

# News Flash

January 2020



**“Quick fixes“ – VAT news for 2020  
in the Czech Republic**

## ”Quick fixes“ – VAT news for 2020 in the Czech Republic

We would like to inform you that from 2020 the application of VAT for cross-border EU-trade has underwent significant changes. These are known as “quick fixes”, a set of transitional measures that will be applicable until a final VAT system is established within the EU.

As of 1 January 2020, all EU Member States were obliged to implement quick fixes into their national legislation in connection with the amendment to the European VAT Directive. These "quick fixes" are intended to contribute to the harmonization and simplification of VAT rules on intra-EU trade in goods.

**Quick fixes** focus on:

- Call-of stocks
- Allocation of transport for chain transactions
- Conditions for exemption from VAT of the supply of goods to Another Member State - VAT identification number and proof of transport of goods to Another Member State.

In December 2019, the amendment to the Czech VAT Act in relation to quick fixes advanced to the second reading in the Chamber of Deputies. Its effectiveness can thus be expected **from 1 April 2020**.

The VAT news for 2020 represents one of the most fundamental changes in recent years. These are adjustments that affect all manufacturing and trading companies delivering and acquiring goods within the EU.

In order to apply correct VAT treatment of cross-border transactions, it is necessary to bear in mind the interdependence of the changes that quick fixes bring. Related jurisprudence of the Court of Justice of the EU must also be taken into account.

We recommend paying attention to the following topics:

### 1. Holding inventories abroad

The given area is undergoing changes effective throughout the EU. The new “call-off stock” regime will be mandatory if all the conditions are met. Therefore, please pay attention to the new regime even if you are not primarily interested in the application of the simplified approaches.

into account in the context of the new rules for the 'assignment of transportation', which aim to clearly identify the nature of the transaction in the chain. The erroneous application of VAT resulting from the incorrect application of the settings of delivery conditions and incorrectly determined nature of the transaction is often the subject of considerable retroactive VAT assessments.

### 2. Cross-border chain of supply of goods

In case of cross-border chain of supply of goods, each transaction in the chain needs to be thoroughly analyzed to determine whether it represents local delivery or a 'movable' cross-border transaction that may be exempted from VAT. In this regard, the setting of the INCOTERMS conditions will continue to be of key importance. Their setting needs to be taken

### 3. Stricter conditions for the supply of goods to Another Member State

The conditions for exemption from VAT when delivering goods to Another Member State will be more strict. In order to apply the exemption, it will be necessary for the provider of the goods to obtain the customer's valid VAT number at the defined time and to report such delivery in the EU Sales List properly.

#### 4. Demonstrating transportation when delivering goods to the EU

Transportation of goods supplied to Another Member State would be proven in the form of

“rebuttable presumptions”. The entity claiming the VAT exemption needs to have specific documents required by the EU Council Regulation at its disposal. The fulfillment of such conditions may cause considerable difficulties for the VAT payer.

Our VAT experts would be glad to discuss all of the aforementioned areas in more detail.

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