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EU VAT Package

New Rules for the Supply of Services

As result of the newly introduced EU VAT Package, the Czech Republic is obliged to implement NEW VAT RULES with respect to the supply of services as of 01 January 2010. In practice, this means that shortly the Czech government will prepare and amend the current Czech VAT Act to include the following aspects:

1. Place of taxable supply for the cross-border provision of services

For the provision of services, the place of taxable supply will be shifted to the country where the service recipient is seated, i.e. where the service is actually consumed. Therefore, if services are supplied internationally, the place of taxable supply will be in the country of actual consumption, i.e. where the service recipient is seated or has its registered place of business. This will also mean that as of 01 January 2010 businesses will need to carefully consider where the place of taxable supply is and who needs to account for VAT on services supplied across borders. A failure to comply with the EU VAT Package after it has been implemented into the Czech VAT legislation may result in penalties.

2. Electronically supplied services

Electronically supplied services and their current scheme applicable to non-EU businesses will be expanded to include telecommunications and broadcasting services.

3. Reporting obligations

Businesses making intra-EU supplies of services will be obliged to fulfil additional filing requirements that will be introduced for services. It will be similar to the present reporting system for goods on the EC Sales List. Failure to comply with these additional requirements may result in penalties.

4. Eighth Directive refunds

Currently EU businesses can reclaim VAT incurred in Member States where they are not established for VAT purposes. However at present, this mechanism seems to be inadequate and will be reformed. The new system will include electronic filing, detailed timetable for processing refund applications and the right to claim interest on overdue refunds.

