



## Information for clients

Czech Republic  
November, 11<sup>th</sup> 2021

### VAT on electricity and gas temporarily suspended

*Due to sharp increases in energy prices, the Czech government has decided, as a relief for consumers, that the VAT on electricity and gas will not be levied in November and December 2021. This decision was published in the financial report and subsequently two explanatory information were published by the government.*

#### Scope

The waiver of VAT applies to **grid electricity** regardless of who the consumer is or the purpose for which the electricity is consumed. The sale of batteries will continue to be subject to VAT.

The VAT is also waived for **gas** used to generate electricity or heat (heating or cooking) and to power engines. This applies to both piped gas and bottled gas, such as LPG or CNG. On the other hand, gases intended for other purposes, such as oxygen for medical supplies or gases used in the food sector, are not covered by the exemption.

#### Practical application

VAT will not be levied on supplies of electricity and gas and on advance payments for the supply of electricity or gas during the period from **November 1, 2021 to December 31, 2021**.

In the case of the sale of bottled gas, the date of supply subject to VAT (Czech abbreviation: DUZP) is the date of sale and delivery of the goods.

In the case of electricity or natural gas supply, the date of delivery (DUZP) is the date of meter reading. However, it is not envisaged that meter readings will be taken exceptionally on November 1 and December 31 in order to bill energy for that exact period. Thus, the Waiver of the VAT will be reflected in the advance payments to be made in November and December 2021. Please see the example below.

## Example

Electricity supply from June 1, 2021 to May 31, 2022. No meter readings were taken during this period. **Advance payments of CZK 1,210** were paid monthly (12 advance payments in total). In the annual statement, the prepayments are divided into net amount and value added tax (VAT) as follows:

- Advance payments June 2021 to October 2021  
Net amount CZK 1,000 and VAT CZK 210 (i.e.  $5 * CZK 1,000 + 5 * CZK 210$ )
- Advance payments November and December 2021  
without VAT, therefore net amount  $2 * CZK 1,210$
- Advance payments January 2022 to May 2022  
Net amount CZK 1,000 and VAT CZK 210 (i.e.  $5 * CZK 1,000 + 5 * CZK 210$ )

The **total advance payments** made in the amount of **CZK 14,520** ( $= 12 * CZK 1,210$ ) thus result in a **net amount of CZK 12,420** ( $= 5 * CZK 1,000 + 2 * CZK 1,210 + 5 * CZK 1,000$ ) and **VAT** in the amount of **CZK 2,100** ( $= 10 * CZK 210$ ).

According to the **electricity meter**, electricity was consumed for the period from June 1, 2021 to May 31, 2022 at a price (excluding VAT) in the amount of **CZK 15,000**.

In the annual invoice for this period (DUZP on May 31, 2022), there is therefore a **payable balance (net amount)** in the amount of **CZK 2,580** ( $= CZK 15,000 - CZK 12,420$ ). The total amount of this invoice will thus be  $CZK 2,580 + 21\% \text{ VAT}$ , i.e. rounded **CZK 3,122**.

If you have any questions, please feel free to contact us.

For the AUDITOR-Team

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## Note

The suspension of VAT on electricity and gas will affect almost all suppliers and consumers of these energy sources. Not only energy suppliers will have to set up correct invoicing in their systems, but **also**, for example, **landlords** who charge electricity or gas to their tenants.

Energy consumers who are subject to VAT must be careful when **claiming input tax**. According to the state administration, an electricity or gas supplier that incorrectly displays VAT on an invoice has to pay that VAT. However, the recipient of such an invoice is not entitled to deduct input VAT.

We therefore recommend checking the method of invoicing and the VAT regulations, especially in the case of monthly advance payments. In particular, in cases where invoices are not issued on a monthly basis but e.g. payment plans are used, there is a risk that VAT will not be invoiced and displayed correctly.



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