



Information for clients No. 1

Czech Republic
April 2015

Within the fight against tax evasion, from 1 April 2015, the Czech Republic expanded the list of commodities falling under the reverse-charge mechanism.

New provisions

The domestic reverse-charge mechanism (transfer of tax duties to the recipient of supplies) was introduced in the Czech Republic for building and assembly work already in January 2012.

To determine from April 2015 which new supplies come under the new VAT regime, it is not sufficient to study only the new wording of the Act on VAT. This further refers to Government Regulation No. 361/2014 Coll., which in turn refers to the classification of goods according to the [Customs Tariffs, as given in Annex No. 1 to Council Regulation \(EEC\) No. 2658/87](#).

With regard to the quantity of unclear points and questions on the part of experts concerning the new tax provisions, the General Financial Directorate issued on 11 March 2015, an extended information briefing (Ref. No.: 2552/15/7100-20116-011073).

Limit of CZK 100,000

Unlike with building and assembly work, where the reverse-charge mechanism always applies, with no restriction by amount, from 1 April 2015, the reverse-charge mechanism applies only to deliveries with a turnover greater than CZK 100,000.

The reverse-charge mechanism applies only if the total tax base on the tax document for all supplies

that in principle come under the reverse-charge mechanism, exceeds the sum of CZK 100,000. There are specific procedures to deal with credit notes, debit notes and tax advances.

New defined commodities

To determine the commodities that come under the reverse-charge mechanism, the wording given in the Government Regulation and at the same time the classification codes in the Customs Tariff presented in brackets are decisive:

■ cereals and technical crops:

- maize (1005);
- soya beans, whether or not broken (1201);
- rape or colza seeds, whether or not broken (1205);
- sunflower seeds, whether or not broken (1206 00);
- mustard seeds (1207 50);





- poppy seeds (1207 91);
- sugar beet seed (1209 10 00);
- sugar beet (1212 91).

■ **electronic goods:**

- mobile telephones (8517 12 00 and 8517 18 00);
- integrated circuits, such as microprocessors and central processing units (8542 31) and printed circuit boards containing these circuits, which are supplied in a state before incorporation into products for end users;
- videogame consoles (9504);
- portable automatic data-processing units (8471 30 00), e. g. notebooks or tablets.

■ **precious metals:** gold, silver and platinum in the form of unwrought gold or semi-manufactured (7106 to 7111), to which until now the reverse-charge mechanism did not apply. Does not apply however to finished products from these metals.

■ **base metals and articles from base metal:** iron and steel, copper, nickel, aluminium, lead, zinc, tin, tungsten and other metals as well as certain semi-manufactured products such as profiles, tubes, wire, rope, mesh, sheets, etc., and even products like doors and windows, frames, posts, etc. Generally it concerns all the base metals classified in Group XV of the Customs Tariff; however only some articles made from them. The concrete descriptions of all the codes of the customs nomenclature which come under



the given mechanism is extremely broad and is much greater than can be included in this information. In the event that something is not clear it will be necessary to resolve the tax regime on an individual basis.

Practical procedure

To determine whether given goods come under the reverse-charge mechanism from 1 April 2015, it is first necessary to classify them in accordance with the Customs Tariff. If it concerns goods for import or export, this classification is normally available. Knowing the customs code of the goods is not in and of itself sufficient, because at the same time the





wording of the Government Regulation must also be fulfilled. For example Customs Tariff code 9504 includes videogame consoles, billiards and playing cards, but the reverse-charge mechanism applies only to videogame consoles.

To determine whether concrete goods come under the reverse-charge mechanism, it is possible, after paying an administrative fee of CZK 10,000, to ask the financial office for a binding opinion.

The Act on VAT also makes possible another practical procedure: If the purchaser and supplier have reason to believe that supplied goods come under the reverse-charge mechanism, and tax documents are produced in accordance with this mechanism which both parties in agreement provide in tax records and fulfil all their duties towards (foremost

the recipient provides a VAT statement from the received supplies, etc.), it is accepted that these supplies fall under the reverse charge mechanism. In other words, provided in a problematic case of delivered goods the two parties agree, both make use of the reverse-charge mechanism and the relevant legal requirements are adhered to, the financial office will not challenge this approach.

Should you have any further questions on this issue we are, of course, at your disposal. ■

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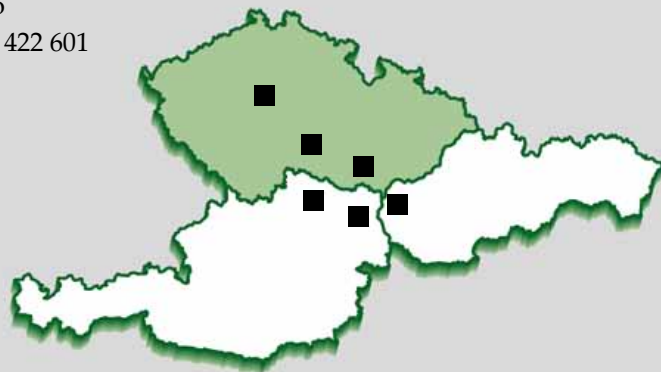
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