

Czech Republic: VAT rate increase will affect systems requirements

On 25 September 2009, the Chamber of Deputies of the Parliament of the Czech Republic approved a draft amendment that increases the VAT rates by 1%. If the amendment is approved by the Senate and signed by the President, the standard VAT rate will increase from 19% to 20% and the reduced VAT rate will increase from 9% to 10% as from 1 January 2010.

Czech taxpayers must make system and administrative changes in response to the adjustment in the VAT rates. Above all, they must change their accounting and tax software. Modifications to software should be considered carefully because, in addition to the application of higher rates on taxable supplies delivered as from January 2010, events that occurred or that will occur before the end of 2009 must be processed correctly. It will be necessary to ensure the correct procedure is adopted for advance payments received before the end of 2009 with respect to supplies delivered after 1 January 2010, choose the appropriate VAT rate for ongoing supplies delivered at the end of 2009 and the beginning of 2010, and, for example, deal with procedures for finance leasing contracts executed before the day the changes take effect. Adjustments to the tax base or tax rate made after 1 January 2010 for supplies taxed before the 2009 year end are separate issues. Although transition rules in the draft amendment address some of these issues, taxpayers need to be aware of their obligations and the need to make appropriate adjustments to their systems.

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