Taxation (F6)
Czech Republic (CZE)
December 2010 & June 2011

This syllabus and study guide is designed to help with planning study and to provide detailed information on what could be assessed in any examination session.

THE STRUCTURE OF THE SYLLABUS AND STUDY GUIDE

Relational diagram of paper with other papers

This diagram shows where any direct and indirect links between this paper and other papers preceding or following it. Some papers are directly underpinned by other papers such as Advanced Performance Management by Performance Management. These links are shown as solid line arrows. Other papers only have indirect relationships with each other, such as links existing between the accounting and auditing papers. The links between these are shown as dotted line arrows. This diagram indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

Overall aim of the syllabus

This explains briefly the overall objective of the paper and indicates in the broadest sense the capabilities to be developed within the paper

Main capabilities

This paper's aim is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

Relational diagram of the main capabilities

This diagram illustrates the flows and links between the main capabilities (sections) of the syllabus and should be used as an aid to planning teaching and learning in a structured way.

Syllabus rationale

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked. The rationale also explains in further detail what the examination intends to assess and why.

Detailed syllabus

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

Approach to examining the syllabus

This section briefly explains the structure of the examination and how it is assessed.

Study Guide

This is the main document that students, tuition providers and publishers should use as the basis of their studies, instruction and materials. Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session. The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations. These outcomes are described using verbs indicating what exams may require students to demonstrate and the broad intellectual level at which these may need to be demonstrated (*See intellectual levels below)

Reading lists

ACCA examiners will recommend study texts and text books where these are available, which students may read as part of their preparation for the exam. Relevant articles will also be published in *student accountant.*

INTELLECTUAL LEVELS

The syllabus is designed to progressively broaden and deepen the knowledge, skills and professional

values demonstrated by the student on their way through the qualification.
The specific capabilities within the detailed syllabuses and study guides are assessed at one of three intellectual or cognitive levels:
Level 1: Knowledge and comprehension
Level 2: Application and analysis
Level 3: Synthesis and evaluation

Very broadly, these intellectual levels relate to the three cognitive levels at which the Knowledge module, the Skills module and the Professional level are assessed.

Each subject area in the detailed study guide included in this document is given a 1, 2, or 3 superscript, denoting intellectual level, marked at the end of each relevant line. This gives an indication of the intellectual depth at which an area could be assessed within the examination. However, while level 1 broadly equates with the Knowledge module, level 2 equates to the Skills module and level 3 to the Professional level, some lower level skills can continue to be assessed as the student progresses through each module and level. This reflects that at each stage of study there will be a requirement to broaden as well as deepen capabilities. It is also possible that occasionally some higher level capabilities may be assessed at lower levels.

LEARNING HOURS

The ACCA qualification does not prescribe or recommend any particular number of learning hours because increasingly study and learning patterns and styles vary greatly between people and organisations and in different personal, professional and educational circumstances.

Each syllabus contains between 23 and 35 main subject area headings depending on the nature of the subject and how these areas have been broken down in those particular papers.

GUIDE TO EXAM STRUCTURE

The structure of examinations varies within and between modules and levels.

The Fundamentals level examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.

The Knowledge module is assessed by equivalent two-hour paper based and computer based examinations.

The Skills module examinations are all paper based three-hour papers. The structure of papers varies from ten questions in the *Corporate and Business Law* (F4) paper to four 25 mark questions in *Financial Management* (F9). Individual questions within all Skills module papers will attract between 10 and 30 marks.

The Professional level papers are all three-hour paper based examinations, all containing two sections. Section A is compulsory, but there will be some choice offered in Section B.

For all three hour examination papers, ACCA has introduced 15 minutes reading and planning time.

This additional time is allowed at the beginning of each three-hour examination to allow candidates to read the questions and to begin planning their answers before they start writing in their answer books. This time should be used to ensure that all the information and exam requirements are properly read and understood.

During reading and planning time candidates may only annotate their question paper. They may not write anything in their answer booklets until told to do so by the invigilator.

The Essentials module papers all have a Section A containing a major case study question with all requirements totalling 50 marks relating to this case. Section B gives students a choice of two from three 25 mark questions.

Section A of each of the Options papers contains 50-70 compulsory marks from two questions, each attracting between 25 and 40 marks. Section B will offer a choice of two from three questions totalling 30-50 marks, with each question attracting between 15 and 25 marks.

The pass mark for all ACCA Qualification examination papers is 50%.

GUIDE TO EXAMINATION ASSESSMENT

ACCA reserves the right to examine anything contained within the study guide at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For the financial accounting, audit and assurance, law and tax papers except where indicated otherwise, ACCA will publish *examinable documents* once a year to indicate exactly what regulations and legislation could potentially be assessed within identified examination sessions..

For paper based examinations regulation ***issued*** or legislation ***passed*** on or before 30th September annually, will be assessed from June 1st of the following year to May 31st of the year after. Please refer to the examinable documents for the paper for more information.

Regulation issued or legislation passed in accordance with the above dates may be examinable even if the ***effective*** date is in the future.

The term issued or passed relates to when regulation or legislation has been formally approved.

The term effective relates to when regulation or legislation must be applied to an entity transactions and business practices.

The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide should therefore be read in conjunction with the examinable documents list.

Czech Republic is one of the exceptions to this rule due to the timing of legislation. Examinations in December 2010 and June 2011 will be assessed on regulations issued and **legislation in force** as at 31 May 2010.

Syllabus

(F6) (CZE)

AIM

To develop knowledge and skills relating to the tax system of the Czech Republic, as applicable to individuals and companies.

MAIN CAPABILITIES

After completing this examination paper students should be able to:

A Explain the operation and scope of the Czech tax system

B Explain and compute the income tax liabilities of individuals

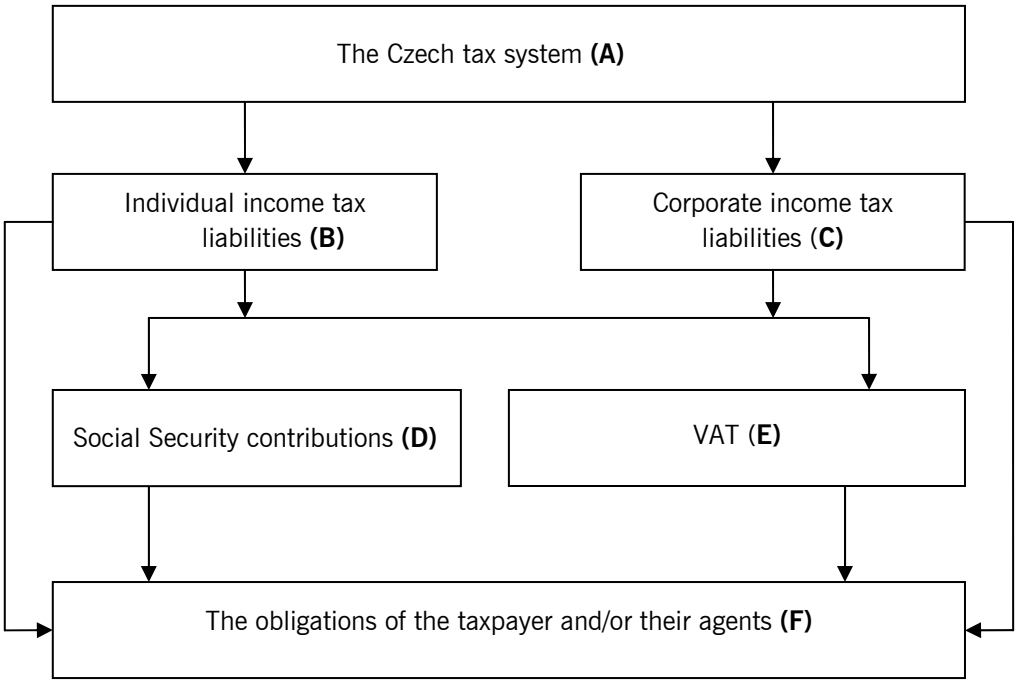
C Explain and compute the corporate income tax liabilities of companies

D Explain and compute the effect of social security and health care contributions on employees, employers and the self employed

E Explain and compute the effects of value added tax on incorporated and unincorporated businesses

F Identify and explain the obligations of tax payers and/or their agents and the implications of non-compliance.

RELATIONAL DIAGRAM OF MAIN CAPABILITIES



RATIONALE

This syllabus introduces candidates to the subject of taxation and provides the core knowledge of the underlying principles and major technical areas of taxation, as they affect the activities of individuals and businesses.

In this syllabus, candidates are introduced to the rationale behind and the functions of the tax system. The syllabus then considers the separate taxes that an accountant would need to have a detailed knowledge of, such as income tax from self employment, employment and investments; the corporate income tax liability of companies; the social security and health care contribution liabilities of both employed and self employed persons and the value added tax liability of businesses.

Having covered the core areas of the basic taxes, the candidate should be able to compute tax liabilities, explain the basis of their calculations, apply tax planning techniques for individuals and companies and identify the compliance issues for each major tax through a variety of business and personal scenarios and situations.

DETAILED SYLLABUS

A The Czech tax system

1. The overall function and purpose of taxation in a modern economy
2. Different types of taxes
3. The tax regulatory framework
4. Tax avoidance and tax evasion

B Income tax liabilities

1. The scope of individual income tax
2. Income from employment
3. Income from self-employment
4. Property, investment and other income
5. The comprehensive computation of taxable income and income tax liability
6. The use of exemptions and reliefs in deferring and minimising income tax liabilities

C Corporate income tax liabilities

1. The scope of corporate income tax
2. Profits chargeable to corporate income tax
3. The comprehensive computation of corporate income tax liability
4. The use of exemptions and reliefs in deferring and minimising corporate income tax liabilities
5. Determination of tax residence and international aspect

D Social security and health care contributions

1. The scope of social security and health care contributions
2. Contributions for employed persons, liabilities of employees and employers
3. Contributions for self-employed persons

E Value added tax

1. The scope of value added tax (VAT)
2. The VAT registration requirements
3. The computation of VAT liabilities
4. Documentation requirements and compliance

F The obligations of tax payers and/or their agents

1. The systems for self-assessment and the making of returns
2. The time limits for the submission of information, claims and payment of tax, including payments on account
3. The procedures relating to enquiries, rulings, appeals and disputes
4. Penalties for non-compliance

APPROACH TO EXAMINING THE SYLLABUS

The paper will be mainly computational and will have five questions, all of which will be compulsory.

- Questions one and two will be for a total of 55 marks with one of the questions being for 30 marks and the other for 25 marks. One of these two questions will focus on individual income tax and the other question will focus on corporate income tax

- Question three will be for 15 marks, and will focus on value added tax

- Questions four and five will be on any area of the syllabus and will be for 15 marks each.

Value added tax will be examined in question three, but might also be included as part of a question for no more than a further 8 marks.

Social security and health care contributions will not be examined as a separate question, but may be examined in any question involving income tax or corporate income tax.

Any of the five questions might include the consideration of issues relating to the minimisation or deferral of tax liabilities.

Study Guide

A THE CZECH TAX SYSTEM

1. The overall function and purpose of taxation in a modern economy

a) Describe the purpose (economic, social etc) of taxation in a modern economy.[2]

2. Different types of taxes

a) Identify the different types of taxes.[2]

b) Explain the difference between direct and indirect taxation.[2]

3. The tax regulatory framework

a) Describe the overall structure of the Czech tax system.[2]

b) State the different sources of revenue law.[2]

c) Explain and apply the basic principles of tax procedure.[2]

d) Explain and apply the rules on the determination of competent authority.[2]

e) Appreciate the interaction of the Czech tax system with that of other tax jurisdictions.[2]

4. Tax avoidance and tax evasion

a) Explain the difference between tax avoidance and tax evasion.[1]

b) Explain the need for an ethical and professional approach.[2]

B INDIVIDUAL INCOME TAX LIABILITIES

1. The scope of income tax

a) Describe the scope of individual income tax.[2]

b) Define when an accounting period and a tax period starts and finishes.[2]

c) Explain how the residence of an individual is determined.[2]

d) Recognise the income that is taxable in the case of tax residents and tax non-residents.[2]

e) Explain the Czech tax treatment and assessment of income from sources in the Czech Republic of non-residents.[2]

2. Income from employment

a) Identify the income which falls within this category and explain how the partial tax base is calculated.[2]

b) Recognise the allowable deductions.[2]

c) Distinguish between the benefits in kind which have to be taken into account and those which are exempt.[2]

d) Explain how taxable benefits in kind are assessed and calculate relevant amounts.[2]

e) State the factors that determine whether an engagement is treated as an employment or self employment.[2]

f) Describe the situations in which the economic employment concept is used.

g) Explain how directors' and statutory representatives' (jednatel) fees are taxed.[2]

h) Compare the affect of alternative remuneration packages.[2]

3. Income from self-employment (business and professional income)

a) Identify the income which falls within this category and explain how the partial tax base is calculated.[2]

b) Recognise the expenditures that are allowable in computing the tax adjusted profit/loss.[2]

c) Deprecation allowances

   i) Define depreciable tangible and intangible assets

   ii) Compute depreciation allowances using the straight line and accelerated methods

iii) Distinguish the treatment of operational and financial leases ad calculate relevant tax deductible amounts

d) Relief for losses.[2]

i) Explain how losses can be claimed against total income and calculate relevant amounts

ii) Explain how losses can be carried forward

e) Partnerships and limited liability partnerships.[2]

i) Explain how a partnership is assessed to tax

ii) Distinguish between the tax treatment of a general partnership and a partnership with one or more limited partners

iii) Allocate assessable profits among the partners

f) Explain the tax implications arising from the disposal of a business.[2]

4. Property, investment and other income

a) Identify the income which falls within each of these categories and explain how the partial tax base is calculated.[2]

b) Recognise the allowable deductions in each case.[2]

c) Explain the special treatments for interest income and dividends.[2]

d) Explain the treatment of the sale of shares and securities.[2]

e) Explain the treatment of the sale of other non-business assets and property.[2]

5. The comprehensive computation of taxable income and income tax liability

a) Prepare a basic income tax computation involving different categories of income.[2]

b) Recognise the deductions from the total tax base available to individuals.[2]

c) Identify the tax credits deductible in computing the tax payable.[2]

d) Identify the income subject to final withholding. and calculate the tax payable.[2]

e) Identify the income subject to withholding as a prepayment and calculate the tax withheld.[2]

f) Compute the amount of monthly payroll deductions in the case of employees.[2]

g) Calculate the Czech income tax on foreign income, together with any available double taxation relief.[2]

6. **The use of exemptions and reliefs in deferring and minimising income tax liabilities**

a) State which income is exempt from income tax.[2]

b) Explain and compute the relief for contributions to pension schemes.[2]

c) Explain how a married couple can minimise their tax liabilities through the use of joint taxation.[2]

d) Compare the tax position of a shareholder/owner of a company with that of a sole trader.[2]

Excluded topics:

Share option schemes

C CORPORATE INCOME TAX LIABILITIES

1. **The scope of corporate income tax**

a) Describe the scope of corporate income tax.[2]

b) Define when an accounting period starts and finishes.[2]

c) Explain how the residence of a company is determined.[2]

d) Recognise the income that is taxable in the case of tax resident and tax non-resident companies and how it will be allocated.[2]

e) Explain the factors that should be considered when incorporating a business.[2]

Excluded topics

Reorganisations

Companies in liquidation

Not for profit organisations

Co-operatives

Investment, pension and share funds

2. Profits chargeable to corporate income tax

a) Recognise the adjustments made to the accounting profit for the purpose of calculating the corporate tax base.[2]

b) Identify the expenditures which is generally allowable in calculating the tax-adjusted profit.[2]

c) Identify the items which are not tax deductible.[2]

d) State the basic principles which apply to transactions between related parties.[2]

e) Depreciation allowances (as for individual income tax).[2]

f) Explain the thin capitalisation rules and prepare relevant calculations.[2]

g) Explain and apply the transfer pricing rules and prepare relevant calculations.[2]

h) Explain how overseas income is assessed.[2]

i) Relief for losses [2]

i) Explain how losses can be relieved against total income and calculate relevant amounts

ii) Explain how losses can be carried forward

j) Incentives [2]

i) Explain the incentive available for large scale investment and calculate relevant amounts

ii) Explain the research and development incentive and calculate relevant amounts

iii) Explain the employment incentives ad calculate relevant amounts

3. The comprehensive computation of corporate income tax liability

a) Recognise the allowances and credits available to corporations and calculate relevant amounts.[2]

b) Identify the income subject to final withholding and calculate relevant amounts.[2]

c) Identify the income subject to withholding as a prepayment and calculate the tax payable.[2]

d) Explain the taxation of dividends in the case of related companies.[2]

e) Calculate the Czech income tax o foreign income, together with any available double taxation relief.[2]

4. **The use of exemptions and reliefs in deferring and minimising corporate income tax liabilities (The use of such exemptions and reliefs is implicit within all of the above sections 1 to 3 of part C of the syllabus, concerning corporate income tax**

D SOCIAL SECURITY AND HEALTH CARE CONTRIBUTIONS

1. The scope of social security and health care contributions

a) Explain who and in what circumstances is liable to pay the social security and health care contributions.[2]

b) Outline the EU rules for social coordination.[2]

2. Contributions for employed persons, liabilities of employees and employers

a) Calculate the assessment base.[2]

b) Calculate the employer's and the employee's share of social security and health care contributions.[2]

c) State the procedures and deadlines for the payment of contributions.[2]

3. Contributions for self-employed persons

a) Explain and calculate the assessment base.[2]

b) Calculate the social security and health care contributions payable.[2]

c) State the procedures and deadlines for the payment of contributions.[2]

E. VALUE ADDED TAX

1. The scope of value added tax (VAT)

a) Describe the scope of VAT.[2]

b) Explain how the VAT functions when goods and/or services are supplied and/or received to/from Czech companies to/from EU member states and to/from companies in other countries.[2]

c) List the principal reduced rate, zero-rated and exempt supplies.[2]

2. The VAT registration requirements

a) Recognise the circumstances in which a person (individual or legal entity) must register for VAT.[2]

b) Explain the advantages of voluntary VAT registration.[2]

c) Explain the VAT registration procedure including relevant deadlines.[2]

d) Explain the circumstances in which pre-registration VAT can be recovered.[2]

e) Explain how a person can deregister for VAT.[2]

3. The computation of VAT liabilities

a) Explain how VAT is accounted for and administered.[2]

b) Explain how the tax point i.e. when and where goods or services are supplied, is determined.[2]

c) Explain and apply the principles regarding the valuation of supplies.[2]

d) Recognise the circumstances in which input VAT is non-deductible.[2]

e) Explain how the calculation of VAT liability is affected where a VAT payer makes zero rated and/or exempt supplies.[2]

f) Explain and apply the reverse charge regime.[2]

g) Calculate the VAT due to/from the tax authorities.[2]

Excluded topics

Special regime for investment gold

Special regime for supply of gold

4. **Documentation requirements and compliance**

a) List the information that must be given on a VAT invoice.[2]

b) State the deadlines for the filing of VAT returns and payment of VAT.[2]

c) Explain notification obligations and procedures of VAT payers.[2]

F. THE OBLIGATIONS OF TAX PAYERS AND/OR THEIR AGENTS

1. The systems for self-assessment and the making of returns

a) Describe the tax registration procedure.[2]

b) Explain and apply the features of the self-assessment system and the tax returns filing procedures for individuals.[2]

c) Explain and apply the features of the self-

assessment system and the tax returns filing procedures for companies.[2]

2. The time limits for the submission of information, claims and payment of tax, including payments on account

a) Recognise the time limits that apply to the filing of returns and the making of claims.[2]

b) Recognise the due dates for the payment of tax and explain how taxes are paid.[2]

c) Compute tax prepayments and state the due dates for making such tax prepayments.[2]

d) Explain the system of year end (annual) clearing of tax and calculate the year clearing tax payable.[2]

e) Explain the payroll tax system as applied to employees.[2]

f) Explain the relevant procedures for tax collection by final withholding and of withholding as a prepayment of tax due including relevant deadlines and competent authorities.[2]

g) List the information and records that taxpayers need to retain for tax purposes.[2]

Excluded topics

Procedure for the recovery of tax claims

The internal organisation and functions determination of the tax administration bodies

3. The procedures relating to enquiries, rulings, appeals and disputes

a) Explain the available remedial instruments and relevant procedures including deadlines and competent authorities.[2]

b) Explain the tax audit procedures including the rights and obligations of a taxpayer.[2]

c) Explain the application of the statute of limitation.[2]

d) Explain the procedures relevant when applying for a ruling in the area of individual or corporate income tax.[2]

4. Penalties for non-compliance

a) State the circumstances in which a penalty or interest can be charged in the case of income tax and VAT.[2]

b) Calculate interest on overdue tax and the penalties that can be charged.[2]

READING LIST

Relevant legislation:

Income Taxes Act (No. 586/1992 Coll., as amended)

Reserves and provisions relevant for calculation of income tax base Act (No. 593/1992 Coll., as amended)

Value Added Tax Act (No. 588/1992 Coll., as subsequently amended)

Administration of Taxes Act (No. 337/1992 Coll., as subsequently amended)

Accounting Act (No. 563/1991 Sb.)

SUMMARY OF CHANGES TO PREVIOUS STUDY GUIDE

December 2009 & June 2010

No changes.