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## Important changes in indirect taxes |

### Amendment to the Excise Tax Act Changes in the VAT exemption for import of goods Liability for unpaid VAT

#### | 1. Amendment to the Excise Tax Act

On 29 March 2011, the President signed an amendment to the excise tax law which increases the minimum tax rate on tobacco products from 2012. The change in the excise tax reflects the obligation of the Czech Republic to integrate into its legal system the EU Directive on the taxation of tobacco products. This has to be included in Czech legislation by the end of 2011. According to the amendment, from the beginning of 2012, the minimum rate of excise tax on cigarettes will increase by five hallers per cigarette - a pack of cigarettes would then increase in price by about one crown from next year. The rate will be increased also in case of cigars, namely by ten hallers per cigar and the rate of loose tobacco will increase by 60 crowns per kilo. Further changes in excise taxes are scheduled for 1 January 2014.

#### | 2. Notification of the Customs Administration of the Czech Republic about changes in the VAT exemption for import of goods

Based on the amendment to the VAT Act effective from 1 April 2011, there have been changes in the VAT exemption on imported goods. From now on, only imports with total value not exceeding 22 EUR are exempted; excluding alcoholic beverages, perfumes, toilette sprays, tobacco and tobacco products, as these products are always subject to VAT. For the application of the new limit is determining the date of presentation of goods to customs, not the date of purchase abroad. The limit of 150 EUR for the exemption of goods from customs duty remains unchanged.

#### | 3. Liability for VAT

An amendment to the VAT Act, which entered into effect earlier this month, introduced a completely new institute, namely liability for unpaid tax, which aim and purpose is to combat tax evasion. Therefore, a customer can become a guarantor if he has received domestic taxable transactions from another payer who purposely did not pay the output VAT from the transaction. If the supplier, as an obliged subject, does not pay the VAT, an obligation to pay secured VAT arises to the guarantor and it is activated at the call of the tax administrator. One may eliminate the new measure by means of so-called special tax securing.

You can read more about the issue of liability for VAT as well as about other changes brought by the amendment to the VAT Act in the upcoming new issue of our **Business&Tax Newsletter**.

