

VAT Flash

Czech Republic, 21 April 2009

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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The VAT Package - New rules for services

As of 1 January 2010 the Czech Republic will be obliged to implement the new so-called EU VAT Package. The Czech Ministry of Finance has been working on a law amendment which will merge the package of new VAT measures into the Czech VAT Act. The respective draft law amendment will likely be published by the Ministry towards the beginning of May this year.

The key VAT areas that will be impacted by the introduction of the EU VAT Package are as follows:

1. Place of supply of services

The rules for determining the VAT treatment of international services will change. The range of services not subject to local Czech VAT when supplied internationally will increase with the introduction of the principle of taxation at the place of consumption. This will increase the volume of services taxed in the country in receipt of the supply. Therefore, businesses will need to consider where the place of taxable supply is, according to the new rules, and who will need to account for VAT on services supplied across borders on as of 1 January 2010. The amendment will mainly impact international businesses which supply/receive services to/from foreign countries, especially with respect to the reconfiguration of accounting systems to ensure that services are correctly taxed and reported for VAT purposes. A failure to comply after the day of validity of the EU VAT Package may result in penalties.

2. Electronically supplied services

The existing scheme for electronically supplied services applicable to non-EU businesses will be expanded to include telecommunications and broadcasting services. This may have a substantial impact on EU and non-EU businesses.

3. Reporting obligations

Additional filing requirements will be introduced for businesses making intra-EU supplies of services (similar to the present reporting of goods in the EC Sales List). This will place significant additional compliance burdens on businesses, and failure to comply may result in penalties.

4. Eighth Directive refunds

This mechanism, under which EU businesses can reclaim VAT incurred in Member States where they are not established for VAT purposes, will be reformed. The new system will include:

- electronic filing,
- a detailed timetable for processing refund applications,
- the right to interest on overdue refunds.

Save the date...



EU VAT PACKAGE SEMINAR

We would like to invite you to our review of the intended VAT Act amendment at the EU VAT Package seminar

Date: Tuesday 19 May 2009

Venue: PricewaterhouseCoopers, Kateřinská 40, Praha 2

Why should you attend our seminar?

If you're looking for answers to the following questions, this seminar is intended for you:

- How will the new legal provisions impact my company's business?
- How will I apply the new rules to determine the place of supply of services?
- How will I effectively implement the necessary systems changes (reconfiguration of accounting systems, etc.)?
- How will I take advantage of possible opportunities related to the introduction of the EU VAT Package?
- What strategy should I adopt to ensure timely compliance with the new rules, i.e., by 1 January 2010?

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The date of a seminar may change depending on developments in the VAT Act amendment approval procedure.