| SK | **INFORMATION FOR CLIENTS 10 / 2012** [i] |

December 2012

New invoicing rules valid from 1 January 2013

Dear client,

On 22 August 2012, Amendment to Act No. 222/2004 Coll. on value added tax came into force, with most changes concerning VAT coming into effect from October 2012. We informed you about those changes in October. Besides those changes, the VAT Act Amendment will also bring about changes in invoicing that will become effective as of 1 January 2013. Below you can find the most important changes introduced by the amendment of relevant provisions of the VAT Act.

Every EU Member State has been obliged to adopt new invoicing rules that are based on the so called Invoicing Directive. The purpose of new invoicing rules is to strengthen position of electronic invoicing and thus contribute to its spreading, harmonize time periods for issuance of invoices for trans-border transactions and harmonize essentials of invoices in order to provide for simpler auditing of national and international supplies and thus for a better tax control.

1.   Strengthening of the electronic invoicing position

The new invoicing rules are aimed at achieving <u>equal treatment of paper and electronic invoices</u>. The first thing required for suppliers of goods or services to be able to take advantage of electronic invoicing instead of paper invoices is <u>consent of the customer</u>. Only following this mutual agreement, supplier can send electronic invoices to his customer or make the invoice electronically accessible to him.

1.1.   Electronic invoice

Electronic invoice is an invoice <u>sent and subsequently received by customers in electronic format</u>. The form of preparation of invoice is not important; what matters is that invoice is sent and subsequently received in electronic format.

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Thus, we can also consider invoice prepared in paper format and electronically scanned and sent and subsequently received by email, i.e. electronic form, to be electronic invoice. On the other hand, invoice prepared in electronic format (e.g. using accounting software) and sent to customers in paper format are not a case of electronic invoice.

The selected electronic format of invoice (pdf, jpeg, etc.) is not material but, as we mention above, it is the method of sending and subsequent receiving in electronic format. Customers may convert such received electronic invoice to other electronic formats for the purposes of their storage.

Suppliers have a choice of several method of sending electronic invoices. They can send invoices by email or secured line, or they can make electronic invoices accessible to customers on a web portal or they can use another electronic method.

1.2. Safeguarding credibility of the origin, integrity of the contents and legibility of invoice

For electronic invoicing, it is necessary to ensure that data on invoice exactly reflect actual delivery of goods or services. Such obligation applies not only to electronic but paper invoices as well. That fact may be verified, for example, by assigning invoices to other documents verifying delivery of goods or services. Such documents are, not limited to, contracts on delivery of goods or services, order forms, shipping documents or confirmations of payment.

Besides the above obligation, suppliers as well as customers of goods or services have to, in the case of electronic invoicing, safeguard credibility of the origin, integrity of the content and legibility of invoices until the end of the period for their storing.

Credibility of the origin means that the invoice was prepared by the supplier or another person acting on behalf of the supplier or, possibly, the customer with consent of the supplier.

Integrity of the content means that the content of the invoice was not changed; if the customer, for the purposes of storing, converts the electronic invoice to another format, it is not considered as infringement of its content.

Legibility of the invoice means that invoices can be read with naked eye; for example, invoices in pdf or jpeg formats, which are easy to read by naked eye. On the other hand, invoices in the xml format are deemed legible only after their conversion to another format that can be read by naked eye.

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<u>Credibility of the origin, integrity of the content and legibility of the invoice may be safeguarded</u> by means of:

a) Controlling mechanisms of company processes, which assign invoices to other documents relating to delivery of goods or services,
b) Secured electronic signature,
c) Electronic exchange of data,
d) Another method safeguarding credibility of the origin and integrity of the content of invoice.

2. Change of the time period for issuing invoices

Even after coming into effect of the Amendment to the VAT Act, it is still true that tax payer, who is obliged to issue invoice in accordance with the VAT Act, must issue it no later than 15 days of the day of delivery of goods or services or, possibly, no later than 15 days of the day of receiving the payment prior to the delivery. The Amendment changes the period for issuance of invoices only in the case of <u>trans-border delivery of goods and services</u>.

According to the new rules, suppliers have to, for deliveries of goods and services to another member state, issue invoice no later than <u>15 days of the end of the calendar month</u> when goods relieved from VAT according to § 43 of the VAT Act are supplied to another member state or no later than 15 days of the end of the calendar month when suppliers deliver services in accordance with § 15 (1) of the VAT Act with the place of delivery in another member state.

In the case of <u>receiving payment prior to the delivery of goods or services to another member state</u>, supplier is obliged to issue invoices upon receipt of the payment prior to the delivery of services in accordance with § 15 (1) of the VAT Act with the place of delivery in another member state, in the same, 15-day time period after the end of the month. The Act does not stipulate any obligation to issue invoices after receiving the payment prior to the delivery of goods to another member state.

The purpose of the above changes is to harmonize issuance of invoices in all member states and thus ensure equal recording of transactions made in tax returns and summarized reports.

3. Simplified invoices

The VAT Act Amendment stipulates the same essentials of invoices for delivery of goods or services to domestic markets, to the other member states and to the third countries. The

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Amendment changes issuance of simplified invoices, i.e. invoices that do no need to contain all essentials set by law.

As of 1 January 2013, the following documents shall be deemed simplified invoices:

a) Documents for goods or services if the price, including VAT, is not more than EUR 100; such documents do not have to contain data about the recipient of the performance and the unit price,

b) Documents issued by electronic registration cash machine if the price of goods or services, including VAT, paid in cash is not more than EUR 1,000 and, in the case of payment made by payment card or another method of payment, not more than EUR 1,600; such documents do not need to contain data about the recipient of the performance and the unit price,

c) Base part of stickers, verifying payment of the amount for use of highways and toll roads; such documents contain the business name of the service supplier and its VAT ID No., date of sale of the sticker, price including VAT and the amount of the VAT,

d) Documents or notifications modifying original invoice; such documents must contain order number of the original invoice and data which are modified.

Shall you have any questions do not hesitate to contact us.

Your AUDITOR team
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