

Bird & Bird

# Amendment to the Value Added Tax Act

Legal news

*September 2023*



# Amendment to the Value Added Tax Act - brief overview

Council Directive (EU) 2020/284 amending Directive 2006/112/EC as regards the introduction of certain requirements for providers of payment services will be implemented into Czech law by an amendment to Act No. 235/2004 Coll., on Value Added Tax.

In accordance with the Directive, the amendment introduces **a new obligation for payment service providers to record and report cross-border payments.**

**Obligated entities** will be required to keep **records of cross-border payments and their payees** once the legal conditions are met. The obligation will be triggered when the number of cross-border payments per payee exceeds 25 per calendar quarter. In particular circumstances, the recording of payments will also affect persons who have given an order to make a cross-border payment.

The data from this record must then be **provided regularly to the tax administrator** in the form prescribed by law and always by the end of the month following the end of the calendar quarter for which the obligation arose.

The information received by **the Czech tax administrator will be transferred to a centralised European database** - the Central Electronic System of Payment information (CESOP), where it will be analysed by Member States' anti-fraud experts.

The amendment is proposed to take effect from 1 January 2024.

# Failure to comply with the obligation

Failure to comply with the new statutory obligation to provide the tax administrator with data from the register will result in the possibility of imposing **financial penalties on the payment service provider**.

If the obligation does not arise in a given quarter, the payment service provider will have the option to voluntarily notify the tax administrator, but will not be obliged to report payment data.

The amendment to the Czech Value Added Tax Act in relation to payment service providers is proposed to take effect from 1 January 2024.

# What does this mean in practice?

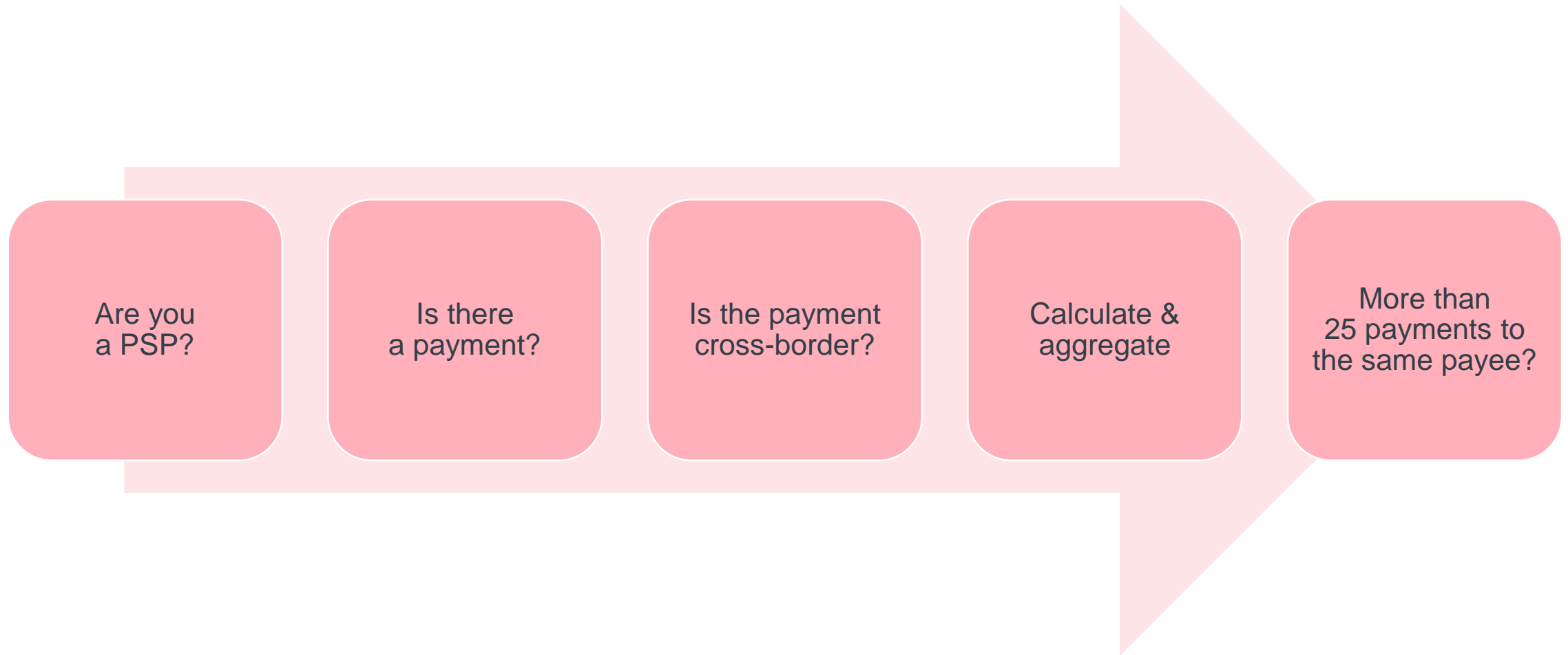
Under the planned legislation, payment service providers operating in the field of payment services in the EU will have to **monitor the payees of cross-border payments and report relevant data and information to the financial (or other) authorities of the Member States** (including the Czech Republic).

In the Czech Republic (as in other EU Member States), payment service providers will therefore be newly obliged to **register cross-border payments and the payees of these payments** and subsequently submit these records to the Specialised Tax Office on a quarterly basis.

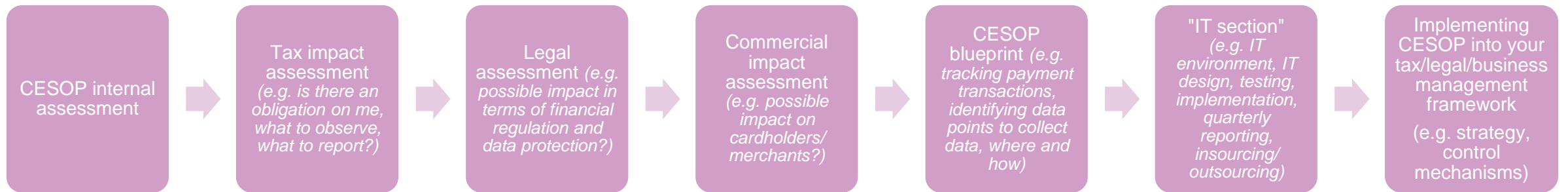
## When does the notification obligation arise?

If the payment service provider provides domestically payment services corresponding to more than 25 cross-border payments per quarter for the same payee (further conditions are laid down by law).

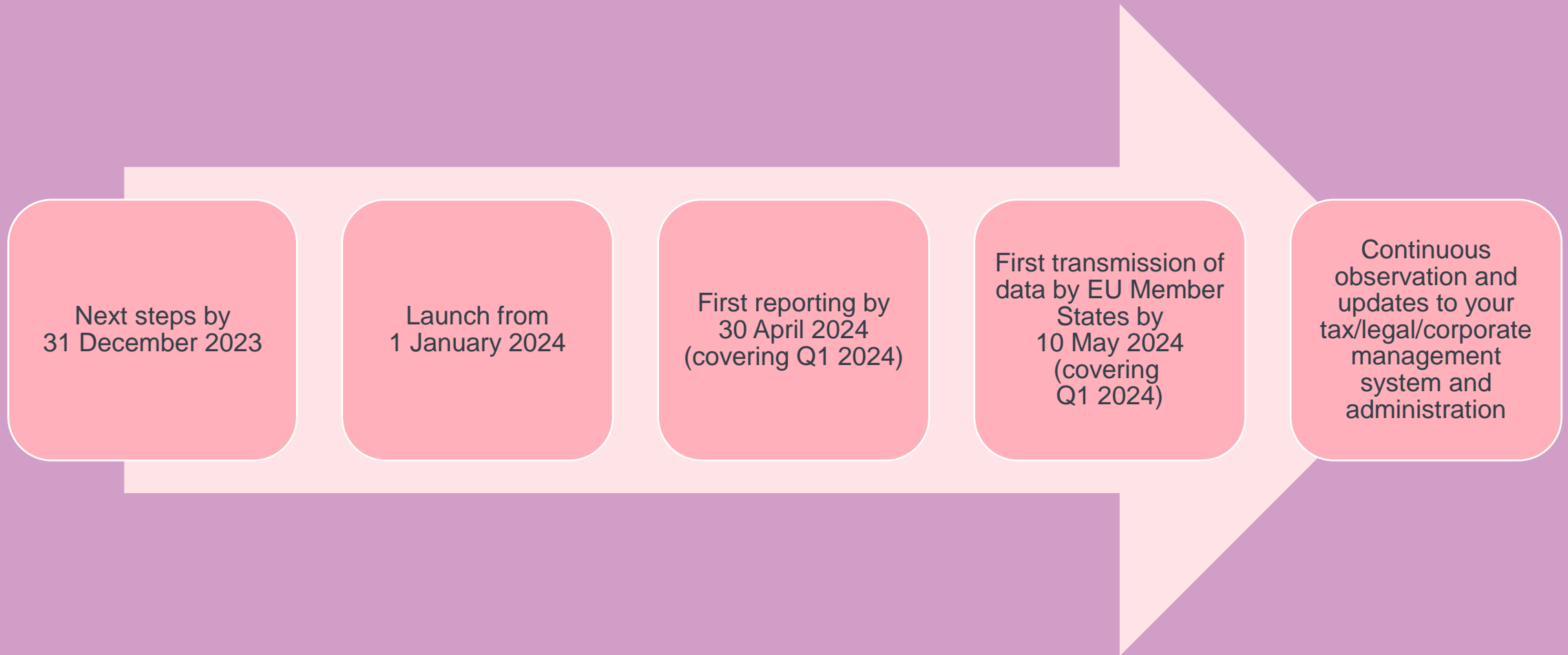
# Updates of EU VAT Directive 2006/112 (3)



# Next steps



# Timeline





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