INSTRUCTIONS for filling out the income-tax return by individuals for the taxable period (calendar year) 2018

"Instructions for filling out the income-tax return by individuals for the taxable period (calendar year) 2018" no. 25 5405/1 MFin 5405/1 – model no. 26 (hereinafter "Instructions") are instructions for filling out the form "The Income Tax Return by individuals pursuant to Act no. 586/1992 Coll., on Income Tax, as amended, for the taxable period (calendar year) 2018" no. 25 5405 MFin 5405 – model no. 25 (hereinafter tax return).

1. In order to replace the methodological interpretation of the Income Tax Act (Act no. 586/1992 Coll., on Income Tax, as amended) and Act no. 280/2009 Coll., on Administration of Taxes, as amended (hereinafter the Tax Code), but serve as guidelines for filling out the tax return filed pursuant to Section 38g of the Act or pursuant to Sections 135, 136, 138, 141, 239b, § 233c and 244 of Administration of Taxes Act, and highlight the key principles which need to be adhered to in order to calculate due tax liability. In view of the above, the taxpayer needs to be familiar with the relevant provisions of the legal regulations referred to you.

2. Tax return form is designed for individual income-tax payers (physical persons) in keeping with law, and serves as a basis for computation of tax from income of individuals, i.e. income from domestic activity (Section 6 of the Act), business activity from independent activity (Section 7 of the Act), accruing from capital (Section 8 of the Act), from lease (Section 9 of the Act) and other income (Section 10 of the Act), generated both in the Czech Republic and abroad. Income is understood to include both monetary and non monetary income in-kind as well as that generated by exchange. Expense is understood as the legal, economic, and justified expenditure (cost) pursuant to the tax law.

3. Only rows and fields with white background are to be filled out by the taxpayer (those with pink background are used by the tax administrator). The form is to be filled out on a typewriter, computer or in capital letters by hand. Please, be advised that the form may be short of space for all possible entries. If the legal provisions differ greatly, specify all amounts and entries as the individual situations of taxpayers differ greatly. Should the space be insufficient in the form, please, provide additional information on a separate A4 sheet and provide the number of attached sheets in the Part Attachments, row "Number of Attachments Not Stated Above". Cross out rows and parts that are not applicable.

4. Tax return, including attachments, may be filed electronically via data transfer using remote access signed in way, by which another legal provision connects the effects of handwritten signature or with verified identity of the sender in way by which it is possible to log into the data box in the form and under conditions provided on the website www.danelektronicky.cz. Provided the tax return is confirmed by some of the ways mentioned in section 71, subsection 1 of the Tax Code within 5 days commencing the day when the tax administrator received the tax return it is possible to submit the tax return including attachments also via data transfer using remote access, in the form and structure published by the tax administrator that is signed in way by which another legal provision connects the effects of handwritten signature. If the tax payer or its representative has data box or a legal obligation to have audited financial statements, pursuant to Section 72 subsection 4 of the Tax Code, he is obligated to submit tax return only via data transfer by using remote access, in the form and structure published by the tax administrator, sent in the way pursuant to Section 1 of the Tax Code, i.e. signed in way, which another legal provision connects the effects of handwritten signature or identity of a sender in way by which it is possible to log into the data box.

5. Instructions for Filling out tax return

Front page of the standard form

Calculation of the tax return – give the relevant part of the calendar year.

1. To Tax Office in, at, for – fill in the official name of the relevant Tax Office (the Tax Administrator), in whose jurisdiction you permanently reside at the time of filing. If you are registered, fill in the name of the Tax Office having jurisdiction according to the registration certificate.

2. Resident – state the local branch of tax office, where in accordance with law, including income tax by individuals located (pursuant to Section 13 of the Act, no. 456/2011 Coll., on Financial Administration of the Czech Republic, as amended).

3. Tax identification number – fill in your Tax Identification Number provided you have received one.

4. Personal identification number given at birth – provide your identification number given at birth in the Czech Republic. If your number consists of one or two digits after the slash, leave the last space blank. If you are a taxpayer without the identification number given at birth in the Czech Republic, provide your date of birth.

5. Tax return – cross the relevant type of tax return. The form may be used for a regular tax return or corrective tax return, which may be filed prior to the tax return time-limit (in this case cross all options), or for supplementary tax return (or corrective supplementary tax return), which is to be filed in case you have established after the regular tax return time-limit that your tax liability is higher (lower) or your tax loss higher (lower) than declared by you or assessed by the tax administrator. Corrective supplementary tax return may be filed prior to the regular tax return time-limit (in this case cross both options) or supplementary tax return, provided actual figures not mathematical differences between the original and newly declared numbers. In the supplementary tax return, the tax return subject to tax for the part of the calendar year which expired before the day of submitting of this report. The obligation is met when the tax administrator presents the tax return form "The Income Tax Return by individuals pursuant to Act no. 586/1992 Coll., on Income Tax, as amended", no. 25 5405 MFin 5405 – model no. 25 (hereinafter tax return).

6. Description of the tax return – cross the relevant code for tax return. The form may be used for a regular tax return or corrective tax return, which may be filed prior to the tax return time-limit (in this case cross all options), or for supplementary tax return (or corrective supplementary tax return), which is to be filed in case you have established after the regular tax return time-limit that your tax liability is higher (lower) or your tax loss higher (lower) than declared by you or assessed by the tax administrator. Corrective supplementary tax return may be filed prior to the regular tax return time-limit (in this case cross both options) or supplementary tax return, provided actual figures not mathematical differences between the original and newly declared numbers. In the supplementary tax return, the tax return subject to tax for the part of the calendar year which expired before the day of submitting of this report. The obligation is met when the tax administrator presents the tax return form "The Income Tax Return by individuals pursuant to Act no. 586/1992 Coll., on Income Tax, as amended", no. 25 5405 MFin 5405 – model no. 25 (hereinafter tax return).

7. Description of the tax return – cross the relevant code for tax return.

8. Date the event occurred – a. In 30 days from the day of effectivity of resolution on bankruptcy (Section 244 Subsection 1 of the Administration of Taxes Act) b. In 15 days from the date of final report presentation (Section 244 Subsections 3 and 5 of the Administration of Taxes Act) c. In 15 days from the date of entry on discharge in bankruptcy (Section 244 Subsections 3 and 5 of the Administration of Taxes Act) d. In 15 days from the day of discharging in bankruptcy (Section 244 Subsections 3 and 5 of the Administration of Taxes Act) e. In 15 days from the date of fulfillment of another way of bankruptcy solution (Section 244 Subsections 3 and 5 of the Administration of Taxes Act) f. In 15 days from the date of passing of the competence to handle with property belonging to assets from insolvency trustee to tax-payer and reversely (Section 244 Subsections 4 and 5 of the Administration of Taxes Act) g. Insolvency – for the previous taxable period, if the tax return has not been filed yet and the time-limit for its filing has not elapsed (Section 245 of the Administration of Taxes Act). h. Death – in 3 months after death of the testator and for the part of the taxable period which expired before the day of his death, pursuant to § 239b subsection 4 of the Tax Code, and for the previous taxable period if the tax return has not been filed yet and the time limit for its filing has not elapsed (Section 245 of the Administration of Taxes Act). i. N. In 30 days from the day of the end of inheritance proceeding and for the part of taxable period which expired before the day of the end of inheritance proceeding. The obligation is met by the person that manages an inheritance (§ 239b subsection 5 and § 245 of the Tax Code). j. N. In 30 days from the day of submitting of the proper report on the register of assets of the testamentary inheritance, or its part, or the court of account ordered liquidation of an inheritance) and for the part of the taxable period which expired before the day of submitting of this report. The obligation is met by a liquidation administrator (§ 239c and § 245 of the Tax Code).

9. Passport number and submitted by a Certified Tax Advisor – cross "yes" provided the power of attorney has been applied at the tax administrator (tax office) prior to regular three-month time-limit, for filing the tax return. Otherwise, cross "no." Cross "yes" if you have a legal obligation to have the tax return form prepared by a tax administrator, otherwise, cross "no." No. Taxable period – give the calendar year for which the tax return is filed. For the relevant code for type of tax return (for example adjudication of bankruptcy order, cancellation of bankruptcy, death), give the relevant part of the calendar year.

10. Information about a taxpayer

- Fill in your surname as it appears in your birth certificate.
- Fill in your date of birth.
- Fill in your citizenship.
- Fill in your date of birth given at birth in the Czech Republic, if you are a resident of the Czech Republic, but you spend time in the Czech Republic. Number: building number slash street number.
- Fill in your Tax Identification Number given at birth in the Czech Republic, if you are a resident of the Czech Republic, but you spend time in the Czech Republic.
- If you are a taxpayer pursuant to Section 2, Subsection 3 of the Act, i.e. tax non-resident in the Czech Republic who has a tax liability in connection with income generated in the Czech Republic, provide the country code of the state where you are a tax resident (List of codes is to be found on the website of the Czech Revenue Agency, to go To Taxes and Duties/Taxes/Income Taxes/Country Codes).
- Total Worldwide Income – if you are a taxpayer pursuant to Section 2, Subsection 3 of the Act i.e. a tax non-resident in the Czech Republic and a tax resident of EU member state or state forming EEA and if you claim non taxable parts of tax base pursuant to Section 15 of the Act, or a tax relief in keeping with Czech law (Subsection 35b, Subsection 1, Subsection 2 letter b) (through e) and letter a) to the limit of all income generated in the Czech Republic and abroad. Quote in CZK and convert foreign currency according to Section 38, Subsection 1 of the Act.
- Transactions with foreign related person – Cross "yes" if you carried out a transaction in the period for which the tax return is being filed, transactions with the capital related person (§ 23 subsection 7 letter a) of the Act) or in a different way related person (§ 23 subsection 7 letter b) of the Act with the exception of the item 5). Otherwise cross "no." Affiliation with foreign person does not also include a close person or person that it is in the legal relationship which can have elements pursuant to § 23 subsection 7 letter b) item 5 of the Act.
1. Instructions regarding calculation of the partial tax base from personal income from dependent activity (Section 6 of the Act)

According to Section 6 of the Act, income from dependent activity includes income in both from the Czech Republic and from abroad, converted into CZK. If there is income from foreign sources, the tax base of the tax-payer mentioned in Section 2 Subsection 2 is his/her income from dependent activity or discharge of officer being exercised in a country, which have not the conclusion of the Double Taxation Convention with the Czech Republic, raised by the compulsory insurance pursuant to Subsection 12 and reduced by tax paid from this income abroad. If the dependent activity or discharge of office is being exercised in a country, which have the conclusion of the Double Taxation Convention with the Czech Republic, the tax base of the tax-payer mentioned in Section 2 Subsection 2 is his/her income from dependent activity or discharge of office being exercised in this country raised by the compulsory insurance pursuant to Subsection 12 this income is reduced by tax paid from this income in a state, with which the Czech Republic concluded the Double Taxation Agreement, but the income from dependent activity or discharge of officer is not being exercised in the same country. The difference between the total amount of the tax base and the tax paid from this income abroad, if the dependent activity or discharge of office is being exercised in a country, which have not the conclusion of the Double Taxation Convention with the Czech Republic, is not included in the tax base, Entries reducing the tax base according to foreign legislation cannot be used on tax based assessment. Please note that to exclude double taxation, the respective Double Taxation Convention or Section 38h, Subsection 4 of the Act is applied solely in case of incomes from sources under Subsection 1 and 2 of point 6 of the Act which are not subject to taxation by the compulsory insurance pursuant to Section 6, Subsection 4 of the Act in the tax return, the tax withheld from this income is credited against his tax (state the amount of withheld tax in row 87a of the basic part of the tax return, page 3). If a taxpayer (non-resident of the Czech Republic) who is a tax resident of another EU member state have income under Section 6, Subsection 4 of the Act in the tax return, the tax withheld from the tax is credited against his tax (state the amount of withheld tax in row 87b of the basic part of the tax return, page 3).

2. Part III

Regarding Part III 2. Non-taxable parts of the tax base pursuant to Section 15 of the Act

Fill in the table of the tax base pursuant to Section 15 of the Act and deductible items pursuant to Section 34 of the Act. Regarding the non-taxable parts of the tax base, which may be claimed in dependence on number of calendar months under Section 15 of the Act, give in row 1 the amount of the deductible items pursuant to Section 15 of the Act. In row 47 give the amount of the deduction of gratuitous transaction (donation) which you made according to Section 15, Subsection 1 of the Act. The total value of the donation (donations) in a given taxable period must exceed 2 % of the tax base on row 42 or must be at least 1 000 CZK. No more than a total of 15 % of the tax base on row 42 may be deducted.

3. Non-taxable parts of the tax base pursuant to Section 15 of the Act

Fill in the table of the tax base pursuant to Section 15 of the Act and deductible items pursuant to Section 34 of the Act. Regarding the non-taxable parts of the tax base, which may be claimed in dependence on number of calendar months under Section 15 of the Act, give in row 1 the amount of the deductible items pursuant to Section 15 of the Act. In row 47 give the amount of the deduction of gratuitous transaction (donation) which you made according to Section 15, Subsection 1 of the Act. The total value of the donation (donations) in a given taxable period must exceed 2 % of the tax base on row 42 or must be at least 1 000 CZK. No more than a total of 15 % of the tax base on row 42 may be deducted.
row 49 Amount pursuant to Section 15, Subsection 6 of the Act – give the amount of payments paid towards your private life insurance as it appears in the statement of the insurance company regarding insurance payments made in the taxable period 2018. The amount must not exceed the total of 24,000 CZK for 2018.

row 50 Amount pursuant to Section 15, Subsection 7 of the Act – give the amount of trade union contributions in the taxable period 2018 which according to its by-laws protects economic and social interests of employees to extend defined by special regulation (Section 146 et seq. of the Labour Code). Up to 1.5 % of taxable income may be deducted pursuant to Section 6 of the Act, with the exception of income pursuant to Section 6 of the Act taxed by withholding at a special tax rate, however no more than CZK 3,000 for taxable period 2018.

row 51 Amount pursuant to Section 15, Subsection 8 of the Act – state the claimed amount of payment for exams verifying results of further education pursuant to Section 6 of the Act, for which you were entitled to a disability pension due to disability of third degree, if your claim to full disability pension lagged due to a joinder of claims for other pension, if you were entitled to a disability pension due to disability of third degree from pension insurance scheme under Pension Insurance Act or another pension scheme, or for income which is liable to tax withheld under a special tax rate.

row 56 Tax Base Rounded down to whole Hundreds of CZK – give the tax base from row 55 rounded down to whole hundreds of CZK (for instance 93,235 CZK round down to 93,200 CZK) pursuant to Section 16 of the Act.

row 57 Tax according to Section 16 of the Act – tax pursuant to Section 16 of the Act is 15 % from the tax base on row 56.

row 58 Tax According to Section 16 of the Act (row 57) or amount from row 330 of Attachment no. 3 of tax return – copy the amount from row 57 (tax under Section 16 of the Act), or in case you have income from sources in abroad copy on this row the item from row 330 of Attachment no. 3 of tax return – Calculation of income of tax from sources abroad. ATTENTION! If you are moving a job or moving from abroad, do not calculate with the row 59 at next calculation, i.e. to the row 60 move only the figure from row 58 (without putting on the row 59).

row 59 Tax increase pursuant to § 16a of the Act – 7 % of the difference between the sum of the values in row 43 to row 114 after exemption and 48 multiple of average salary. For the calculation use the values without incomes for which you claim a method of exemption. (For 2018 the 48 multiple of average salary pursuant to § 19 of the Act).

row 60 Total Tax Rounded up to whole Hundreds of CZK (row 58 + row 59) – give the total of tax according to instructions therein pursuant to the Act and the Administration of Taxes Act.

row 61 Tax Loss – copy the row item from row 41a. If you have income from abroad, copy the row item from row 41a if it is less than zero. Fill in the amount without the minus sign.

row 62 Total Tax Relief pursuant to Section 35, Subsection 1 of the Act – on row 62 give the total tax relief (Column 1 + Column 2 of the table below) which represents the total relief for employees with disability (excluding those with severely disability handicap) (item a), Column 1 of the table below) and for employees with severely disability (item b), Column 2 of table below) according to calculation formula to that is available at the website www.financnipravna.cz. Example. Calculation of amount of tax relief of tax payer with disability.

<table>
<thead>
<tr>
<th>a) average yearly number of employees with disability (excluding those with severely disability handicap)</th>
<th>Column 1</th>
<th>Tax Relief (in CZK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>b) average yearly number of employees with severely disability</td>
<td>Column 2</td>
<td>Tax Relief (in CZK)</td>
</tr>
</tbody>
</table>

row 63 Tax Relief pursuant to Section 35a or Section 35b. If you claim a tax relief pursuant to Section 35a or Section 35b of the Act (Investment incentives), include this on row 63.

Instructions regarding table no. 1

Inform us about the spouse – fill out particulars about your spouse with whom you live in one household (Section 115 of the Civil Code). Give this information only in the event you seek a tax relief for your spouse under Section 35b, Subsection 1, Letter b) of the Act. Pursuant to Section 35b, Subsection 1, Letter b) of the Act, your spouse’s own annual income must not exceed CZK 68,000. For tax purposes the spouse is also meant registered partner pursuant to § 21e subsection 3 of the Act. If the personal identity number of your spouse is different from your personal identity number in the Czech Republic, fill in the date of birth in following format: day, month, year (DD.MM.YYYY).

row 64 Amount pursuant to Section 35b, Subsection 1, Letter a) of the Act – give the amount CZK 24,840.

row 65a Amount under Section 35b, Subsection 1, Letter b) of the Act – give the amount of CZK 24,840 annually, provided your spouse was not entitled to be during the taxable period or any part thereof in the third group of handicapped persons (extremely serious physical handicap with a need of support vocational education).

row 66 Amount under Section 35b, Subsection 1, Letter c) of the Act – give the amount of CZK 49,680 annually, provided your spouse was entitled to be during the taxable period or any part thereof in the third group of handicapped persons (extremely serious physical handicap with a need of support vocational education). The tax relief can be reduced by the amount of CZK 49,680, if your spouse was entitled to be during the taxable period or any part thereof in the third group of handicapped persons (extremely serious physical handicap with a need of support vocational education) and on the spouse’s own annual income exceeded CZK 68,000. If the personal identity number of your spouse is different from your personal identity number in the Czech Republic, fill in the date of birth in following format: day, month, year (DD.MM.YYYY).

row 67 Amount pursuant to Section 35b, Subsection 1, Letter d) of the Act – give the amount of CZK 5,040 annually (monthly CZK 420), if you are entitled to a disability pension due to disability of third degree from pension insurance scheme or other pension from the retirement insurance which is conditioned upon disability of third degree, if your claim to full disability pension laid due to a joinder of claims for old-age pension and disability pension of third degree or if you are fully disabled according to special law but your application for full disability pension was denied by special regulation (Section 146 et seq. of the Labour Code).

row 68 Amount pursuant to Section 35b, Subsection 1, Letter e) of the Act – give the amount of CZK 16,140 annually, if you were entitled to hold a severely disability card. If the above condition was met for several calendar months in the tax period, reduce the tax by CZK 1,345 for every calendar month at the beginning of which you supported your spouse.

row 65b Amount under Section 35b, Subsection 1, Letter b) of the Act – give the amount of CZK 49,680 annually, provided your spouse was entitled to hold a severely disability card. If you supported your spouse in the household just for several calendar months in the tax period, reduce tax base by CZK 4,140 for every calendar month at the beginning of which your spouse was supported.

row 66 Amount pursuant to Section 35b, Subsection 1, Letter c) of the Act – give the amount of CZK 2,520 annually (monthly CZK 210), if you were entitled to a disability pension due to disability of first or second degree from pension insurance scheme under Pension Insurance Act or if the claim to full disability pension has terminated due to a joinder of claims for old-age pension and partial disability pension.

row 67 Amount pursuant to Section 35b, Subsection 1, Letter d) of the Act – give the amount of CZK 5,040 annually (monthly CZK 420), if you were entitled to a disability pension due to disability of third degree from pension insurance scheme or other pension from the retirement insurance which is conditioned upon disability of third degree, if your claim to full disability pension laid due to a joinder of claims for old-age pension and disability pension of third degree or if you are fully disabled according to special law but your application for full disability pension was denied by special regulation (Section 146 et seq. of the Labour Code).

row 68 Amount pursuant to Section 35b, Subsection 1, Letter e) of the Act – give the amount of CZK 16,140 annually, if you were entitled to hold a severely disability card. If the above condition was met for several calendar months in the tax period, reduce the tax by CZK 1,345 for every calendar month at the beginning of which the relevant conditions were met.

row 69 Amount pursuant to Section 35b, Subsection 1, Letter f) of the Act – give the amount of CZK 4,020 annually, if you prepare for vocation on the basis of daily school attendance or training. This applies until 25 years of age or until completion of PhD studies which are provided at universities until 28 years of age. If this condition was fulfilled only in several calendar months in the taxable period, you decrease the tax by the amount of CZK 335 for each calendar month, at whose beginning was the condition fulfilled.

row 69a Amount pursuant to § 35a subsection 1 letter g) of the Act – give the applied tax relief for child placement in the organisation of preschool age children. The tax relief can be applied in the amount of demonstrably incurred costs, maximally it can be applied tax relief of CZK 12,200 for each children care. The tax relief shall be reduced by amounts given on rows 65a) up to 68 and the row 69a only if it is a taxpayer that is the tax resident of a member state of the EU and EEA, if it is the total of his income from the sources in the Czech Republic (Section 22 of the Act) represents at least 90 % of all income, except for income which is not subject to tax pursuant to Section 6 of the Act, or which is tax-exempt pursuant to Section 4, Section 6 or Section 10 of the Act, or for income which is liable to tax withholding tax with a special rate.

row 69b Amount pursuant to Section 35b subsection 1 letter h) of the Act – fill in claimed tax relief on registration of sales. The amount of tax relief on registration of sales is 5000 CZK. The tax relief is a maximum amount in the amount of positive difference between 15 % of partial tax base from independent activity and tax relief for a taxpayer. The tax relief is applicable only in the taxable period, in which you have registered the first sale, which you are obligated to register pursuant to the Act no. 112/2016 Coll., on Registration of Sales, as amended.

row 70 Total of Tax Relief pursuant to Section 35, Subsection 35a, Subsection 35b and Section 35c of the Act (row 62 + row 63 + row 64 + row 65a + row 65b + row 66 + row 68 + row 69 + row 69a + row 69b) – give the total of tax relief that you claim pursuant to Section 35, Subsection 35a, Subsection 35b and Section 35c of the Act.
Informace k tabulce 2

Informace o dělníkách v rodině v městské části státu EU, EEA – Pokud je dělník, který podává účet v těchto institucích, žijící v městské části EU, EEA, musí být entitlement to tax relief pursuant to § 35c of the Act, if you are entitled to tax relief by the tax payer, and if the tax payer is the holder of a certificate, then you can apply for tax relief. Further, the tax payer shall apply for tax relief under 35c of the Act in a situation where you do not have a certificate or if the tax payer is not a holder of a certificate. If you wish for the refundable tax overpayment to be transferred into an account in abroad (or for an account in the Czech Republic maintained in foreign currency), give the IBAN number of the account. Details regarding IBAN numbers are to be found on the Czech National Bank website (www.cnb.cz), go to "Plaťní styk IBAN" ("System of payment IBAN"). You also need to provide the BIC code of the bank and its address. Further, provide the exact name of the account holder and his address and the currency code of the account.

row 71 Tax after Tax Relief pursuant to Section 35, Section 35a, Section 35b and Section 35ba (row 60 – row 70) – make calculation as instructed. If the result is negative number state zero in the row.

Informace k tabulce 2

Informace o dělníkách v rodině v městské části státu EU, EEA – pokud je dělník, který podává účet v těchto institucích, žijící v městské části EU, EEA, musí být entitlement to tax relief pursuant to § 35c of the Act, if you are entitled to tax relief by the tax payer, and if the tax payer is the holder of a certificate, then you can apply for tax relief. Further, the tax payer shall apply for tax relief under 35c of the Act in a situation where you do not have a certificate or if the tax payer is not a holder of a certificate. If you wish for the refundable tax overpayment to be transferred into an account in abroad (or for an account in the Czech Republic maintained in foreign currency), give the IBAN number of the account. Details regarding IBAN numbers are to be found on the Czech National Bank website (www.cnb.cz), go to "Plaťní styk IBAN" ("System of payment IBAN"). You also need to provide the BIC code of the bank and its address. Further, provide the exact name of the account holder and his address and the currency code of the account.