 10% of tax base III.

Conditions for deduction
18,000 czk/disabled employee of I category; 60,000 czk/employee of II category.
can be carried forward for 10 years. If it is greenfield project (newly established company), then it can be full tax relief (0 TB) and prtial tax relief for brownfield projects (existing corporations). Min amount of investment should be: for manufacturing corp - 100 mil CZK; for technological centres - 10 mil CZK; for centres of strategic services - 20 new jobs created for IT, 70 new jobs created for SSC, 100 new jobs created for call centres.

Accounting provisions and reserves	Tax (statutory) provisions and reserves
tax non-deductable cost => add back	tax deductable cost => no adjustment
non-taxable income => less	taxable income => no adjustment

oked & received (paid in case of cost) in the same per	Booked in one period but received (p
	rrent period BUT received (paid) in foll
taxable income => no adjustment	non-taxable income => less
tax-deductable cost => no adjustment	non-deductable cost => add back

Booked & paid in the same period*	Booked in one period b
	in current period BUT paid in followin
tax-deductable cost => no adjustment	non-deductable cost => add back

ry deadline)

ses only.
s compared with amount booked as accounting depreciation and difference is reflected:
AD > TD => add back
AD < TD => less
NBV > TRV => add back "NBV" is net book (accounting) value;
NBV < TRV => less

sales of asset
damage caused by natural disaster
theft by unknown offernder which is confirmed by police
another kind of damage only up to amount of directly related income (e.g. compensation fr

ıich have been included into PBT:

‹ed)

accounting costs	Adjustment to general tax base	
	add back' adjustment	less' adjustment
	X	(X)
		(X)
	X	
X		
X	X	
		(X)
X	X	
		(X)

	Accounting entry	
	Db	Costs to P/L
	Cr	Provision in BS
	Cr.	Income to P/L
	Db.	Provision in BS

paid in case of cost) in another period
revious period BUT received (paid) in current period
n-accounted taxable income => add back
non-accounted deductable cost => less

ut paid in another period
d in previous period BUT paid in current period
non-accounted deductable cost => less

PBT

Accounting dep charge	Tax dep charge	Net amount of impact	Direction o
10	5	5	add back
5	10	-5	less

NBV = Historical cost - Accumulated accounting dep
TRV = Historical cost - Accumulated tax dep

NBV	TRV	Net amount of impact	Direction o
15	12	3	add back
12	15	-3	less

om insurance)

X

X
(X)

X

(X)

X

(x)
(x)

(x)

X

(x)

X

X

X

(x)
(x)

X

(x)

X

X

X

(X)

X / (X)

creation of provision or reserve	if provision is statutory	=>
	if provision is non-statutory	=>
release of provision or reserve	if provision is statutory	=>
	if provision is non-statutory	=>

f impact

f impact

- penalties,
- shortages
- expenses

CIT - calc

- The tax base sh
  the tax base:
  - tax loss w
    taxable pe
  - 100% of c
  - 110% of c
    training, i
    50% of th
    periods,
  - 50 % of co
    training, i
    and 50% o
    tax period
- The tax base re
  should be taxed
- In the Czech Re

Costs to P/L are tax eligible costs	=>	no tax adj.
Costs to P/L are tax non-eligible costs	=>	add back adj.
Income to P/L is taxable income	=>	no tax adj.
Income to P/L is tax exempt income	=>	less adj.

, penalty interest and fines,
s and damages beyond compensation,
; beyond limits determined by the ITA

ulation

ıall be reduced by using items deductible from

/hich was recorded and assessed **in five previous eriods,**

:osts for R&D,

:osts for the acquisition of assets for vocational f the assets are used for the training of **more than e time of its operation in three consecutive tax**

osts for the acquisition of assets for vocational f the assets are used for the training **between 30% of the time of its operation in three consecutive ds.**

duced by items deductible from the tax base 1 by the tax rate.

public corporate income tax rate is 19%.

Double taxation relief

With some exeptions all DTTs car

DTTs determine tax residency of
Taxpayer receiving income that is
Methods to avoid double taxatio

(reduction of CZ tax liability)

(reduction of CZ tax base)

(reduction of CZ tax base)

Tax treatment of investment income:

Paying-out entity

dividends
interests and royalties

Receiving entity

dividends
interests and royalties

Tax provisions for aged receivables

Tax provision can be created for

Overdue (aged) receivable can be

Tax reserves for repairs of tangible assets

Legal owner of asset can create t
When creating a statutory reserv
Reserve can be created only for t
Reserve cannot be created for or

Creation of reserves should be pr
Actual repair should start at the l
Release of reserve doesn't need t
Reserve cannot be created if taxp

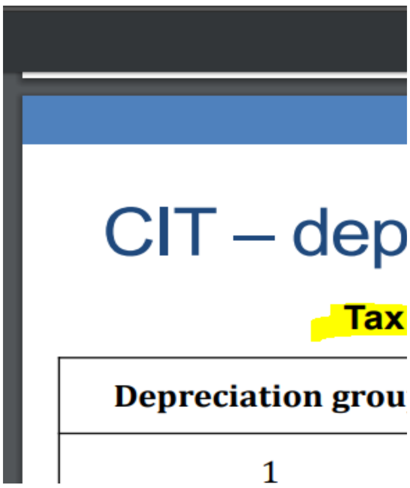
Tax depreciation

it is calculated from acquisition p
Acquisition price is

In CZ all long-term asserts which

Some types of assets like plots of
Tax depreciation of tangible asst
If asset was depreciated in previo
Tax depreciation shall be rounde
Tax amortization of intangible as

Depreciation categories:



2
3
4
5
6

Depreciation methods for tangib

Depreciation methods for intang

Depreciation of low-value assets

Technical appreciation

technical appreciation of tangibl

technical appreciation of intangil

n be grouped into three categorie:
treaties based on Model Treaty of OECD - between developed counteris, tax should be paid in country of tax r
treaties based on Model Treaty of UNO - between/with developing countries, tax should be paid in country of
treaties with USA - tax should be paid in country of citizenship of taxpayer
taxpayers and stipulate methods for avoidance of double taxation of incme. These methods are applicable for
s subject to taxation in CZ and also in another country can use tax relief based on related DTT. However CZ tax
n of income:

credit methods*

exemption methods **

tax paid abroad on foreign income as tax deductable cost

---

* CZ has this arrangement with Belgium, Republik of Ireland, France, Poland, Austria, Slovakia and USA. If it is f
** CZ has this arrangement with Germany, Italy, UK and Spain. It is always full exemption since exemption witl

CZ tax resident
ds 15% tax, no adj. (these are not costs for payer) for its own tax base, but paying it separately on behalf of rec
no WHT, no adj. (these are accounting & tax eligible costs for payer)

CZ tax resident
general tax base and adj. less
general tax base and no adj.

overdue (aged) receivable (creation of provision and subsequent write off of aged receivable)
Tax (statutory) provisions include:

101		
102	Tax treatment of provisions and reserves	
103		Creation
104		Release
105		

e written off (write-off without prior creation of provision) only if it is against debtor
whose bankruptcy was dismissed by the court because debtor's assets were not sufficient
who died and thereis noone who can pay off his debts
who was dissolved without any legal successor
whose property is subject of public auction

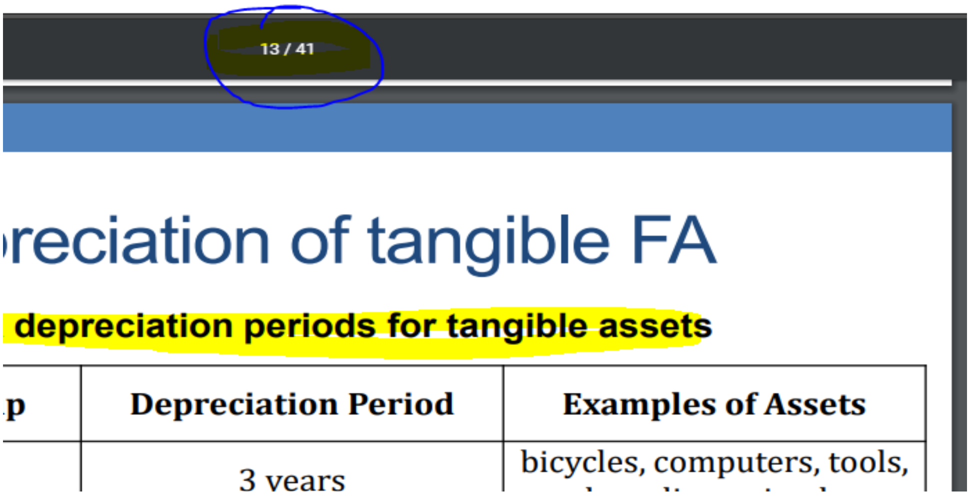
:ax-deductable reserve (statutory) for repairs of tangible assets, BUT it is not possible to create such reserves fo
/e the amount of created reserve should be transferred to special (separate) bank account in CZ or in EU. Mone
:angible assets (not for intangible or low-value assets) with depreciation period of 5 years or more.
nly one taxable period. The maximum duration of reserve is 10 years:

Depreciation category
2
3
4
5
6

roportionate in particular years (but there are some exeptions, like in case of recalculation of costs of repair)
latest in the period following the taxable period when repair was expected to commence. Otherwise reserve n
to be proportional. The whole reserve or its remaining balance needs to be released at the latest in the taxable
payer is in liquidation or in insolvency proceedings.

rice of tangible assets

purchase price
direct and indirect costs spent on creation of long-term asset
can be subject of depreciation are categorized into these groups:
movable assets with purchase price > 40,000 czk and operational life > 1 year
immovable assets
intangible assets with purchase price > 60,000 czk and operational life > 1 year
f land and art works and financial investments are not depreciated.
e is annual depreciation. If the asset is put into use at the end of taxable period, taxpayer may still apply the wl
ous periods and it is disposed in the current period, only half of annual charge can be claimed in the current pe
d up to next whole czk.
set is monthly depreciation.



	[illegible]	breeding animals
	5 years	furniture, guns, cars, motorcycles, music instruments, books
	10 years	greenhouses, bridges, elevators, boats, trains
	20 years	buildings, swimming pools, power stations,
	30 years	motorways, roads, aqueducts, fountains, wells, tunnels
	50 years	building of museum, library, hotel, church, mall

les assets

based on normal depreciation

based on increased depreciation in the first year of depreciation

ibles assets

tax depreciation is calculated on monthly absis starting from the month following the day in which the conditi
If purchase agreement stipulated a fixed period during which the intangible asset can be used, the monthly de

Tax depreciation periods for intangible assets

Audiovisual work	18 months
Software and R&D results	36 months
Other intangible assets	72 months

Goodwill acquired in business combination is depreciated 180 months

it equals the accounting depreciation. Tax deprciation cannot be interrupted.

e assets
these are costs on reconstraction or modernization of tangible assets if they exceed czk 40,000 / asset within :
technical appreciation increases

if tangible asset is technically appreciated, it is necessary to use rates/coefficients for increased input price (se
if technical appreciation happens in the first year when asset is put into use, it should be included into input pı
ɔle assets
these are costs on upgrade or modernization of intangible assets if they exceed czk 60,000 / each separet appı
technical appreciation increases

esidence of taxpayer
origination of related income

both PIT and CIT.
office will require confirmation from foreign tax administrators about actual tax

full credit - when CZ tax liability may be decreased by full amount of foreign tax
ordinary credit - when CZ tax laibility is decreased by foreign tax paid abroad bu

full exemption - when CZ tax base may be decreased by full amount of foreign t

exemption with progression - when CZ tax base is decreased by full amount of f

it is applied in case if no DTT has been concluded between CZ and counterparty
Also this treatment is applied if related DTT exists but: (1) CZ and counterparty

full credit or ordinar credit it depends on terms and conditions of each particula
h progression is forbiden in CZ. The relief by exemption mainly applies to profits

CZ tax non-resident
withoulds at % as per DTT or local legislation
withoulds at % as per DTT or local legislation

CZ tax non-resident
separate tax base and full credit or full exemption if DTT; general tax base and tax-deductable cost if no DTT or limit or time period is exceeded under existing DTT
separate tax base and full credit or full exemption if DTT; general tax base and tax-deductable cost if no DTT or limit or time period is exceeded under existing DTT

in CZ there are three types of statutory provisions:

general conditions for creation of statutory provision:

Note: on Jan 1, 2014 CZ Tax Code was updated. In 2018 all receivables due until

	Accounting provisions and reserves
	tax non-deductable cost => add back
	non-taxable income => less

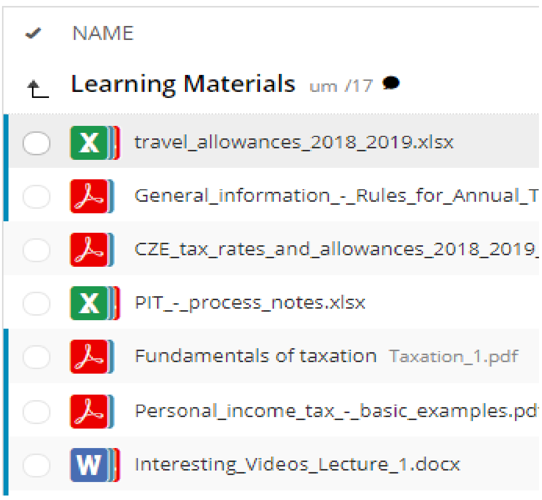
r maintanance of assets.
y must be transferred at the latest by the deadline for filling in tax return for th

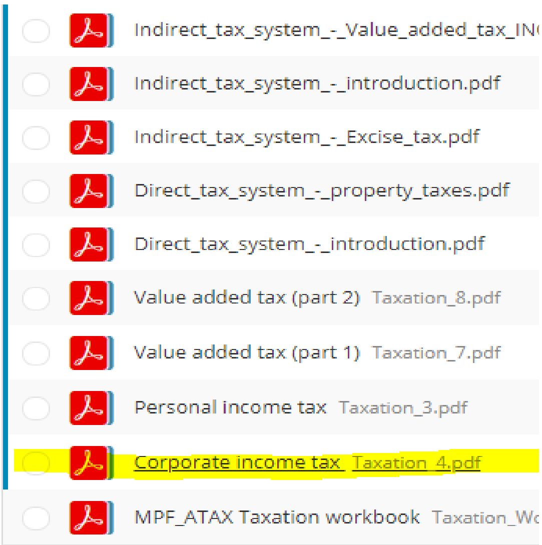
Max number of years for creation of reserves
3
6
8
10
10

.

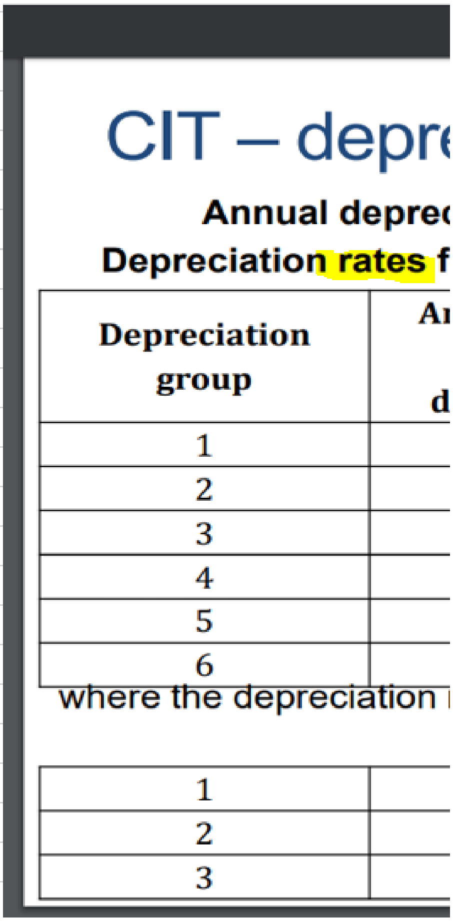
eeds to releaed into revenue in the subsequent period.
period following the period when repair commenced.

hole annual tax depreciation.
riod.





straight-line method



accelearted method

CIT – depre

An
inpu

An
2 * amortize

where n = numbe
depreciated

CIT – depr

~~**Annual depre**~~
Depreciation coeffi

Depreciation group	A (
1	
2	
3	
4	
5	
6	

first-year depreciation can be increased by

ons for depreciating have been fulfilled. The depreciation cannot be interrupted
preciation is calculated as input price divided by number of months stated in th

1 calendar year

either input price of asset (in case of straight-line method of depreciation)
or tax residual value of asset (in case of accelerated method of depreciation)
e depreciation method above)
rice of the asset and depreciation rates/coefficients for the first year should be u

reciation and it is not accumulated during the year (as it is for tangible assets).

residual value of intangible asset

‹es paid abroad.

: paid abroad.
ıt only up to amount of related CZ tax payable on such income (i.e. by amount of tax liabilty which would

Coeficient = foreign tax base / total tax base
CIT liability from general tax base * Coefficient = Tax base deduction in CZ due to foreign tax paid abroad

:ax base taxed abroad (foreign income and related expenses are excluded from generale tax base of taxpa

foreign tax base taxed abroad and then the remaining (reduced) general tax base in CZ is taxed with recalc

and thus CZ resident cannot use any of the above two methods for avoiding double taxation.
(state of income origine) have different taxable periods; or (2) limit for applicable method (crdit or exemp

---

r DTT. The relief by credit mainly applies to withholding tax imposed to the source state (e.g. tax on divide
; generated through a Permanent Establishment in the source state. The source state claims taxing rights

provisions for receivables against debtors in insolvency proceedings - provision can be created up to 100
provisions for bad debts

before Jan 1st, 2014 - court proceedings are required

from Jan 1st, 2014* - court proceedings are not required

provisions for receivables not exceeding 30,000 czk

court proceedings are not required
face value of receivable should be =< 30,000 czk toward
it has been overdue for 12 months or more.

receivable should be originally taxed as income
no provision can be reated for receivable between related parties
no provision can be created if taxpayer is in liquidation or in insolvency proceedings
provisions can be created only toward receivables originated from normal supply of goods or services (i.e
no provision can be created if taxpayer has liabilites toward the same debtor and these liabilities are not

l the end of 2013 (i.e. before change in legislation) became aged for more than 36 months. It means that 1

		Tax (statutory) provisions and reserves
		tax deductable cost => no adjustment
		taxable income => adjustment

e period.

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tax depreciation = (input price * annual depreciation rate) / 100

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eciation of tangible FA

ciation = input costs * relevant annual rate

'or tangible FA under straight-line method (in %)

nnual rate in 1st year of lepreciation	Annual rate in other years of depreciation	Annual rate for increased input costs
20	40	33,3
11	22,25	20
5,5	10,5	10
2,15	5,15	5
1,4	3,4	3,4
1,02	2,02	2

rate for the **first three groups** are **increased by 10% in the first year:**

30	35	33,3
21	19,25	20
15,4	9,4	10

If technical improvement is performed over asset, annual depreciation rate for increased input cost must

15 / 41

eciation of tangible FA

Accelerated method:

ınual depreciation in 1st year =
ıt costs / coefficient for 1st year

N
ınual depreciation in ~~1~~st year =
ːd cost) / (coefficient for other years – n)

r of years in which the tangible fixed assets were

16 / 41

ːeciation of tangible FA

~~ciation = input costs * relevant annual rate~~
cients for tangible FA under accelerated method

ınnual rate in 1st year of depreciation	Annual rate in other years of depreciation	Annual rate for increased input costs
3	4	3
5	6	5
10	11	10
20	21	20
30	31	30
50	51	50

if asset was technically appreciated, tax depreciation is computed as follows:

tax depreciation = (2 * increased TRV) / coefficient for in tax depreciation = (2 * increased TRV) / (coefficient for ir

if technical appreciation was commenced in the first year when asset was put into use, must be included

rates

10% for office equipment, accumulators, air-conditioning
20% for forestry and acricultural mashines owned by tax

conditions

taxpayer must be first owner of asset
assets are classified in depreciation categories 1-3
this is not applicable to personal cars, planes, household

methods

straight-line method:

Depreciation rates under

	1st year	follo
Group 1	20	
Group 2	11	
Group 3	5·5	
Group 4	2·15	
Group 5	1·4	
Group 6	1·02	

Where the depreciation rates for the first th year:

	1st year	follo
Group 1	30	
Group 2	21	
Group 3	15·4	

accelerated method:

The first year depreciation calculated based on accelerat

l.
e purchase contract.

used for depreciating the asset.

income
(costs)
margin

arise if such income would be taxed not abroad but in CZ). For such

17%

6.65

e.g. 120k is total taxable income, 85k is total tax eligible costs, 19%

ayer in CZ).

35

total tax base

culated CIT rate (instead of standard 19%). Recalculated tax rate is

otion) is exceeded.

34.5

end income). This withholding tax is deducted from the tax impose

on the profits of the permanent establishment and the resident st

% of amount of receivable in the taxable period when it was claime

general rule:

exception:

general rule:

exception:

the same debtor

. for recaivable from contractual penalty or interest for late payme
yet settled

.00% provision could be created by that time (assuming they were

: be used (starting from the period in which appreciation commenc

	Depreciation rates u
	1st year
Group 1	3
Group 2	5
Group 3	10
Group 4	20
Group 5	30
Group 6	50

creaed TRV

ıcreaed TRV - number of years of depreciation from increased TRV

into normal input price under normal depreciation rate.

ǥ
payers whose main activity is agriculture or forestry

equipment.

r the straight-line method

ɔwing years	for increased input price
40	33·3
22·25	20
10·5	10
5·15	5·0
3·4	3·4
2·02	2

ıree groups are increased by 10% in the first

ɔwing years	for increased input price
35	33·3
19·75	20
9·4	10

ed method is increased by 10% or 20% of the input price of the ass

taxable income	
(tax eligible costs)	
tax base	

ı case rax credit coefficient is calculated:

e.g. 20k is income generated abroad and 120k is total income (abroad + local)

	83%	6
adjustment for ordinary credit	tax liability in CZ final i.e. after reduction by ordi	

e.g. 20k is income generated abroad and 15k are tax eligible costs abroad; 120k is total income a

	5	5.7

foreign tax base

obtained by taking into consideration of taxes payable by taxpayer, both in CZ and abroad (i.e. (ta

e.g. 20k is income generated abroad and 15k are tax eligible costs abroad and 0.5k is tax paid abı

6.555

d on the resident state. The tax authorities of the resident state will request for documents prov

:ate exempts it from taxation.

ed in court in insolvency proceedings

aged receivables with 6 months of overdue => 20% of face value
aged receivables with 12 months of overdue => 33% of face value
aged receivables with 18 months of overdue => 50% of face value
aged receivables with 24 months of overdue => 66% of face value
aged receivables with 30 months of overdue => 80% of face value
aged receivables with 36 months of overdue => 100% of face value

if receivable has face value < 200,000 czk, provision in amount of 20% of face value can be create

aged receivables with 18 months of overdue => 50% of face value
aged receivables with 30 months of overdue => 100% of face value

if receivable has face value > 200,000 czk, then court proceedings are required

ent no provision can be created).

claimed at court). If they haven't been created yet, they still can be created.

:ed). However if technical appreciation was commenced in the first year when asset was put into

nder the accelerated method

following years	for increased input price
4	3
6	5
11	10
21	20
31	30
51	50

)

;et. Coefficients for accelerated tax depreciation remain unchanged for the following years.

nary credit method

nd 85k are total tax eligivle costs)

ax paid abroad on foreign income + tax payable on general tax base reduced by tax foreign tax base in CZ)

road; 120k is total income and 85k are total tax eligible costs)

ing the imposition of withholding tax in the source state like tax certificate issued by the tax authorities of ed even without court proceedings. BUT creation of further provision (i.e. remaining 80%) requires court p

use, must be included into normal input price under normal depreciation rate.

/ (foreign income and other incomes earned by CZ taxpayer). In CZ this method is forbidden.

the source state or tax receipt.

roceedings.

Tax procedure:

taxpayer vs payer of tax

local competence

is based on residential address

location of immovable asset (if real estate is taxed)

communication with tax authorities

if individual has data box, then communication is via this dat

registration duty

persons lible to tax are obligated to register for taxes with lc

from day of commencement c

Self-assessment system and tax return:

self-assessment principle states that taxpayer fills his tax return by himself or by his officia

there 3 types of tax return:

ordinary - is filled after the end of taxable period and within

corrective - is filled after ordinary tax return but still within c

additional - is filled after ordinary tax return and after deadli

obligation: it should be filled ir

possibility: it can be filled in ca

Payment of tax:

tax becomes due on deadline for filling in tax return.

it should be paid in CZ currency

there wre following methods of payment:

Payroll tax:

each employer is obliged to perfom monthly payroll tax witholdings

payroll tax advances must be witheld on the day of salary payment and must be transferre

employers are obliged to have payroll sheet for each employee

after year end employer should perform annual payroll reconcilliation of payroll taxes with

Rounding:

tax base for PIT should be rounded down to the nearest 100 of CZK

tax advance should be rounded up to the nearest 100 of CZK

tax base for WHT is reounded down to whole CZK

CIT advances

Advance period starts on the day following the statutory date for filling CIT return for prev

Last known tax liability	Tax advance payment	When payable
0-30,000	no advances	NA
30,001 - 150,000	40% of last known tax liability	semi-annually: 15th day of 6th and 12th month of taxable period
> 150,000	25% of last known tax liability	quarterly: 15th day of 3d, 6th, 9th and 12th month of taxable period

:a box only; if not, via paper forms

ocal Tax office by filling in registration form within 15 days
of business activity or from day when first business income was received

l representative (e.g. registered tax advicer)

deadlines set by law (3 months after the end of taxable period, which is always for PIT the same as norr
deadline set by law. It is used in tax assessments as final one (i.e. without considering ordinary one)
ine set by law. The deadline for filling this return is end of month following the month when such facts (s
n case when person liable to tax finds out that his tax liability should be higher or his tax loss should be l
ase when person liable to tax finds out that his tax liability should be lower or his tax loss should be high

:d to Tax office by 20th day of the following calendar month for which salary is paid

ıeld during the year. it should be prepared within 2 month after the end of calendar year.

ious taxable period and lasts until the last day of statutory period for submission of next tax return. Duri nal calendra year; in case if return is prepared by registered tax advicer then there are 6 months for fillir

see below) were discovered. Additional tax tax, if any, is payable within this additional time limit. This re
ower than his last known tax laibility declared in previous tax return
er than his last known tax laibility declared in previous tax return

ing taxable period advance payments should be done if last known tax liability was higher than 30,000 c ıg this return after the end of taxable period)

:turn cannot be filled during tax audit.

zk.