



Praha

Martin Kováč
Hybernská 32
110 00 Praha
Tel: +420 221 111 611
Email: mkovac@bakertillyczech.cz

Brno

Lucia Rábllová
Česká 17
602 00 Brno
Tel: +420 542 425 823
Email: lrablova@bakertillyczech.cz

VAT news

**Fixed establishment for VAT purposes
Refund of VAT paid in another EU Member State
Correction of tax amount**

1. Fixed establishment for VAT purposes

On 1 July 2011, the implementing EU Regulation related to the so-called sixth VAT Directive entered into force. Among other things, the regulation provides a new definition of fixed establishment for VAT purposes. In respect to the determination of the place of taxable supply for services, the fixed establishment shall be any establishment characterised by a sufficient degree of permanence and a suitable structure in terms of human and technical resources to enable it to receive and use the services supplied to it for its own needs. Therefore, the respective establishment does not have to perform a business activity.

2. Refund of VAT paid in another EU Member State

By 30 September 2011 latest, it is necessary to apply for a refund of VAT which the Czech tax payer paid during the year 2010 in another EU Member State where he is not VAT registered. The necessary condition for the VAT refund is submission of the application via the electronic portal administered by Czech General Financial Directorate (hereinafter referred to as "GFD"). In this respect, we would like to mention that the sooner the application is submitted, the sooner the paid VAT will be refunded. Subsequently, a submitted application will be forwarded to the tax authorities of the competent Member State and a corresponding VAT refund claim will be assessed in accordance with the legislation of this Member State.

3. Information of GFD on corrections of tax amount related to the receivables against debtors in insolvency proceeding

With effect from 1 April 2011, the legal institute of correction of tax amount related to the receivables against debtors in insolvency proceeding has been introduced to the Czech VAT law. Due to the considerable uncertainty in relation to this institute, explanatory information was issued by the Ministry of Finance and subsequently also by the GFD.

According to the statement of the GFD, a correction of the tax amount related to the debtors in insolvency proceeding is considered to be an autonomous taxable supply performed at latest as of the last day of the tax period, in which the corrective tax document or other written notification was delivered to the debtor. However, the tax rate applicable as of the day of performance of the original taxable supply shall apply.

In accordance with transitional provisions, the above described provision shall apply only in case of taxable supplies performed after it has entered into effect, i.e. since 1 April 2011. However, as a correction of tax amount creates a new autonomous taxable supply, in respect with its declaration, a creditor does not go back to the original taxable supply or to the original tax period. Therefore, it is also possible to correct the tax amount in relation with receivables which has arisen before 1 April 2011, provided that the correction itself was or will be done after this date

www.bakertillyczech.cz | 1



an independent member of

BAKER TILLY
INTERNATIONAL

The information contained in this material is general and does not provide a comprehensive analysis of these topics. Despite the fact that we try to ensure the timeliness and accuracy of the information contained in this material, we cannot guarantee that it will still be valid on the date it is read. Therefore users of this information should not base any business or investment decisions on it without first discussing the matter with a professional advisor. Our initial consultation is free.

Privacy & Disclaimer Feedback

2009 Baker Tilly Czech Republic, spol. s r.o., Baker Tilly Czech Republic Audit s.r.o. and Baker Tilly Czech Republic Tax Advisers, s.r.o. are independent member firms of Baker Tilly International which is the world's 8th largest accountancy and business advisory network by combined fee income of its independent members. Baker Tilly International member firms specialise in providing accountancy and business advisory services to entrepreneurial, growing businesses and mid-market corporates worldwide.