

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

23 December 2014

Contact

Martin Diviš

+420 251 152 574

Prague Office

Hvezdova 2c, 140 00 Praha 4

+420 251 151 111

Brno Office

náměstí Svobody 20, 602 00 Brno

+420 542 520 111

Ostrava Office

Zámecká 20, 702 00 Ostrava

+420 595 137 111

Important information relevant for VAT payers

The Czech Chamber of Deputies discussed and approved the amendment to the VAT Act on 22 December 2014 as amended by the Senate. The amendment was signed by the president on the same day.

A related Governmental decree has been simultaneously approved. According to the Ministry of Finance the basic changes and the date from which these are effective are as follows.

• **Extension of the local reverse charge mechanism**

Provided the total amount of the tax base for the taxable supply exceeds CZK 100,000 the reverse charge mechanism applies to the following commodities:

- corn and industrial crops, including oilseeds and sugar beets,
- metals, including precious metals, except those covered by the special regime pursuant to § 90 of the VAT Act and those subject to a reverse charge mechanism pursuant to § 92c of the VAT Act,
- mobile phones,
- integrated circuits such as microprocessors and central processing units,
- portable automatic data processing devices (such as laptops, tablets etc.),
- video game consoles.

The list of particular items subject to the reverse charge mechanism is specified by the respective Governmental decree. The reverse charge mechanism applies to these new items **1 April 2015**. In the case of sugar beets it is effective from 1 September 2015.

• **Obligation to file a inspection report, effective 1 January 2016**

All supplied and received domestic taxable supplies must be reported. Legal entities will file the report on a monthly basis (i.e. regardless of their VAT period), and individuals according to their VAT period (i.e. on a monthly or quarterly basis).

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- ***New rules regarding the application of reduced VAT rate for construction and assembly work on completed constructions for housing and buildings for social housing (incl. their construction), with effect from 1 January 2015***

The issue of an "accessory" is dealt with using the definition of land that forms a functional unit with the structure fixed to the ground, and the definition of a living area. The living area for social housing is defined as well.

- ***New rules the regarding charging of VAT or the exemption of VAT on supply of immovable property including building plots, with effect from 1 January 2016***

A building plot is newly defined for the purposes of the VAT Act. The aim of the definition is to clarify the current wording so that the exemption from VAT only applies to supplies of undeveloped land that is not designated for development.

- ***Cancellation of the reduction in the turnover amount for the obligation to become a VAT payer***

Even after 1 January 2015 the turnover for obligatory registration for VAT remains unchanged in the amount of CZK 1,000,000 for a maximum of the 12 immediately preceding consecutive calendar months.

For a discussion of how this new rule might affect your business, please contact our **VAT experts**:



Martin Diviš
+420 251 152 574
martin.divis@cz.pwc.com