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Client Information

Czech Republic

April, 14th 2020

VAT - News

In connection with COVID-19, the donation of protective equipment is exempt from VAT.

Even if the last wave of the Electronic Registration of Sales (EET in Czech) was postponed due to COVID-19 the VAT rate for particular deliveries and services will be reduced to 10% as of May 1, 2020. This should have mitigated the negative impact of the launch of EET on entrepreneurs.

Donation of protective equipment - VAT exempt

The Ministry of Finance has decided that the donor will **not have to pay VAT on the donation of protective equipment** (masks, respirators and other protective equipment, as well as disinfectants and raw materials for their manufacture), while retaining the right to deduct input-VAT. The relief shall apply to donations from 12 March 2020 for the entire duration of the COVID-19 state of emergency.

VAT rate reduced to 10%

Transactions with 10% VAT – NEW

From May 1, 2020, the following transactions will be taxed at the 10% VAT rate:

- Sales of e-books and audio-books;

- Home care for children, elderly, ill and disabled citizens;
- Catering services and serving beverages incl. draft (cask) beer served as part of a catering service, but with the exception of catering services which are exempt pursuant to § 57 to 59 of the Value Added Tax Act and with the exception of selling tobacco products and alcoholic beverages (except for draft beer);
- Water treatment and distribution through infrastructure networks (water tariffs);
- Waste water removal and treatment including associated services (sewerage tariffs);
- Home cleaning services;
- Window cleaning in households;
- Minor repairs of footwear and leather products;
- Minor repairs and alterations to clothes and textile products mainly for households;
- Minor repairs to bicycles;
- Hairdressing and barbers' services.

Of these, the changes to catering services will undoubtedly have the greatest impact in practice.

The Financial Administration (GFŘ) published to this topic following information:

https://www.financnisprava.cz/assets/cs/prilohy/d-seznam-dani/INFORMACE_sazby_dane_od_1_5_2020_FIN_AL.pdf

VAT for Catering services from May 1, 2020

In a regular restaurant or grocery store, after 1 May 2020 we can possibly see all VAT rates:

VAT rate	Example
21%	canned beer purchased in a store; bottled beer purchased in a restaurant for drinking on site or as a take-away.
15%	ready-made pizza purchased as a take-away; foodstuffs except for alcoholic beverages purchased in a grocery store.
10%	pizza purchased at a pizzeria for immediate consumption on site; draft beer purchased in a restaurant for immediate consumption on site.

Takeaway ready-to-eat meals and beverages will still be regarded as supplies of goods and not as catering services.

Anyone who wants to be sure that they have set the VAT rate correctly can apply to the General Financial Directorate for a binding assessment.

For the AUDITOR team

ING. MARTIN STONIŠ
Tax advisor
T.+ 420 224 800 433
martin.stonis@auditor.eu

ING. JANA ŠNAJDROVÁ
Tax advisor
T.+420 224 800 416
jana.snajdrova@auditor.eu

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Czech market.*

Contacts

Mag. Georg Stöger
International Tax Law

Marie Haasová
**Czech Accounting
Legislation**

Ing. Jan Šimerka
Statutory Audit, IFRS

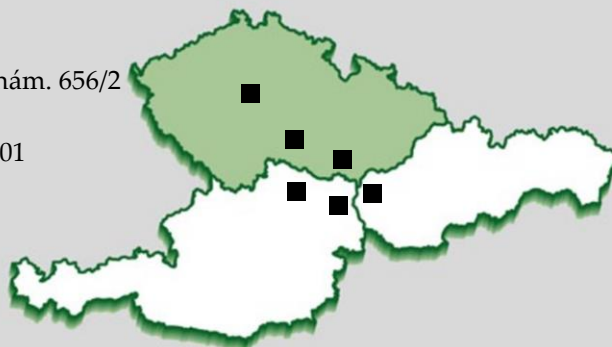
Ing. Marta Prachařová
Czech Tax Law

Iva Tolde
**Personnel and Payroll
Agenda**

Office Prague
Haštalská 6
110 00 Praha 1
T: +420 224 800 411

Office Brno
Palác JALTA
Dominikánské nám. 656/2
602 00 Brno
T: +420 542 422 601

Office Pelhřimov
Masarykovo nám. 30
393 01 Pelhřimov
T: +420 565 502 502



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