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Audit Tax & Legal Services  
Member of WTS Alliance

**wts** TAX LEGAL CONSULTING

# NEWS 4/2015

## News No.4/2015

### VAT AUDIT REPORT

In the new newsletter, we would like to draw your attention to the introduction of a new obligation to be imposed upon VAT payers – the so-called VAT audit report.

It is the **most significant administrative obligation** since the introduction of the summary report in 2010. Filing of the audit reports will be demanding in terms of **time, administration and technology**.

Therefore, we would like to inform you sufficiently in advance and present the basic and simplified information.

### What is the audit report?

With effect from **1 January 2016**, the VAT payers will be obliged to file the so-called audit report.

The audit report is a special tax statement which **does not replace** the regular VAT return or summary report.

However, the audit report will **replace** the currently filed abstract from the VAT records associated with the transfer of the tax obligation.

### Who files the audit report?

The obligation to file the audit report is to be imposed on **every VAT payer** who:

- a) carried out a taxable event with the place of performance in the Czech Republic (i.e. **lines 1 or 2** of the VAT return)
- b) received a taxable performance with the place of performance in the Czech Republic (i.e. **lines 40 or 41** of the VAT return)
- c) carried out or received a taxable performance in the Czech Republic in the regime of the tax obligation transfer – the domestic reverse-charge (i.e. **lines 10, 11 or 25** of the VAT return)
- d) acquired goods from another EU member state (i.e. **lines 3 or 4** of the VAT return)
- e) accepted a service from an entity registered in another EU member state or in a third country (i.e. **lines 5, 6, 12 or 13** of the VAT return)

The obligation to file the audit report will not apply to those VAT payers who provide only the performances exempted from the tax with or without the title to the tax deduction.

### Which data must be stated in the audit report?

The audit report must include **detailed** information about **each** taxable event, i.e. particularly the following:

- a) Tax ID number of the customer/supplier
- b) Number of the tax receipt (performance provider)
- c) Date of the taxable performance/the obligation to declare tax
- d) Tax base
- e) VAT

**Each line** of the audit report thus represents **one tax receipt** (invoice).

Only in selected cases (e.g. the received taxable performances in which the recipient claims tax deduction), the taxable performances up to CZK **10,000 including VAT** are not stated one by one but in **total**.

### How often is the audit report filed, and what is the deadline?

Legal entities (corporations) file the audit report **every month**.

In the case of natural entities, the filing of audit report is governed by the VAT taxation period, i.e. either monthly or quarterly.

The audit report is filed within **25 days** following the expiration of a calendar month or a quarter.

Therefore, the first audit report is to be filed for January 2016 by **25 February 2016**. Selected natural entities will file the audit report for the first time for the 1<sup>st</sup> quarter 2016, i.e. by 25 April 2016.



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The tax administrator's call for a change, amendment or confirmation of the data stated in the audit report must be answered within a very short **5-day** period.

#### How is the audit report filed?

The audit report is filed **online** only.

The data in the audit report is stated in the format and structure published by the Financial Administration Authority (see below – in Czech only):

<http://www.financnisprava.cz/cs/dane-a-pojistne/dane/dan-z-pridane-hodnoty/kontrolni-hlaseni-DPH/xml-struktura>

The Financial Administration Authority has prepared a template of the audit report form and provided some preliminary information regarding the process of filing (see below – in Czech only):

<http://www.financnisprava.cz/cs/dane-a-pojistne/dane/dan-z-pridane-hodnoty/kontrolni-hlaseni-DPH/dokumenty-ke-stazeni>

#### What are the sanctions?

If a VAT payer fails to file the audit report within the aforesaid period, he is obliged to pay the penalty in the amount of:

- a) **CZK 1,000**, if filed additionally (after the expiration of the period) without the tax administrator's call,
- b) **CZK 10,000**, if filed within a substitute period upon the tax administrator's call,
- c) **CZK 30,000**, if the VAT payer fails to file a follow-up audit report upon the tax administrator's call for a change, amendment or confirmation of the data stated in the filed audit report, or
- d) **CZK 50,000**, if the VAT payer fails to file a regular audit report, or fails to file it even within an extra period determined by the tax administrator.

The tax administrator will impose a penalty (beyond the scope of the penalties listed above) up to **CZK 50,000** to a VAT payer who has failed to observe the tax administrator's call to change or amend incorrect or incomplete data by means of a follow-up audit report.

The tax administrator will impose a penalty (beyond the scope of the penalties listed above) up to **CZK 500,000** to a VAT payer who gravely complicates or frustrates the tax administration by the failure to file the audit report.

Please do not hesitate to contact us for assistance with filing the audit report described above.

Kind regards.

WTS Alfery

Václavské nám. 40, 110 00 Praha 1

Fax: +420 221 111 788

Tel.: +420 221 111 777

E-mail: [info@alferypartner.com](mailto:info@alferypartner.com)

[www.alferypartner.com](http://www.alferypartner.com)

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