

KEY PROPOSED TAX CHANGES FOR 2013 – VAT NEWS FLASH DECEMBER 2012

In our previous Newsflash we referred to changes concerning direct taxation. Here we discuss proposed changes to indirect taxation. The lower chamber of the Parliament will discuss extensive amendments to the VAT Act. The original bill relating these changes was passed by the lower chamber but the Senate returned it back with amending proposals. If approved, the amendment will be effective from 1. January 2013.

Increasing of the value added tax

Both rates of VAT are increased from 1 January 2013 by one percentage point. For taxable supplies affected in 2013 shall apply 15 % reduced rate and 2% basic rate.

Exemption period for transfer of the buildings

The transfer of the buildings is currently exempt from VAT after 3 years from the first approval for use (kolaudace) or from the first use. The exemption period will now start after 5 years and the option will be given to apply VAT even after 5 years period.

For unsold buildings, flats and non-residential space which has kolaudace as at the end of 2012, the 3 years period remains unchanged but again the option is given to apply VAT.

Database of the unreliable VAT payers

There has been a spate of VAT fraud cases which relate to the recovery of VAT. These cases were more or less unique to certain industry sectors. To combat similar cases of fraud new laws have been proposed which will affect all businesses.

The recipient of a VAT supply will become the guarantor for unpaid VAT by the supplier in cases where the supplier is registered as unreliable VAT payer in a special database. At the time of

this Newsflash the database does not exist and nor is its final location known.

In addition the recipient of a supply may be liable for payment of VAT in the cases where he transfers money to a bank account other than the one published by the register of the VAT payers. This law will impose considerable administrative burdens for businesses.

The obligation to declare all bank accounts used for the business activities by a VAT payer to the tax authorities and identify these to be publicly disclosed has already been imposed on the all tax payers. Currently registered tax payers must fulfill this disclosure obligation by 1 March 2013

The period for mandatory VAT registration

The limit for the mandatory VAT registration remains unchanged being CZK 1 million within any 12 consequent months. It is anticipated that the threshold will be reduced to CZK 750 thousand in 2015.

A technical amendment now changes the period in which a person becomes a tax payer and has been shortened by one month.

Mandatory VAT records

VAT records which by law must be kept by tax payers must newly include also the VAT identification number of the supplier, if VAT is claimed from such a supply. This is not a case of the simplified tax documents (supplies under CZK 10 thousand).

VAT return only in electronic form

Starting from 1 January 2014 all VAT returns must be filed only in electronic form. The exemption to this rule is for individuals whose annual turnover is below CZK 6 million.

Changes in issuing VAT invoices – the reverse charge mechanism

The information saying that “the person liable to declare and pay VAT is the beneficiary of the VAT invoice”, which currently must be printed on VAT invoice in cases of applying the reverse charge, will be replaced by text “The VAT is to be paid by the customer”.

Electronic invoices

The authenticity of electronic invoices can still be guaranteed by electronic signature with a qualified certificate or electronic exchange of information EDI. The VAT act will allow proof the authenticity also by through business controls which create a reliable audit trail between an invoice and a supply of goods or services.

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