

Tax payer

person liable to tax

tax payer

person identified to tax

impact on tax liability*:

liability to charge output VAT on own output supplies (sales) and right to claim input VAT on input supplies (purchases)

liability to charge output VAT on foreign vendor's output supplies consumed by person (reverse charge), no liability to charge output VAT on own output supplies and no right to claim input VAT on input supplies (purchases)

impact on tax return*:

to issue invoices incl. VAT; to file VAT return every reporting period, regardless of the fact whether there is a tax obligation; to file VAT control statement, EC Sales list and Intrastat (the last two if needed=under certain conditions)

filling in of VAT return is not required, but VAT control statement is required if there is tax obligation in the reporting period.

conditions*:

economic activity (turnover) is more than CZK 1,000,000 in 12 consecutive months => obligatory registration **. Turnover is defined as total amount of revenues regardless of their payments generated from provided supply of goods or provision of services with place of supply in CZ. It includes revenues from taxable supplies, supplies exempt with entitlement to VAT deduction or transfer or lease of immovable assets or financial and insurance activity only if these are carried out as main or regular activity. Turnover does not include revenue from sale of long-term assets

purchase of products from another state-member of a European Union for more than 326.000 CZK without VAT (except for purchasing a vehicle or a product that are subject to a consumer tax) in one calendar year (trilateral trade does not apply);

purchase of a service provided outside the Czech Republic from an entrepreneur located outside the Czech Republic;

order of goods delivery with installation and assembly, or delivery of goods by systems located in the Czech Republic from an entrepreneur who resides outside the Czech Republic;

provision of a service in another EU state (except for services that are VAT free in the EU).

* *evidence from CZ*

** in some countries registration can be voluntary when turnover limit is not reached.

general categorization (by type of transaction)

input VAT

output VAT

categorization by place of supply (in this context 'supply' means 'transaction')

VAT rates in CZ

tran

person not liable to tax

Example for registration:
turnover limit was reached i

person is outside the scope of VAT tax

registration
form needs to
be submitted till
15th of April

no VAT return should be filed

business will become VAT pa

person doesn't perform any economic activity (turnover)

first VAT return
covering May
2022 should be
submitted until
25th of June

economic activity (turnover) is below registration treashold

June's VAT return will be suk

net VAT position = output VAT - input VAT

inputs

purchased from vendors which are registered
purchased from vendors which are not registered

outputs

taxable with VAT => invoices issued by your company
exempt from VAT => invoices issued by your company
exemption with VAT (input tax credit)
right to full input tax credit
right to partial input tax credit
right to partial input tax credit
exemption without VAT (input tax credit)
outside the scope of VAT

local supplies

goods
services

cross-border supplies (intercommunity supplies; import/export)

goods
services

B2B => place of supply
B2C => place of supply

net amount (=tax base) * output VAT (%) = gross amount

net amount includes:

invoiced amount (as per invoice issued or contract price)

customs duties
excise duties
energy taxes
transportation costs (for imports)

	Rates	Coefficients
standard rate of 21%		0.1736
1st reduced rate of 15%		0.1304
2d reduced rate of 10%		0.0909

advance pa

Tax base includes:
net amount
customs duty
excise duties
energy taxes
transportation costs till first destination in the country of destination

n March 2022

ayer from 1st of May

mitted until 25th of July

Registered as VAT payers => invoices issued by such vendors will contain VAT: net amount + VAT = gross amount
Not registered as VAT payers => invoices issued by such vendors will not contain VAT: net amount

Business will contain output VAT on them: net amount + output VAT = gross amount

Business will not contain output VAT on them: net amount

Full deduction

Partial deduction

Proportionate deduction

Input deduction

Output deduction

Place of supply is where seat of customer is

Place of supply is where seat of supplier is

Payment received: 7500 it is gross amount i.e. net amount plus VAT of 21%
1302 VAT
6198 net amount

NOTES:

* term 'supply' is used for both

** if group '**output supplies**' is

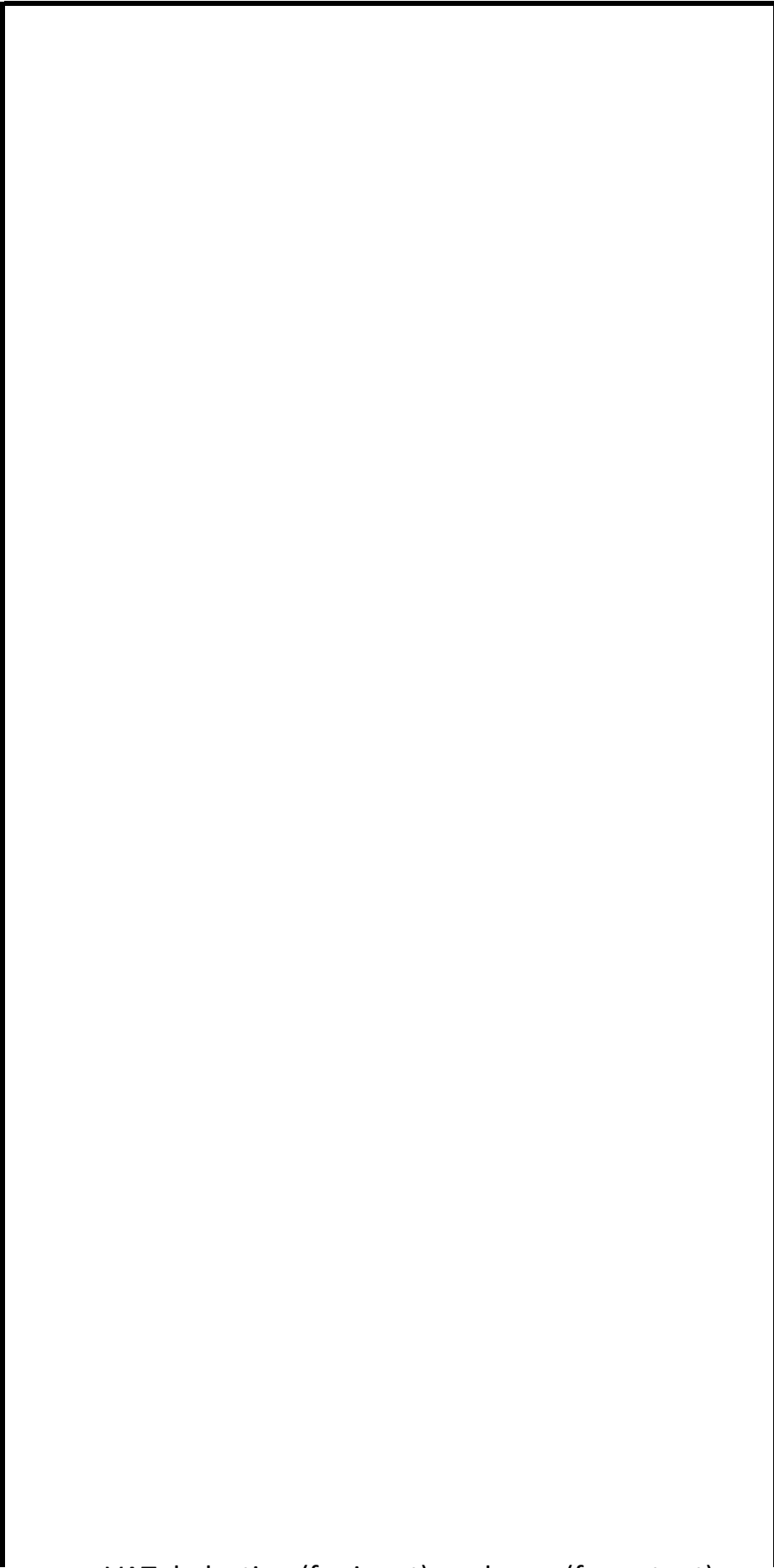
*** if group '**output supplies**'

Type of deduction or charge

full VAT deduction (for input) or charge (for output)

proportionate VAT deduction

partial VAT deduction



no VAT deduction (for input) or charge (for output)

1 purchases and sales

1 includes '**sale' type** of supply, then it is taxed under **normal ru**

1 includes '**purchase' type** of supply, then it is taxed under pro

Input supplies (=purchases, acquisitions)

VAT payer has right for input VAT deduction if such inputs were used **for taxable supplies** (local taxable sales of goods and services, intercommunity VAT-exempt sales of goods and services to other EU-member states, VAT-exempt exports of goods and services to outside EU). VAT payer has right for input VAT deduction if he uses input supplies for his **economic activity**. The right to claim input VAT deduction by the buyer arises firstly **at the moment when output VAT is due** and only if a **valid tax document is available**. VAT can be claimed within 3 years from the first day of the month following the tax period in which VAT deduction entitlement arose at the latest. If VAT amount is higher than the one set by the law he may claim only the amount given by the law. If VAT amount on the document is lower than the one set by the law, VAT payer may claim the amount stated on tax document.

If input supply is used for activities both related and not related to his economic activity, VAT deduction can be claimed in a proportion corresponding to scope in which supply was used for his economic activity. In such case proportionate coefficient is used.

If input supply is used for activities both taxable and exempt, VAT deduction can be claimed partially i.e. corresponding to scope in which supply was used for taxable sale. In such case partial coefficient is used.

see exempted supplies (sales) without VAT

les for output
cedure of **reverse charge** i.e. output VAT payable

INCOTERMS 2010

Supplies within scope of VAT *

sale **

purchase ***

purchase

purchase

purchase

sale

with entitlement to input VAT deduction - sale

without entitlement to input VAT deduction - sale

by vendor of input purchased is self-charged by buyer of input

Scope of VAT

Output supplies (=sales)

local supply -> sales in CZ

local supply -> acquisition (=purchase) in CZ

intercommunity supply -> acquisition (=purchase) from EU

supply from outside EU -> import (acquisition, purchase) from outside EU

supply from outside EU => import (acquisition, purchase) from outside EU

other cases

intercommunity supply -> sales to another EU-member states

supply to outside EU => export (sale) to outside EU

local supply -> sales in CZ



goods: (1) **general rule** is that VAT payer who within scope of his economic activity supplies goods in CZ is obliged to charge output VAT regardless of the position of his customer; (2) **exception**: supply of waste, gold, emission allowances, computer games, tablets, mobile phones, gaming consoles (for last four in this list it works as exception only if value of one supply exceeds CZK 100,000), certain cereals and certain metals => procedure of reverse charge (RC) is applied i.e. output VAT which under normal conditions would be payable by supplier, is paid by customer under RC.

services: (1) general rule is that VAT payer who within scope of his economic activity supplies services in CZ is obliged to charge output VAT regardless of the position of his customer. As such local provision of services is also recognized of provision of services to foreigner physical person (B2C service) from another EU-member state => local (CZ in this case) output VAT should be paid by CZ service provider; (2) exception: supply of construction services, assembly services=> procedure of reverse charge (RC) is applied i.e. output VAT which under normal conditions would be payable by supplier, is paid by customer under RC.

goods: see exceptions from local supply (sale) of goods in CZ

services: see exceptions from local supply (sale) of services in CZ

goods: (1) **general rule** is that VAT payer who within scope of his economic activity acquires goods in other EU-member state is obliged to apply reverse charge procedure on this purchase i.e. he is obliged to charge output VAT which under normal conditions would be payable by his supplier. As such acquisition is also recognized of reallocation of own business assets (goods, office or factory equipment) by CZ VAT payer from another EU-member state to CZ for permanent business use => output VAT should be paid by reallocator; (2) **conditions** which need to be met: goods must be acquired from person registered for VAT in EU, goods must physically move from other member state to CZ, place of supply (final consumption) must be in CZ.

services (i.e. services which are acquired by CZ VAT payer from another EU-member state VAT payer => B2B services): (1) **general rule** is that VAT payer who within scope of his economic activity supplies services in CZ is obliged to apply reverse charge procedure on this purchase (unless the service is exempt from VAT) i.e. he is obliged to charge output VAT which under normal conditions would be payable by his supplier. As such acquisition is also recognized of purchase of service provided by foreign supplier which is not VAT payer in his home country i.e. he may be person liable to VAT in his state but without VAT registration yet; (2) **conditions** which need to be met: recipient of service is enterpreneur or business with seat in CZ, provider of service is person liable to VAT without seat in CZ.

goods: (1) **general rule** is that VAT payer who within scope of his economic activity imports goods from outside EU is obliged to apply reverse charge procedure on this purchase i.e. he is obliged to charge output VAT which under normal conditions would be payable by his supplier. (2) **conditions** which need to be met: goods must enter the territory of EU from country outside EU, place of release of goods into free circulation (final consumption) must be in CZ.

services (i.e. services which are acquired by CZ VAT payer from outside EU => B2B services): (1) **general rule** is that VAT payer who within scope of his economic activity imports services in CZ is obliged to apply rule of where business customer is located and thus pay local VAT of CZ (unless the service is exempt from VAT) (2) **conditions** which need to be met: recipient of service is entrepreneur or business with seat in CZ, provider of service is person liable to VAT without seat in EU.

output VAT must be applied also the following cases: donation of assets or inventory included into business property that VAT deduction was claimed on its acquisition; temporary use of long-term assets for other than business purposes provided that VAT deduction was claimed on its acquisition; provision of services for purposes not linked to economic activities of the VAT payer provided that VAT deduction was claimed on inputs used for provision of such services.

goods: (1) **general rule** is that VAT payer who within scope of his economic activity supplies goods to other EU-member states is entitled to exemption from output VAT with entitlement to input VAT deduction i.e. output VAT is not charged by seller but it is reversed on buyer however buyer keeps right to deduct VAT paid on inputs used for supply of exempted sale; (2) **conditions**: EU buyer of goods should be person registered for VAT in another member state (otherwise such supply is treated as normal local supply of goods, that is, CZ output VAT is charged by seller), such goods must be physically dispatched or transported from CZ.

services: (1) **general rule** is that VAT payer who within scope of his economic activity supplies services to businesses from other EU-member states (private entrepreneurs or legal entities) is entitled to exemption from output VAT with entitlement to input VAT deduction. (2) **conditions**: EU buyer of services should be person registered for VAT in another member state (otherwise such supply is treated as normal local supply of services, that is, CZ output VAT is charged by seller). (3) exception: some B2C services provided to 3rd countries allow input VAT deduction (e.g. electronically supplied services like web hosting, download of software, computer games, music, movies, access to databases; telecommunication services like phone charges, internet access; radio and broadcasting). (3) exceptions: conferences, catering, accommodation, education, health care services => taxed with local VAT in place of event.

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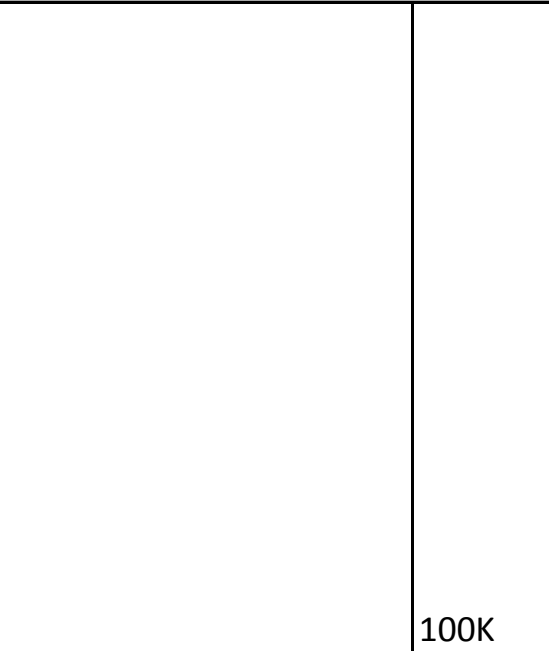
services: (1) **general rule** is that VAT payer who within scope of his economic activity supplies services to businesses from outside EU (private entrepreneurs or legal entities) is entitled to exemption from output VAT with entitlement to input VAT deduction. (2) **conditions**: non-EU buyer of services should be person registered as legal person outside EU (otherwise such supply is treated as normal local supply of services, that is, CZ output VAT is charged by seller). (3) exception: some B2C services provided to 3d countries and UE member states allow input VAT deduction (e.g. electronically supplied services like web hosting, download of software, computer games, music, movies, access to databases; telecommunication services like phone charges, internet access; radio and broadcasting) - taxed with output VAT where recipient is located. (3) exceptions: conferences, catering, accommodation, education, health care services => taxed with local VAT in place of event.

postal services and supply of postal stamps by Czech postal office, radio and broadcasting (local), financial services (credits and loans, deposits, bank guarantees, foreign currency transactions etc.), pension services, insurance services, supply of immovable assets and their rent, education and training services (accredited by relevant authorities), health care services and goods consumed during provision of such services, social welfare, operation of lotteries and similar games of chance. Note: rent of immovable assets is VAT-exempt without entitlement to VAT deduction. It means that landlord doesn't charge output VAT but also cannot claim input VAT on acquired supplies (goods and services) related to rented assets. However, rent is taxable supply in the following cases: short-term rent (up to 48 hours), rental of parking places, safes and deposit boxes, rental of machinery tightly built-in to a building. A landlord VAT-payer may decide that he will charge output VAT on rental fee but only if the tenant is also VAT payer and the tenant uses rented immovable assets for his taxable business. Sales of immovable assets is VAT exempt after 5 years from the first putting of asset into operation (use) or from first usage, whichever occurs earlier. If buyer is VAT-payer in such case procedure of reverse charge will be applied (i.e. buyer will self-charge output VAT on acquired immovable asset).

Supplies outside scope of VAT

in case of supplies outside scope of VAT, VAT payer has no obligation to charge output VAT, however he may claim input VAT from related input supplies if applicable.

Examples: sale of business or its part, provision of gifts/samples with acquisition costs without VAT below CZK 500 and provision of commercial samples to customers, both within economic activity of the payer, sanctions, meal vouchers, salaries, taxes, penalties, compensations for damage, insurance settlements etc.



country A with destination model

supply No. 1 from A
 in A there will be no output VAT charged on such sale

supply No. 2 to A
 in A there will be input VAT charged on such purchase

country A with destination model

supply No. 1 from A
 in A there will be no output VAT charged on such sale
 (exempt from output VAT in A)

supply No. 2 to A
 in A there will be input VAT charged on such purchase
 (reverse charge of output VAT of vendor from B by customer in A)

country B with origination model

to B

in B there will be no input VAT charged on such purchase

=> such supply will not

from B

in B there will be output VAT charged on such sale

=> such supply will be c

country B with destination model

to B

in B there will be input VAT charged on such purchase

(reverse charge of output VAT of vendor from A by customer in B)

from B

in B there will be no output VAT charged on such sale

(exempt from output VAT in B)

be charge with VAT at all

=> selling price for supply No. 1 will not contain any VAT in itself thus

charged with VAT twice

=> selling price for supply No. 2 will contain dopuble VAT in itself thu:

Country A will be in advantage position compared to similar local supplies in country B

Country B will be in disadvantage position compared to similar local supplies in country A