



Information for clients No. 3

Czech Republic
November 2015

VAT Control Statement - more details

As we have already informed you before, starting 1 January 2016 a duty to submit the Control Statement for VAT is being introduced in the Czech Republic.

On this issue we would like to provide you with several tips which will make processing of your reports faster and at the same time reduce the likelihood of the tax authority challenging inconsistencies in the submitted VAT Control Statement. In the second part of this document you will find a description of individual types of reported transactions including the data required for their identification.

We would like to make you aware that with regard to legal entities the VAT Control Statement must be submitted monthly within 25 days after the end of the relevant month by each VAT payer, i.e. also by those who submit VAT returns on a year-quarter basis.

Practical Tips

- Received and issued invoices should contain the date of taxable supply (with a specific date and not a period). Depending on the type of transaction this date should be reported in the VAT Control Statement. The same date should be reported by your supplier/customer.
- For documents concerning accepted advance payments the date of receipt of the advance must be given.
- The external number for each tax document received must be provided – internal numbering is not reported. Most likely the form will only work with

alphanumerical symbols. Given that the external number of the document is usually also used as the payment symbol and banks do not allow the use of letters, we recommend that you give your issued invoices only numbers. This numbering should be as simple as possible – long lines of numbers increase the chance of an error while entering into the VAT Control Statement.

- In the VAT Control Statement the tax base is presented according to the VAT rate in the sum for the entire document. Should a single document be allocated between more cost accounts and thus appear in the reports (VAT records) more than once, these duplicated rows must be reported in the VAT Control Statement in the total.
- It is important that all received domestic invoices with a value of over CZK 10,000 including VAT should include your Tax ID No. If this is not the case you will expose yourself to the risk that the supplier will not enter the document in their VAT Control Statement.
- Received and performed domestic transactions including VAT must be presented in the following breakdown:
 - transactions with an invoiced amount, including VAT, greater than CZK 10,000 and with data on the Tax ID No. of the other party,
 - others (i.e. transactions with a lower value or not containing the Tax ID No. of the other party).
- It is necessary to distinguish between corrective tax documents in accordance with the reasons for their issuing:
 - § 42 of the VAT Act: subsequent change in price, partial or full return of delivery, return of accepted advance:



- For credit notes issued to taxable persons (i.e. entrepreneurs) or non-entrepreneurial legal entities the date when the purchaser accepted the document is decisive. In the case of debit notes the date of correction of the tax base or respectively the amount of tax is decisive (e.g. the date of issue of the debit note).
- **§ 43 of the VAT Act:** e.g. correction of the tax rate or the tax regime (taxable vs. exempt transactions):
 - Corrective tax documents show the date of the original transaction.
- **§ 44 of the VAT Act:** correction of tax for receivables from insolvent debtors:
 - The decisive date is the date of delivery of the document or written notice to the debtor.
- An internal cancellation (the document was cancelled and the purchaser was given neither the original document nor the cancellation) must not be reported in the VAT Control Statement.
- All dates must be entered in the format DD.MM.YYYY.



Supplies Entered into VAT Control Statement

In the text below you can find detailed description of all supplies that must be shown in the VAT Control Statement broken down according to this statement.

1. Domestic performed taxable supplies with a value exceeding CZK 10,000 including VAT (Table A.4)

- It comprises the domestic delivery of goods or provision of services, provided that the value of the transaction including VAT exceeds CZK 10,000.
- Advances received are reported as well.
- For the date either the date of taxable supply, or in the case of advances the date of receipt is used.

- Only transactions with entities having a Czech Tax ID No. are reported. That is taxable persons (i.e. entrepreneurs) or non-entrepreneurial legal entities.
 - If you do not know the domestic Tax ID No. of the customer, regardless of its value the transaction must be entered in Table A.5 – covering cases where the customer is a foreign entity or a Czech non-entrepreneurial individual.
 - If a document shows amounts with various VAT rates (21%, 15%, 10%), the tax bases and tax are reported in the relevant columns in one row of the VAT Control Statement.
 - Also corrective documents concerning insolvent debtors are subject to reporting:
 - regardless of their value (including even documents under CZK 10,000),
 - the creditor reports only the tax correction (corrections to the tax base are not shown)
 - a tax correction according to § 44 of the VAT Act must be indicated by putting a cross in the relevant column.
 - Other credit/debit notes (according to § 42 or resp. § 43 of the VAT Act) are reported only if their value including VAT is greater than CZK 10,000.
 - In the case of summary tax documents the value of the supply is assessed in total for the entire document, and the date is given as the last date of taxable supply given in the document.
 - Any document can only be entered once into the table.
 - In the case of the special regime for travel services (§ 89 of the VAT Act) or the special regime for second-hand goods (§ 90 of the VAT Act):
 - the use of one of these regimes for a specific document is to be indicated in the table (see supply regime code),
 - the tax base and tax should be reported only in relation to the surcharge,
 - the CZK 10,000 limit is checked against the invoiced amount (not only in relation to the surcharge).
- ### 2. Domestic performed taxable supplies with a value up to CZK 10,000 including VAT (Table A.5)

Concern:

- all documents (including corrective tax documents according to § 42 and § 43 of the VAT Act) with an



- invoiced amount up to and including CZK 10,000,
- as well as documents above CZK 10,000, provided:
 - they are issued to an entrepreneur without a Czech Tax ID No. or
 - they are issued on a non-entrepreneurial individual or
 - they are internal documents for VAT purposes (e.g. documenting use of business assets for private purposes).
- The tax base and tax are given in total for the month and grouped by VAT rate (21%, 15%, 10%).

3. Domestic performed taxable supplies in the domestic reverse-charge regime (Table A.1)

- Only taxable supplies (not advances) are reported, and the date given should be that of the delivery of the goods or provision of the services.
- The following codes are used:

1	gold
3	immovable assets
4	building and assembly work
5	waste and scrap
11	allowances for greenhouse gas emissions
12	cereals and industrial crops
13	metals including precious metals
14	mobile phones
15	integrated circuits and printed circuit boards
16	tablets, notebooks, etc..
17	videogame consoles

- If there is more than one type of supply on one tax document falling under different codes, it is necessary to itemise each supply code on a separate line of VAT Control Statement (with the same registration number of the tax document)

4. Domestic received taxable supplies with a value over CZK 10,000 including VAT (Table B.2)

- Only documents with VAT from domestic VAT payers are reported.
- The date of taxable supply or respectively the date of receipt of the advance by the supplier must be indicated.
- If a document shows amounts with various VAT rates (21%, 15%, 10%), the tax bases and tax are

reported in the relevant columns in one row of the VAT Control Statement.

- If the tax deduction is reduced, it is necessary to distinguish between the following situations:
 - Reduction due to using the received supplies for non-business purposes (e.g. use of a company car for private purposes) must be marked in the column "Use ratio" and the tax base and tax are then presented in the applied (pro rata) amount.
 - Reduction due to providing exempt supplies without the right to tax deduction are not indicated in the VAT Control Statement, and the tax base and tax are presented in the full amount.
- In the table only corrective tax documents in invoiced amounts over CZK 10,000 are reported.
- In the case of summary tax documents the value of the performance is assessed in total for the entire document, and the date is given as the date of the last taxable supply given in the document.
- Here debtors show also corrective documents issued in insolvency proceedings (§ 44 of VAT Act):
 - regardless of their value (that is also documents under CZK 10,000),
 - only the amount of the tax correction is reported (not the correction of the tax base),
 - tax correction according to § 44 of the VAT Act must be indicated with a cross in the relevant column,
 - the decisive date is the date of delivery of the tax document or written notice to the debtor.



5. Domestic received taxable supplies with a value up to CZK 10,000 including VAT (Table B.3)



- Only documents with VAT from domestic VAT payers are reported.
- The tax base and tax are given in total for the month and grouped by VAT rate (21%, 15%, 10%).
- The table comprises only the corrective tax documents according to § 42 or respectively § 43 of the VAT Act in invoiced amounts up to CZK 10,000.

6. Domestic received taxable supplies in the domestic reverse-charge regime (Table B.1)

- Only received supplies (not advances) are reported, the date should be the date of delivery of the goods or provision of the service by the supplier.
- The following codes are used:

1	gold
3	immovable assets
4	building and assembly work
5	waste and scrap
11	allowances for greenhouse gas emissions
12	cereals and industrial crops
13	metals including precious metals
14	mobile phones
15	integrated circuits and printed circuit boards
16	tablets, notebooks, etc..
17	videogame consoles

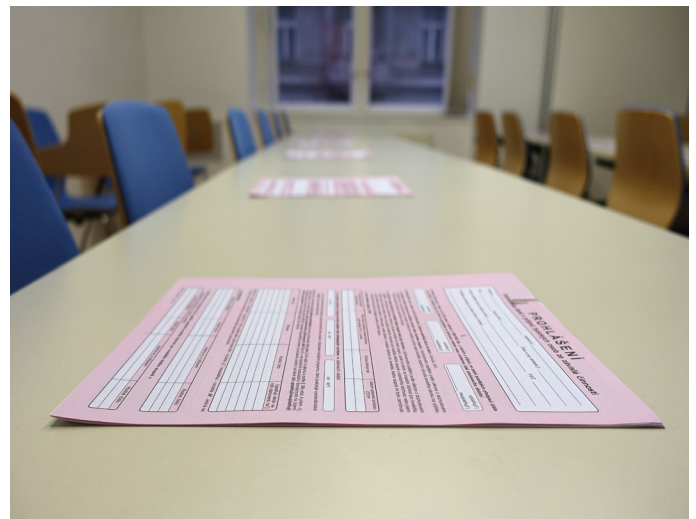
- If there is more than one type of supply on one tax document falling under different codes, it is necessary to itemise each supply code on a separate line of the VAT Control Statement (with the same registration number of the tax document).

7. Foreign received supplies in the reverse charge regime and the acquisition of goods from the EU (Table A.2)

- The following received supplies are reported:
 - the acquisition of goods from the EU,
 - the transfer of goods from the EU to the Czech Republic,
 - foreign received supply in the reverse charge regime (services according to the basic rule and services linked to real estate, the delivery of goods with assembly, gas deliveries, electricity, etc.),
 - the acquisition of new means of transport from

the EU regardless of the status of the seller (VAT payer/non-VAT payer).

- The decisive date is:
 - in the acquisition of goods from the EU: the date of issue of the invoice, or respectively the 15th day in the month following delivery if this precedes the invoice date; advances are not shown,
 - in the transfer of goods from the EU: the date of transfer
 - in other received supplies: date of taxable supply or respectively the date of receipt of advance.
- Transactions are shown for the period by the decisive date as given above regardless of whether the customer has a tax document at their disposal.
- If the value given on the document received later differs from the amount already entered into the VAT Control Statement, the difference should be entered into the VAT Control Statement for the following period.



Transactions not entered in the VAT Control Statement

The following are not entered in the VAT Control Statement:

- goods imported from 3rd countries,
- deliveries of goods to the EU,
- provision of services with the place of taxable supply abroad,
- goods exported to a 3rd country,
- deliveries of new means of transport to non VAT payers from the EU,



- distance sales to the EU,
- other transactions with a place of taxable supply abroad,
- triangular transactions with goods,
- exempt transactions without right to tax deduction.

Penalties

If the VAT control statement is submitted late, by law the tax office must impose the following fines:

- **CZK 1,000** if the VAT control statement is submitted **after the deadline** (even if only by a day) but before notification by the tax administrator,
- **CZK 10,000** if it is submitted **after notification** by the tax administrator,
- **CZK 50,000** if it is **not** submitted **even after notification**.

Should the data reported by suppliers and customers differ and the system not be able to pair them automatically, the tax office will request revision of the data within the deadline of five calendar days. If you do not have a data box set up and submit your VAT return yourself, these calls will be delivered by e-mail to the address you give in your VAT Control Statement and the period will begin with the day of sending regardless of whether

you have read the e-mail.

If the revision is not carried out in time, the tax office will impose a fine of CZK 30,000. A fine of up to CZK 500,000 will be imposed on anyone who by not submitting VAT Control Statement impedes or obstructs tax collection.

Conclusion

You can find the format of the VAT Control Statement in the attached Excel table.

We are prepared to cooperate with you in setting up the outputs of your accounting in order that as soon as possible (at the latest by the end of 2015) they contain the required data with the necessary structure for the compilation of the VAT Control Statement.

In the case that the outputs of your accounting will not have the required structure we can offer to convert it to what is needed.

Given the complexity of the above described topic you must reckon with increased costs in this area. We are at your disposal should you have any questions. ■

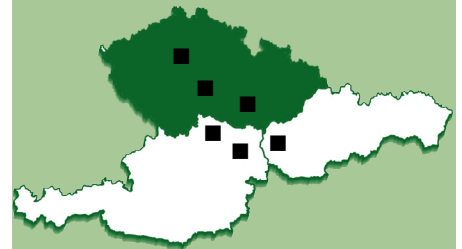


Mag. Natália Šenková, LL.M.
Head of the Brno Office
T: +420 542 422 601
natalia.senkova@auditor.eu

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Mag. Georg Stöger
International Tax issues

Marie Haasová
Accounting

Iva Tolde
Tax advisory

Office Prague
Haštalská 6, Prague 1
T: +420 224 800 411
paha@auditor.eu

Office Pelhřimov
Masarykovo nám. 30, Pelhřimov
T: +420 565 502 502
pelhrimov@auditor.eu

Office Brno
Dominikánské nám. 4/5, Brno
T: +420 542 422 601
brno@auditor.eu

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