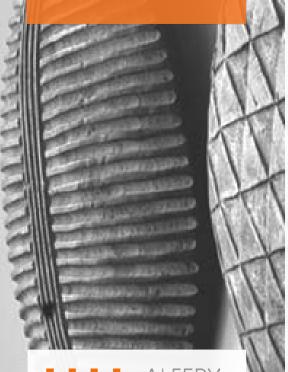
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VAT CONTROL STATEMENTS: STRICT PENALTIES



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Strict penalties have been introduced along with the VAT control statements. Detailed information is presented below. Also, please note that an amendment to the VAT Act is aimed at mitigating the impact of penalties.

Basic penalty

A penalty of **CZK 1,000** may be imposed upon each VAT payer that has failed to submit the control statement by the deadline. VAT statements must be presented to the tax authority by the 25th day after the end of the calendar month (legal entities) or by the 25th day after the end of the monthly or quarterly tax period (natural persons). If the taxpayer is overdue by a single day, the tax administration shall automatically impose a penalty.

Under the draft amendment, the tax administration should not impose a penalty amounting to CZK 1,000 in the first case of delay in a given calendar year. At the same time, the draft amendment includes a transitional provision according to which penalties not imposed before the effective date of the amendment would cease to exist.

Penalties after a call to submit an ordinary control statement

If a VAT payer fails to submit its control statement on time, the tax administration may require the VAT payer to submit it within a grace period of five calendar days.

If the VAT payer submits the control statement within the 5-day period, the tax administration shall impose a penalty amounting to **CZK 10,000** on the taxpayer.

If the taxable entity fails to submit the control statement within the period of grace, the tax administration shall impose a CZK 50,000 penalty.

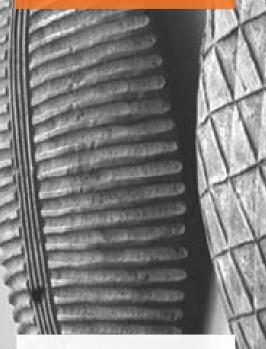
Such a penalty may be significant for many VAT payers. Currently there is no option to apply for a waiver. According to the draft amendment, VAT payers shall be allowed to request a penalty waiver. The applicant shall be charged a CZK 1,000 fee. The tax administration shall meet the request solely "on grounds that are justifiable given the circumstances of the case".

Penalty after a call to submit the subsequent control statement

A penalty may also be imposed on a VAT payer that did submit a control statement on time. The tax administration may, after analysing the control statement, require the taxpayer to change, complete or confirm the data stated therein. This period is very short – five calendar days. If the tax administration makes the request on Friday, the taxpayer concerned must respond to this request at the latest by the Wednesday of the following week. If the taxpayer fails to respond by the Wednesday, the tax administration automatically imposes a **CZK 30,000** penalty on the taxpayer.

Under the amendment, the period within which the taxpayer should change, complete of confirm the data contained in the control statement shall be five working days instead of calendar days. At the same time, taxpayers shall be allowed to apply for a penalty waiver.

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Penalty in the case of failure to eliminate doubts held by the tax administration

Another penalty of up to **CZK 50,000** shall be imposed on a taxable entity which did submit the sub-sequent control statement yet failed to eliminate the doubts the tax administration expressed in its request to change or complete the data stated.

Maximum penalty

The tax administration is entitled to impose a penalty of up to **CZK 500,000** on a taxpayer that "seriously impedes or obstructs tax administration by failing to comply with obligations related to control statements".

Due date of penalties; possibility of an appeal

All penalties are due within 15 days of the date of entry

into force of the payment order by which they were assessed. The taxpayer may appeal against the payment order and the appeal stops the clock. Thus the penalty's due date is deferred to the moment of completion of the appeal procedure. An application for a waiver of the penalty for failure to submit the control statement should also stop the clock.

We will be glad to assist you with submitting your control statements in a correct and timely manner. Do not hesitate to contact us!

Yours faithfully,

WTS Alfery Team

Warning: All of the above mentioned is of a general indicative nature only and is not comprehensive. The purpose is only to draw attention to the most important points of the amendments and changes. No damage claims for steps made based on the information shall be accepted. If you use information included in this document, you will only do it at your own risk and responsibility.

Please do not use information in this material as a base for a specific decision-making. Instead, always use our professional services of qualified experts.