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NEWS 1 / 2013

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Changes in VAT Act applicable from 2013

A new amendment to the VAT Act came to force on 1 January 2013 bringing a number of changes. We would like to present you with a selection of those which have the most significant impact on everyday tax issues.

Tax rates

The valid tax rates are 15% and 21%.

Calculation of the tax base and the amount of tax

The amendment defines a new method of tax calculation for those to whom the obligation arises to declare tax on advance payments received before the taxable supply date, and new rules regarding the tax rate application in tax reconciliation for situations in which the tax rate changed between the two events.

The tax base will be calculated as the difference between the total tax base and the sum of tax bases on advance payments. The act no longer allows the use of the difference in the total payments including the tax for the purposes of the calculation.

Different tax rates apply, depending on whether the reconciliation results in an overpayment or an underpayment. The rate valid as at the taxable supply date applies in the case of a positive result (arrears). If the result is negative (overpayment), however, the tax rate which was applied in the tax return for taxes on received advance payments shall apply.

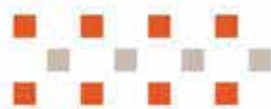
A different tax reconciliation method applies for situations in which several advance payments were paid using different tax rates.

More information disclosed publicly and extended liability of taxable supply recipients

The amendment newly stipulates the obligation to publicly disclose VAT payers' bank account numbers and information pertaining to whether they are an unreliable payer.

Information regarding unreliable taxpayers has been provisionally published in the ARES system; the first binding changes are most likely to take place some time in February. Bank account numbers will be publicly disclosed in the same manner starting from 1 April 2013. The account to be publicly disclosed will be designated as such by the respective taxpayer in their VAT registration form. As regards existing taxpayers, all of their bank accounts recorded by the tax administrator will be disclosed unless the taxpayer informs the respective tax administrator otherwise before the end of February.

Any taxpayer who has seriously violated their obligations to the tax administration shall be identified as unreliable by the tax administrator.



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Both the aforementioned details have a major impact on the extension of liability for any unpaid VAT of the taxable supply recipient. The recipient is also newly liable for the unpaid tax in cases where the payment for the supply has been sent to a bank account other than the one disclosed as specified above, or if the supplier has been identified as unreliable at the moment of the taxable supply.

Tax documents

The following exact wordings have been introduced as required details in a tax document:

- “issued by customer” if the supply recipient is authorised to issue the document
- “tax to be paid by customer” if the supply recipient is a person obliged to file a VAT return.

Electronic documents have been given equal status to their printed equivalents; the act stipulates tax document characteristics in general, such as credibility of origin and intactness of content, as well as how to ensure both. The obligation remains to keep both electronic and paper tax documents within the Czech Republic or, if they are to be kept outside the country, the taxpayer must inform the tax administrator in advance regarding the place of safekeeping.

VAT registration

The amendment has introduced the obligation to record the VAT number of suppliers in the received tax documents files (does not apply for simplified VAT documents).

The obligation has been introduced to record the value of goods acquired in other Member States, broken down to individual Member States in the acquired goods files.

Real estate taxation

The period after which the transfer of real estate is VAT exempt has been extended from 3 to 5 years after the issue of the occupancy permit or after the construction comes into use. The extended period applies to any real estate acquired starting from 2013. An important change is that when selling real estate the taxpayer may decide to tax the real estate even after the expiration of that period. This also applies to real estate acquired before 2013.

Changes in VAT registration and administration

A single, one-month tax period has been introduced. Taxpayers with an annual turnover of up to CZK 10 million may select a quarterly tax period provided that they also meet other criteria.

Definitions stipulating when persons not having a registered office in the Czech Republic become subject to VAT have been made more precise.

The amendment introduced a new form of registration for so-called identified persons – i.e. persons who continue not being VAT payers in the Czech Republic but have to register for VAT purposes as they have provided a service having a place of supply in another Member State or have received a supply having a place of supply in the Czech Republic from a person not established in the Czech Republic.



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New definitions of terms for VAT purposes

A new definition of “registered office” applicable for both individuals and legal entities defines the registered office as a seat of management where major management decisions are made, or the place of management meetings.

Change with effect as of 1 January 2014

Any tax returns, notifications, attachments, registration applications and any changes thereof will be filed solely in an electronic form. This obligation will not apply to individuals with a turnover of under CZK 6 million.

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