

DECEMBER 2014, No. 8

**AMENDMENT TO THE
VAT ACT***Special single
administrative point**Tax rates amendment**Fighting tax fraud**Other*

*KŠB's Tax Team
would like to wish
you Happy
Holidays and a
successful 2015.*

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AMENDMENT TO THE VAT ACT

Three separate amendments to the Value Added Tax Act will become effective this January. Two amendments have already been published in the Collection of Laws under numbers 196/2014, Coll., and 262/2014, Coll., while the third and most extensive was returned with changes by the Upper House to the Lower House on Wednesday, 10 December. The Lower House may vote on the amendment during its next session but must wait at least ten days after receiving the Upper House's resolution (also of 10 December). The amendment can either be approved in its original form or with the Upper House's proposed changes. The amendment must then be signed by the President and published in the Collection of Laws.

Although certain changes in the amendments were covered in previous editions of Tax News, we would like to highlight the most significant changes in this edition.

Special single administrative point

The amendment extends the exemption of selected services (such as e-commerce, telecom, radio and TV broadcasting services provided to parties that are not obliged to pay tax) from the duty to have the place of performance determined. In such circumstances, the place of performance is to be determined as the service recipient's place of residence regardless of who provides such services.

Moreover, the special rules applicable to a single administrative point have been extended. In general, selected services providers can discharge VAT duties that have been established in EU Member States in which they do not have a registered office or an establishment via a website administered in the particular Member State in which the providers register for this procedure ("Member State of identification"). Such providers are then not required to be registered for VAT, file tax returns or pay VAT in Member States in which they provide the selected services. The tax levied on the selected services is re-distributed within the EU.

More information concerning the single administrative point can be found on the Czech Financial Administrative Office's website.

Second reduced VAT rate

Act No. 262/2014, Coll., established a second reduced VAT rate of 10%, which applies to commodities listed in the new Annex 3a to the VAT Act. From January 2015 the rate shall apply to:

- baby formula and children's food;
- radiopharmaceuticals, vaccines, medications, radiocontrast agents, diagnostic reagents for patients, chemical contraceptives (intended for medical services, disease prevention and human medical treatment purposes);
- printed books, children's picture books, song books, manuscripts - bound or illustrated, except for books where advertisements exceed 50% of the area;
- cereal products and mixtures thereof, malt, starch, wheat gluten and mixtures thereof, modified cereal products and ready-made food mixes for gluten-sensitive persons (contained in the amendment to the VAT Act mentioned below, which has not yet been published).

Measures against tax fraud

The most recent amendment to the VAT Act, which is still undergoing the legislative process, introduces new measures to fight tax fraud. Effective January 2015, the amendment will change the provisions concerning the application of tax on real estate. Certain changes of a factual, legislative and technical character were also introduced.

The measures against tax fraud include broadening the scope of supplies subject to the reverse-charge mechanism (with effectiveness from 1 January 2015) and the introduction of a summary report (with effectiveness from 1 January 2016).

Reverse-charge mechanism (RCM)***Permanent RCM***

The RCM will be applied permanently to the same scope of supplies as in 2014 and

will newly apply to the supply of immovable items to which the taxpayer voluntarily applies VAT (the Upper House proposes deleting this from the amendment).

Temporary RCM

The scope of supplies according to Annex 6 to the VAT Act will be specified in detail in a government decree. Without limitation in terms of the value, the RCM should apply from 1 January 2015 to the following:

- transfer of greenhouse gas emission allowances;
- cereals and technical crops that are not commonly used in an unchanged state for consumption;
- raw or semi-finished metals.

The RCM should apply to the following commodities only if the total amount of the tax base for the taxable supply exceeds CZK 100,000:

- mobile phones;
- integrated circuits equipment;
- game consoles, tablets and laptops.

Rapid-reaction mechanism

Effective 1 January 2015, specific commodities or services which will be subject to the RCM may be specified by the government in a government decree with the consent of the European Commission, but only for a period of nine months.

Review statement

On 1 January 2016, a review statement will be introduced as another tool available to the Czech Tax Administration Office to help fight tax fraud. Taxpayers who receive or render taxable supplies with the place of supply in the Czech Republic will be able to submit a summary report in electronic form each month (the Upper House proposes unifying the summary report deadline with the tax return deadline). The statement should give the tax administrator sufficient information on received/rendered supplies.

Changes to taxation of immovable items

The VAT rules applicable to immovable items have been changed several times. Certain changes in particular have

exempted land from VAT. A definition of a building plot has again been established.

If the transferor wishes to declare VAT on a real property transfer on a voluntary basis, he must first obtain the transferee's consent.

Other changes

The amendment cancels the reduced turnover limit for VAT registration, which was to be reduced to CZK 750,000 as of 1 January 2015. The turnover limit for registration in the amount of CZK 1 million will remain in force for the upcoming year.

The amendment also cancels the special regulation of authors royalties subject to withholding income tax; such royalties - which up to now were not subject to VAT - will now be subject to the basic VAT rate.

The guarantee for unpaid VAT is extended to cover provided consideration (advances).

KŠB'S TAX TEAM GROWS

In November, **Tomáš Lízner** joined KŠB's tax team. We welcome him and wish him much success.

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