



## Client Information

Czech Republic  
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### Electronic registration of sales from May 1, 2020

*Until now, only hotels, restaurants, wholesalers and retailers have been subject to the electronic registration of sales (EET in Czech). From May 2020, however, this obligation will be extended to all businesses. This will affect most entrepreneurs.*



#### Who will avoid EET?

##### Cashless payments

The safest way to avoid EET is not to accept cash. Companies paid for their services and goods by bank transfers or card transactions will avoid all EET obligations. They will not have to register, purchase the necessary equipment, or report anything.

#### What is and what is not a cash payment?

Cash payments include not only payments by money (banknotes and coins), but also by bills of exchange, checks, gift cards, meal vouchers or virtual currencies.

**Only account-to-account payments and debit/credit card payments are excluded from EET duties.**



## EET due to a single cash payment?

The law does not require the registration of cash payments, which are **unique** with respect to typical payments for sales. This uniqueness is not defined by law. Several payments per month no longer meet the uniqueness requirement, according to the methodology of the tax administration. For example, an extraordinary payment for the sale of disposed assets would be considered unique income.



### Exceptions to the law

Only **cash receipts from business activities** are subject of EET in case of **private individuals**. Other types of income, such as from renting, are not.

The EET Act lists taxpayers who are not subject to registration. These include some **financial institutions** such as banks, insurance companies, investment and pension companies or funds, as well as subsidised organisations and suppliers of energies or water.

The law also exempts the blind and fish sellers in the brief pre-Christmas period from EET duties.

In addition to this, postal services, fares in public transport, vending machines, prepaid telephone services, social care and services, income from additional minor business activities of publicly beneficial taxpayers, for example, **are not subject to EET either**.

The exceptions are few and most entrepreneurs who want to continue accepting cash will not avoid EET.

## Special regime for small entrepreneurs

### Who can register sales manually without electronic equipment?

The EET Act makes it possible to avoid the electronic registration and apply the so-called special regime for:

- private individuals, or
- legal entities that are providers of health services covered by the public insurance scheme and receive payments from health insurance companies.

However, the above entities must meet all 3 of the following conditions:

- they are not VAT payers,
- they have no more than 2 employees,
- their cash receipts have not exceeded CZK 600,000 in the previous 4 quarters and will not exceed this limit in the following 12 months.

### Application

Mere fulfilment of the conditions in the previous paragraph is not sufficient for recording sales under the special regime. The entrepreneur must submit an application for authorisation of the special regime in time. The application must demonstrate compliance with the above conditions - for example, the amount of past cash receipts taken from the books or tax records.





Only after the application has been approved can the special scheme be used. The authorisation is revoked if the conditions for using the special regime cease to be met.

### How will the special regime work in practice?

The taxpayer will collect a block of special receipts at the tax office. Instead of using an electronic device, each cash payment will be recorded on this paper receipt. The total amount, date and time and if applicable, also number of business location and the VAT number shall be entered manually. The entrepreneur shall give one copy of the receipt to the customer and keep the other for 3 to 10 years.

At the end of each quarter, the taxpayer shall complete a prescribed form and send it to the tax office (on paper or electronically) reporting the number and amount of registered sales on individual days.

### Is the special regime worthwhile?

The special regime will save you money on the purchase and operation of an electronic device for online sales registration. On the other hand, this cost is partially compensated by a tax credit of up to CZK 5,000.

However, the special regime brings a lot of manual administration work compared to the electronic sales registration.



## How to implement the EET in practice?

### Steps of online EET implementation

Step one is to ask the tax authority for **authentication data**. This is done either by completing the form on the tax administration portal and signing it by using the data box, or by visiting the tax office (i.e. if you do not have a data box or a representative you will have to personally visit the tax office).

Using your authentication data received from the tax authority, logon to the tax administration portal and **register your business locations**.

**Generate a certificate** and install it in your cash register. You can use any of the wide range of special devices on the market, or use a tablet or a smart phone with corresponding software, an Internet connection and a printer.



### How much time do you have?

The last EET wave will start on May 1, 2020. This date may seem distant, but it is important to think of all the steps that need to be taken by then.



Taxpayers wishing to use the special regime with manually filled-in receipts must write and submit an application for authorisation to register sales under the special regime. The tax office has 30 days for processing.

Companies will be responsible for updating their cash register systems and for their communication with the tax administration's EET portal. We recommend testing the system functionality well in advance and not waiting until May 1, especially if foreign software is to be used. You can send data to EET before this date.

We will be happy to obtain the authentication data for you at the tax office and answer your questions.



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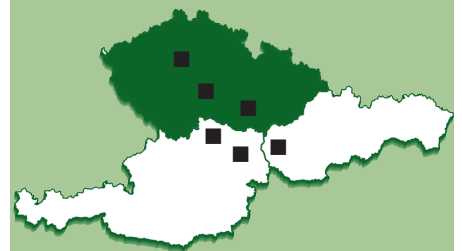
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