

REFUND OF CZECH VAT TO FOREIGN TOURISTS

RELEVANT TO ACCA QUALIFICATION PAPER F6 (CZE)

The Czech VAT Act lays down rules for the refund of VAT in various situations. This article looks at the process of refunding Czech VAT to visitors from outside the European Community (EC). It briefly explains the main conditions that have to be fulfilled to apply for a VAT refund, and covers the administration process.

WHO CAN APPLY FOR A VAT REFUND?

Visitors eligible for a refund of value added tax (VAT) on goods purchased in the Czech Republic have to fulfil the following conditions:

- They must have no permanent residence (home address) in EC territory, and their permanent residence must be shown on their passport or other identity document recognised by the Czech authorities.
- They must not be undertaking business activities in the Czech Republic.

CHARACTER OF THE GOODS

Qualifying non-EC visitors can apply for a VAT refund if:

- the goods purchased are of a non-commercial nature
- the price of the goods, including VAT, purchased from one seller in one calendar day exceeds CZK2,000.
- the goods are exported from the territory of the EC.

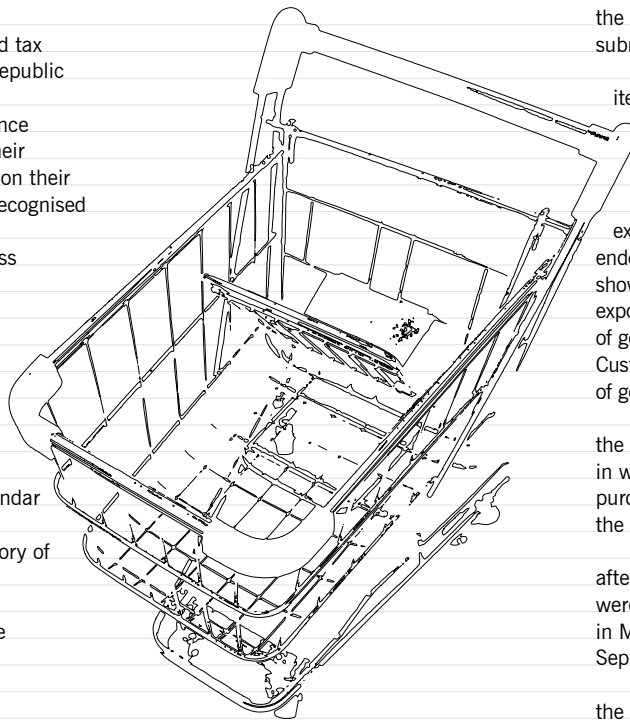
They cannot apply for a VAT refund on the following types of goods:

- fuels and lubricants
- tobacco products
- alcoholic beverages
- groceries.

DOCUMENTATION

The Czech VAT payer (the seller of the goods) is obliged, when requested by the visitor, to issue a document when the goods are sold which states:

- the commercial name of the VAT payer's business or their name and surname, and the registered or business address where the VAT payer effects taxable supplies
- the tax identification number of the VAT payer



- a description of the taxable supply (ie the object and scope of the taxable supply)
- the sequential number of the tax document
- the date of effecting the taxable supply
- the VAT base and the applicable rate of VAT
- the VAT amount in CZK (in crowns and hellers, or rounded to the next 10 or 50 hellers)
- the total price (inclusive of VAT).

ADMINISTRATION PROCESS

VAT has to be claimed from the VAT payer who is obliged to return the VAT to the purchaser if

the purchaser fulfils the statutory conditions and submits the prescribed documentation.

The visitor needs a receipt/invoice for the items on which the VAT will be claimed, which includes the prescribed details (see above).

The visitor has to complete the form on export of the goods issued by the Ministry of Finance ('exportation form') and the actual export of the goods from the EC has to be endorsed by the Customs Office. The visitor has to show the Customs Office the exported goods, the exportation form, and the document on the sale of goods that was issued by the VAT payer. The Customs Office will stamp the document on the sale of goods and return the document to the visitor.

The goods have to be exported by the end of the third month following the end of the month in which the goods were purchased, ie goods purchased in March 2009 have to be exported by the end of June 2009.

Entitlement to a VAT refund expires six months after the end of the month in which the goods were purchased, ie the VAT for goods purchased in March 2009 must be claimed by the end of the September 2009.

The VAT payer is obliged to refund the VAT to the visitor directly, or to another person authorised by the visitor. The VAT is refunded based on the documents of sale and the exportation form endorsed by the Customs Office.

The VAT payer can claim VAT in the taxable period in which the VAT refund was made, at the latest within three years from the end of the taxable period in which the respective taxable supply took place. The VAT payer is obliged to retain the documents obtained from the visitor for 10 years. ■