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**Subtle but important changes |**

**VAT on discounts and bonuses  
Abolition of withholding tax for building savings  
Mandatory registration of dealers of fuel**

**| 1. Application of VAT on discounts and bonuses**

An amendment of the VAT Act effective from 1 April 2011 introduced a **general obligation to file an amendment to the tax base and amount of the tax**, both in the case of its increase and also even when it is reduced. This change mainly affects the application of VAT on discounts for early payment, rebates and bonuses. According to information from the General Tax Directorate published on 29 April 2011, all quantity discounts and bonuses for early payment, which were clearly provided in relation to provision of taxable supply in question, reduce the payment for this supply. As a result of this, provider is obliged to correct tax base and amount of the VAT and issue a corrective invoice. Similarly, the recipient of the taxable supply is obliged to make an appropriate correction of input VAT and subsequently refund an amount corresponding to the claimed input VAT, even if he doesn't receive a "corrective invoice" (like a credit note) from the provider.

**| 2. Abolition of cost-cutting changes in building savings**

The Constitutional Court has abolished, **with immediate effect**, the 50% rate of withholding tax on advance payments of state aid for the year 2010, which was part of cost-cutting measures approved in the state of emergency legislation in autumn. In Constitutional Court's opinion such retroactive taxation, is in fact, not taxation, but a retroactive reduction in state aid. This was therefore a change in legal entitlement with retrospective effect, which Constitutional Court assessed as a constitutionally non-compliant, and therefore unacceptable.

**| 3. Mandatory registration of dealers of fuel**

Under an amendment to the Law on fuels and Decree on registration of distributors of fuel, which came into effect on 21 April 2011, new obligations arose for tax payers, who currently trade in fuel in the Czech Republic, with the exception of vendor of fuel at filling stations. Distributor is **obliged to give notice of the commencement of activity** at the customs office locally competent by registered seat or distributor's place of stay **within 30 days after the amendment becomes effective**. A publicly accessible electronic register of distributors is kept by the Customs Administration of the Czech Republic. Breach of obligations resulting from the amendment may incur a fine for an administrative offence, and up to CZK 5 million in the purchase of fuel from a person not registered in the registry of fuel distributors and 3 million CZK in case of failure to notify changes in data or termination of the activities of a distributor.

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