



EVROPSKÁ UNIE  
Evropské strukturální a investiční fondy  
Operační program Výzkum, vývoj a vzdělávání



# Corporate Income Tax – Examples

# Example 1

- **Net income CZK 580 000 (revenues – costs)**
  - Received loans CZK 50 000
  - Received dividends CZK 25 000
  - Received dividends from subsidiary company CZK 100 000
  - „Public“ donations CZK 26 000
  - Accounting depreciations CZK 260 000 (tax depreciations CZK 220 000)
- **Task: Calculate the tax base and tax deductions.**

# Results

- Trading income CZK 580 000
  - (-) loans CZK 50 000
  - (-) dividends CZK 25 000
  - (-) „subsidiary“ dividends CZK 100 000
  - (+) donations CZK 26 000
  - (+) depreciations CZK 40 000
- **Tax base = CZK 471 000**
- **Tax deductions = CZK 26 000 (maximum CZK 47 100, 10 %)**

# Example 2

- Company BCB has decided to realize the general repair of its building (5th depreciation group)
- Total costs: CZK 2 000 000
- Tasks:
  - Is it possible to create a tax provision?
  - For how many years at least we have to create the tax provision?
  - If repair begins in 2021, what will be the tax provision in previous years?
  - Is it possible to create the tax provision for 20 years?
  - If general repair begins in 2023, what will happen?

# Results

- Yes, we can create tax provision.
- At least 2 years.
- In 2019 and 2020: 1 mil. CZK/every year
- No, it is not possible – maximum limit is 10 years (tax periods).
- We have to increase tax base by CZK 2 mil. in 2023 (in tax return 2023).

# Example 3

- Company ABC registers these receivables after due date:
  - CZK 150 000 (due date: 15. 1. 2019)
  - CZK 20 000 (due date: 15. 12. 2018)
- Tasks:
  - Is it possible to create the adjusting entries for these receivables?
  - When will be possible to create the corrective item (as soon as possible)?

# Results

- We can create the adjusting entry for the second receivable (CZK 20 000). After 12+ months and up to CZK 30 000 – 100 % adjusting entry.
- After 18+ months it is possible to create the adjusting entry for the first receivable – 50 % of nominal value. The soonest date is during 2020 – in tax return for 2020 (adjusting entry would be CZK 75 000).

# Example 4

- Company AAA has net income: CZK 870 000 (2019) and realized these transactions (transactions are included in net income):
  - Received invoice for contract penalty: CZK 20 000 (till the end of 2019 paid 15 000 CZK),
  - Received assessment for administrative penalty CZK 2 000 (till the end of 2019 paid CZK 2 000),
  - In April 2019 has bought a new car, entry price is CZK 450 000 (accounting cost),
  - In June 2019 has bought a new software, entry price is CZK 80 000 (accounting cost).
- Tasks:
  - Do we have to modify the tax base?
  - What will be the tax base of AAA company of year 2019?



# Results

- Yes, we have to modify the tax base.
- Contract penalty: (+) 5 000 CZK
- Administrative penalty: (+) 2 000 CZK
- Car: we have to calculate tax depreciations – we can choose the depreciation method (linear or regressive). Linear depreciation is:  $450\,000 * 0,11 = 49\,500$  CZK, we have to increase the tax base by:  $450\,000 - 49\,500 = 400\,500$  CZK
- Software:  $80\,000$  CZK / 36 months =  $2\,222,22$  CZK/per month, 2019:  $6 * 2\,222,22 = 13\,334$  CZK (tax depreciation of intangible property), we have to increase the tax base by:  $80\,000 - 13\,334 = 66\,666$  CZK.
- Tax base is:  $870\,000 + 5\,000 + 2\,000 + 400\,500 + 66\,666 =$   
**1 344 166 CZK (tax base of CIT)**

# Example 5

- Net income of SMART company is: CZK 260 000 in 2019. All these transactions are included in net income:
  - Gross wages: CZK 1 500 000
  - Social security contributions: CZK 510 000 (company paid till the end of January 2020: CZK 410 000)
  - Received contract penalty: CZK 12 000 (company paid: CZK 10 000)
  - Received dividends from subsidiary company: CZK 180 000
  - Road tax: CZK 56 000 (company paid: CZK 40 000)
  - Property tax: CZK 15 000 (company paid: CZK 12 000)
  - Value added tax: CZK 333 000 (company paid: CZK 333 000)
  - Technical appreciation of a car: CZK 23 000
- Tasks:
  - Do we have to modify the tax base?
  - What will be the tax base of SMART company of year 2019?

# Results

- Wages: no modification
- Social security contributions: +100 000
- Contract penalty: +2 000
- Dividends: -180 000
- Road tax: no modification
- Property tax: +3 000
- VAT: +333 000 (if SMART company is a taxpayer of VAT)
- Technical appreciation: no modification
- **Total tax base is: CZK 518 000**

# Example 6

- Company CAT has tax base: CZK 560 000
  - In previous year 2018 had a tax loss CZK 25 000
  - Public donations in 2019 are: CZK 45 000
  - Expenses on R&D: CZK 36 000 (use rate of 100 %)
  - Have 2 employees with health disability (both of them are part-time 50 %) and 1 employee with heavy health disability (full-time employee)
- Task: Calculate the corporate income tax of the CAT company.

# Results

- Tax base = CZK 560 000
  - (-) tax loss: CZK 25 000
  - (-) R&D: CZK 36 000
  - = Tax base 2 = CZK 499 000
  - (-) donations: CZK 45 000 (maximum 10 % of TB2 CZK 49 900)
  - = tax base reduced by deductions = CZK 454 000 \* 0,19 (tax rate) = CZK 86 260
  - (-) tax credits: CZK 18 000 + 60 000
  - = CIT: CZK 8 260

# Example 7

- Company DOG has tax base: CZK 870 000
  - In year 2007 had tax loss CZK 120 000
  - In year 2011 had tax loss CZK 88 000
  - In year 2017 had tax loss CZK 140 000
  - Donations to public organizations were CZK 120 000 in year 2013
  - Public donations are CZK 55 000 in 2019
  - Donations to subsidiary company CAT are CZK 45 000 in 2019
- Which deductions are considered as a tax deductions in year 2019?

# Results

- Tax loss 2017: CZK 140 00
  - Public donations 2019: CZK 55 000
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