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Statutory measures of the Senate: amendments to tax laws adopted

At its first meeting, the newly-elected Chamber of Deputies adopted the Senate's statutory measures nos. 340/2013 Sb. and 344/2013 Sb. As of 1st January 2014 they bring major changes to the Income Tax Act and other tax laws and introduce a brand new act on the taxation of real property acquisition.

Please refer to our News No. 8/2013, in which we gave information regarding the most important changes brought about by the Senate's statutory measures.

Electronic filing of VAT returns starting 2014

The provision in the VAT Act stipulating the obligation to file tax returns and their annexes in an electronic form comes into effect as of 1st January 2014. Individuals with a turnover not exceeding CZK 6 million are exempted. E-filing remains obligatory for all persons when submitting recapitulative statements and copies of entries in the register for tax purposes if reverse charge mechanism is applied.

Under the amended wording of the Tax Code, starting from 2014, besides current methods of e-filing (i.e. through a data message with attached electronic signature or via data box mailing), such mail can now also be delivered via a data message with the identity of the filing person validated by the enabling of access to their data box.

This is not filing through a data box but is a new method of filing which is being prepared and should allow for the broader use of e-forms at the tax administration website. The data message will not need a validated electronic signature; the identity of the filing person will be validated through access data to their data box.

The Tax Administration will publish a list of the documents which can be filed in this manner in accordance with the Tax Code.

Liability for outstanding VAT in specific cases

The General Financial Directorate (GFD) has published information specifying the conditions for assuming or not assuming the liability for outstanding tax when the payment is made to an account other than that disclosed in the VAT register in specific cases such as factoring, indirect payments and payments in insolvency proceedings.

In the case of factoring, the taxable supply recipient does not make payments to the taxable supply provider, but usually to the account of a third party – a factoring company. The payment is thus made using a third party, which, according to the literal wording of the VAT Act, risks assuming the liability for any outstanding VAT.

However, as GFD advises, if the supply recipient can document the so-called "transaction trail" of the payment from the taxable supply recipient to the factoring company to the disclosed account of the taxable supply provider, including a clear purpose for the cash flow, the aforementioned liability for VAT shall not apply.

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A similar approach to factoring shall also be applied to the assignment of receivables and the management thereof by a third party. Escrow payments via a notary or attorney, or payments to an escrow account or a letter of credit, will be treated in a similar way. In all cases, it will be necessary to document the contractual relationship between business partners and the entire transaction trail of the respective payment.

As GFD informs, in the event of execution and insolvency proceedings, the recipient is not liable for the outstanding VAT provided that all statutory measures have been met and the funds have been paid to the executor's or insolvency trustee's account in compliance with the law.

Should you require more detailed information, please feel free to contact us.

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