

VAT Flash

VAT Flash is an electronic newsletter prepared by PricewaterhouseCoopers Česká republika, s.r.o. to keep you up to date on the latest tax and legal news. A more complex look at key tax changes and their impact on your business is provided in our monthly newsletter, Tax & Business News.

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Czech Republic

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What to expect in VAT from 2012?

As in previous years, from January 2012 further changes are being made to the VAT Act. This time there will be fewer changes than in the case of the amendment in April 2011 but nevertheless some of them may affect you.

Deputies outvoted the Senate

The following changes are expected to be signed by the President:

- The reduced VAT rate will increase from 10% to 14%.
- Advance payments received by the end of 2011 in connection with the supply subject to a reduced rate which will be realised in 2012 are subject to a 10% tax; the difference between the final price and paid advances will be subject to the new rate.
- The supplier is authorised to determine consumption for the period until the end of December 2011 separately, and separately for the period from 1 January 2012 regarding the supplying of water, provision of services related to removing and cleaning or disposal of wastewater and the supplying of heat or cold that will be effected after January 2012. Consumption in those periods can be determined either by deducting from the measuring device or by way of calculations.
- The time limit for the adjustment of the VAT deduction in the case of the technical appreciation of real estate is being extended from 5 to 10 years. The extended time limit for the adjustment of the VAT deduction will apply to all technical appreciation acquired after 1 January 2012.
- The reverse charge mechanism will be extended for the construction or assembly work under the product classification code number of CZ-CPA 41 to 43. The application of the reverse charge mechanism is mandatory for this work when provided between businesses.
- New: for the conversion of foreign currencies to Czech crowns, either the FX rate of the original supply or the FX rate valid on the first working day of the year in which the reason for the correction arose will be used in case of correction of the tax base and tax amount.

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What to expect in VAT from 2012? (continued)

- The amendment will bring benefits with respect to the requirements of summary corrective tax documents.

It will also be stated in the law that it will be sufficient to provide such descriptions of the original supplies so that the link between the original and the corrected taxable supply was clearly determinable.

- Advances paid in 2011 in connection with construction or assembly work, which are subject to reverse charge as at January 2012 and the date of the taxable supply occurs after 1 January 2012, will be taxed by the recipient of the remuneration in accordance with the current wording of the law.
- The amendment provides a specification regarding the adjustment mechanism of the VAT deduction in case the fixed assets subject to VAT adjustment are sold or otherwise supplied during the period for adjustment.

- Only the difference between the total tax base and the total previously paid remunerations will be subject to reverse charge after 1 January 2012.

Not only the above-mentioned amendment to the VAT Act but also other VAT problem areas will be the subject of a series of seminars organised by our company between December 2011 and February 2012.

