E-commerce in the Czech Republic

Main Legal and Tax Aspects

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BACKGROUND

Over the last years, the e-shop business has been booming in the Czech Republic. The year 2015 brought record sales to majority of the e-shop businesses. The 2015 turnover of Czech e-shop business reached CZK 81 billion (approx. EUR 3 billion). The expectations for 2016 are even higher and the majority of big e-shop players on the Czech market are planning further growth. Overall turnover growth of up to 20% is expected for 2016.

Influenced by this trend a number of Czech as well as foreign companies are considering their entrance on the scene of the e-shop business. To be successful, many factors must be observed and constantly improved. The key drivers from the business perspective are high quality goods, customer service, technologies and marketing. But there are also legal and tax aspects that shall be observed and set up in a right way.

To provide indication of the main areas to be observed in the legal and tax fields, we would like to present you this brochure. It was prepared not only for the newcomers, to introduce them the main pitfalls that should not be forgotten, but also for the experienced players who might want to double check whether the approach currently applied is correct. The brochure was not meant to offer a comprehensive guide on how to run an e-shop in the Czech Republic, but it rather provides a brief overview of issues that the e-shop will come across while carrying out its daily activities.

And what can we do for you in this area? Our team of experienced legal and tax consultants is prepared to offer assistance with correct legal and tax set up of your e-shop to be selling on the Czech market. We may help you not only with the e-shop establishment and required registrations. More importantly we may assist you with designing the purchase and sales flows, solving the issues connected with e.g. contractual documentation, consumer protection, information duty, personal data protection, creating relevant legal and tax documentation, tax compliance if relevant and many others.
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I. LEGAL REQUIREMENTS

Before opening an e-shop in the Czech Republic, i.e. before commencement of offering goods or services to customers via an e-shop, legal requirements of Czech and EU law have to be taken into account. The legal regulation of e-shops comprises mainly the obligation of formal establishment of the operator of the e-shop, general contract requirements, requirements relating to consumer protection and also personal data processing.

1. Formal establishment

An e-shop can be operated by both natural or legal person, Czech or foreign. Czech entities and foreign branches need to obtain a trade license from the Czech Trade License Office covering the intended scope of activity carried out through the e-shop, legal persons – business companies have to be moreover properly established and registered in the Commercial Registry.

Foreign entities residing in the EU, which are entitled to operate an e-shop in their country of residence/establishment, may run an e-shop in the Czech Republic without a duty to obtain a trade license or register its branch into the Commercial Registry. Nevertheless, having a delivery address in the Czech Republic may prove to be advantageous in certain situations.

An obligation of foreign entities to obtain a trade license and to register in the Commercial Registry requires further analysis depending on particular circumstances of each case.

2. Legal system governing the contract

To secure proper fulfilment of all statutory obligations, the operator of the e-shop should be aware which legal system governs relationships with its customers (e.g. rights and obligations of the parties to the contract, claims of the customer in case of defects or limitation periods).

In case the e-shop is operated by a Czech based entity which offers goods or services to Czech customers, Czech law would be probably the first choice. If the headquarters of the operator of the e-shop offering goods and services in the Czech Republic resides abroad, answer to this question might not be that clear.

Law governing the contract can be established on the basis of an EU regulation No. 593/2008 which determines the law decisive for consumer contracts. First of all, difference is made between contracts entered into by two entrepreneurs within their business activity and consumer contracts, i.e. contracts...
between an entrepreneur and a consumer. Consumer is a natural person concluding a contract outside his trade, business or profession.

As a general rule, consumer contracts are governed by the law of the country of residence of the consumer. The EU law, however, allows parties to choose the governing legal system. Nevertheless, such a choice cannot deprive the consumer of protection provided by the legal system applicable under the general rule. The EU law further contains some exceptions from the general rule, applicable for example to contracts on provision of services, if the place of performance lies outside the country of the consumer’s residence, insurance and transport contracts.

If a contract concluded through an e-shop is not a consumer contract, the choice of the governing law is possible without any limitations. In case of lack of such a choice, the EU regulation contains rules for determination of the applicable legal system.

So for e-shops, which intend to sell goods or services to Czech customers, the following conclusion can be made: The contract concluded with consumers through an e-shop will be governed by the Czech law. Non-consumer contracts will be governed by the law of the seller’s/provider’s residence, if no other choice is made.

3. Consumer protection

Consumer protection in the Czech Republic stems partially from the EU harmonization, therefore provisions similar to the Czech regulations can be expected also in other EU countries. On the other hand EU countries are allowed to apply some additional consumer protection arrangements, so rules applicable in each EU country (including the Czech Republic) should be crosschecked. For an e-shop, especially provisions relating to consumer contracts (and particularly to distance contracts) are relevant. A distance contract is a contract (i) concluded without simultaneous physical presence of the parties (ii) by using one or more means of distance communication (e.g. the internet).

Among these rules, it is possible to highlight provisions imposing information obligation on the trader towards the consumer, provisions regulating the process of concluding the contract and provisions regulating the content of the contract (prohibited provisions, termination of the contract, quality guarantee and the consumer’s claims from defects of the performance, etc.). The operator of the e-shop should secure that the web page where the e-shop is located contains all the information required by law and that the contract concluded through the e-shop respects all the consumer’s rights.
3.1. Information duty

Before conclusion of a contract, i.e. generally before an order through the e-shop is finished, the consumer should be informed about the identity of the trader, his address, contact details, specification of the goods or services offered, final price of the goods and services (including all taxes and fees), means of payment and delivery, delivery costs, claims arising from faulty performance or warranty and conditions for their application, length of duration of the contract and ways to terminate it (steps, period for withdrawal and procedure of withdrawal included), costs of distance communication, amount of eventual advance payments, body competent for settlement of consumer disputes, etc.

All the information provided before conclusion of the contract should form part of the concluded contract. The most suitable way to fulfil this duty is to include the information into the general commercial terms. The general commercial terms should be easily accessible on the web page where the e-shop is placed. Before placing the order, the customer should acknowledge the general commercial terms.

3.2. Process of conclusion of the contract

Consumers should be informed about particular steps of concluding the contract and before final placing of the order should have a chance to verify and eventually correct the data inserted into the order. The trader should also inform the consumer where the concluded contract is available for the consumer, about languages in which the contract can be concluded or any rules of behavior bounding on the trader.

After the order is placed by the consumer, the trader is obligated to immediately confirm receipt of the order also by one of the means of distance communication (for example by an e-mail).

3.3. Content of the contract

The contract concluded through the e-shop is regulated by the applicable law. For a private contract, the principle of contractual freedom usually applies, nevertheless in case of consumer contracts, the freedom is to a significant extent limited in favor of the consumer.

First of all, certain provisions are explicitly prohibited by law and cannot be applied by the trader. Arrangements establishing disproportional unbalance between rights and obligations of the trader and of the consumer are prohibited in general.

In addition, the contract cannot contain arrangements restricting or excluding consumers’ rights from faulty performance, allowing the trader to withdraw from the contract without any reason, allowing the trader to change unilaterally rights and obligations of the parties to the contract, disallowing the consumer to file an action at court and forcing him to sue the trader at an arbitration court not being bound by the consumer protection provisions, etc.

Czech law contains also some provisions protecting consumers that are applicable for all sales contracts, not only distance contracts. It is worth mentioning that under these provisions the consumer is entitled to raise claims from faulty performance within 24 months from takeover of the goods (or within the warranty period stated on the cover). These provisions also determine the respective claims consumers have in case of faulty performance.
In case of distance contracts consumers also have the right to withdraw from the contract without any reason within 14 days from takeover of the goods (it is sufficient that the consumer dispatched the withdrawal announcement within this term). In case the consumers have not been informed about this right by the trader, the period for withdrawal prolongs to 1 year and 14 days. For avoidance of disputes, it is recommended to offer to the customers a template withdrawal form. When this form is used by the customer, the trader is obligated to confirm its receipt within undue delay. The consumer must return the goods obtained on the basis of the contract within 14 days from the withdrawal. Within the same period, the trader is obligated to return the price paid by the consumer together with delivery costs in the manner the price was paid or in a manner agreed on with the consumer.

The consumer is, however, prohibited to withdraw from the contract in certain cases, such as in case of service contract, if the services were already provided with the consent of the consumer, in case of goods especially adapted according to the consumers requests, in case of goods taken out from the hygienic cover, which cannot be put back, and some others.

4. Personal data processing

When placing the order, the traders often require from customers and customers provide to the trader certain personal data, such as name, address, phone number, e-mail address, date of birth, sex. Such personal data serve mainly for invoicing and delivery of the goods and services, however, some traders use the personal data also for other purposes, such as marketing, advertising, references, statistics, etc. Processing of personal data is regulated and when a trader processes personal data, statutory obligations have to be fulfilled.

Processing of personal data constitutes any operation or set of operations systematically conducted with the personal data. It includes collecting of the data, saving, making them available, editing, searching, using, handing over, publishing, exchanging, liquidating, etc. The operator of the e-shop becomes the so called “controller” of the personal data.

Processing of personal data is allowed only with the prior consent of the person whose personal data are being processed, only for the purpose for which they were obtained, only for as long as a legitimate reason for their processing exists and only with regard to data that are necessary for fulfilment of the purpose of their processing (exceptions apply).

Before granting the consent, the customer has to be informed about the purpose of processing the data (the purpose must be laid down by the controller before processing of the data is commenced), who will be processing the data, what kind of data will be processed, for how long the data will be
processed and about rights of the data subject regarding access to, correction of, or destruction of the data, etc. It is therefore advisable to put an “I agree” button into the form where the customer inputs his personal data, together with the required information. The controller is also obliged to adopt measures preventing leakage and abuse of the personal data of the customers and such measures have to be documented. Employees of the controller are bound by the statutory confidentiality duty as regards the data and the measures adopted for their protection.

The controller of the personal data is also obliged to register at the Czech Personal Data Protection Office before commencement of the processing.

Using the electronic address of the customers for sending mass marketing and other business massages is allowed only under the condition that the customer has the possibility to sign off the mailing list easily.

II. TAX REQUIREMENTS

1. Tax Registrations

Conducting a business on the territory of the Czech Republic is usually connected with various tax registrations. The corporate income tax registration and value added tax registration are the most common for an e-shop.

1.1. Corporate income tax registration

Provided that the e-shop carries out its activities through a company established for this purpose in the Czech Republic, it is liable to register for corporate income tax purposes within 15 days from the establishment of the company, i.e. from its registration in the Commercial Register.

If on the other hand the e-shop would have no physical presence on the territory of the Czech Republic the liability to corporate income tax registration and related duties would not arise.

Nevertheless, even if no Czech based company is set up to operate the e-shop it is highly recommendable to pay close attention to any activities the e-shop carries out on the territory of the Czech Republic. Certain activities carried out by the foreign e-shop on the territory of the Czech Republic could lead to creation of its Czech permanent establishment. Once created the permanent establishment would be liable to corporate income tax duties in the Czech Republic.
It is impossible to provide a full list of activities that would or would not lead to permanent establishment creation. To come up with a relevant conclusion on this issue both the Czech tax legislation and the Double Tax Treaty concluded between the Czech Republic and the country of which the entity operating the e-shop is a tax resident should be analyzed.

To provide an indication of situations both leading and not leading to Czech permanent establishment creation few examples are described below.

- **Situations that do not lead to permanent establishment creation in the Czech Republic:**
  - Possession of a warehouse in the Czech Republic that is used solely for the purposes of storage, display or delivery of goods or merchandise belonging to the foreign e-shop
  - Maintenance of a fixed place of business solely for the purpose of carrying out activities which have a preparatory or auxiliary character for the foreign e-shop, e.g. existence of a collection point for goods returned by the customers, provision of marketing research activities

- **Situations that might lead to permanent establishment creation in the Czech Republic:**
  - Location of a server in the Czech Republic on which the website used to perform the internet sale in the Czech Republic is placed
  - Presence of a person on the territory of the Czech Republic acting on behalf of the foreign e-shop who has and habitually exercises in the Czech Republic an authority to conclude contracts in the name of the e-shop

### 1.2. Corporate income tax filing obligations

Once registered for corporate income tax purposes the e-shop is liable to file its Czech corporate income tax return on annual basis. The time-limit for filing the return is generally three months following the end of the taxable (accounting) period. If the corporate income tax return is filed by a tax advisor or if the entity operating the e-shop becomes liable to a statutory audit, the time-limit for the submission of the corporate income tax return is prolonged to six months following the end of the taxable (accounting) period.

The corporate income tax liability (self assessed by the e-shop) is payable within the filing deadline.

As a consequence of the corporate income tax liability the obligation to corporate income tax advance payments arises. Advance payments have to be paid semi-annually, if the last known tax liability ranges between CZK 30,000 – CZK 150,000 (approx. EUR 1,100 – EUR 5,500). In this case the advance payment is set at 40% of the last known tax liability. If the last known tax liability is higher than CZK 150,000 (approx. EUR 5,480), the advance payment is 1/4 of the previous tax liability and is paid quarterly.
1.3. VAT registration

Provided that the e-shop has registered seat, place of business or fixed establishment in the Czech Republic the threshold for mandatory VAT registration is the turnover of CZK 1,000,000 (approx. EUR 36,550) for a period of immediately preceding 12 consecutive calendar months.

A foreign taxable person that realizes long-distance sales (i.e. sale of goods through e-shop) in the Czech Republic to Czech final customer has to register for VAT in the Czech Republic if the total value of the goods supplied to the Czech Republic customers reaches CZK 1,140,000 (approx. EUR 41,670) in a calendar year.

The entity operating the e-shop (both Czech and foreign) may however apply for voluntary VAT registration. The process of voluntary VAT registration is more demanding from the administrative perspective lately.

The process of registration usually takes from 2 weeks (mandatory VAT registration) to 4 weeks (voluntary VAT registration).

1.4. VAT filing obligations

Once VAT registered a liability to file VAT returns through which the VAT liability or entitlement to VAT recovery are reported arises. Compulsory VAT reporting period for newly registered VAT payers is a calendar month.

VAT returns, both monthly and quarterly, are due by the 25th day of the following month/quarter. The amount of VAT liability consists of the VAT due on supply of goods and services carried out decreased by input VAT of the same period.

Starting from 2016, VAT registered persons are also obliged to file special tax return called VAT Control Statement through which further details on transactions are reported (e.g. invoice number, identification of supplier or customer, tax base, VAT). The VAT Control Statement is filed within the same deadlines as are relevant for VAT returns filing. The VAT Control Statement is only a reporting tool that allows financial authorities to have more control over correct and complete reporting of VAT liabilities.

1.5. VAT identified person

Even if not VAT registered in the Czech Republic the e-shop should be aware of the risk of becoming VAT identified person. The e-shop would become liable to register as VAT identified person in the following situations:

- The e-shop seated on the territory of the Czech Republic acquires goods from another EU-member state with the value cumulatively exceeding CZK 326,000 (approx. EUR 11,920) per calendar year.
- The e-shop seated on the territory of the Czech Republic acquires services from persons established outside the Czech Republic (in EU and 3rd countries) with the place of taxable supply in the Czech Republic (e.g. purchase of marketing services).
- The e-shop seated on the territory of the Czech Republic provides services with the place of taxable supply in another EU member state (e.g. provision of marketing services).

In the situations described under the first two bullet points the VAT identified person becomes liable to file VAT return through which the Czech VAT liability is reported. At the same time no entitlement to
input VAT deduction arises to the VAT identified person. In the third case a liability to file VAT return and EC sales list arises. No liability to pay output VAT and apply input VAT deduction is connected with filing the VAT return. The VAT return serves for reporting purposes only.

1.6. Other tax registrations

The liability to other tax registrations should be assessed with regard to the nature of the e-shop and its operations. As relevant examples could serve registration to personal income tax from employment activities provided that the entity operating the e-shop has employees, registration to road tax if the entity operating the e-shop operates vehicles for business purposes in the Czech Republic, real estate tax registration if the entity operating the e-shop owns real estate in the Czech Republic, etc.

2. Acquisition of goods

To be able to realize the customer supplies the e-shop will first acquire the relevant goods. The decision on the supplier of the goods to be sold by the e-shop will most likely be business driven. Nevertheless the VAT liabilities relevant to the purchase transaction must be assessed in line with the VAT legislation to avoid any negative consequences.

The diversity of purchase (of goods) transactions is almost unlimited. Below are commented on the most common ones.

2.1. Acquisition of goods in the Czech Republic

Provided that the e-shop seated in the Czech Republic will acquire goods locally (i.e. from a taxable person registered for VAT in the Czech Republic) the e-shop as the purchasing party will be entitled to claim input VAT through its VAT return.

The relevant VAT may be claimed based on a tax document containing all the prerequisites defined by the VAT legislation.

However, for certain commodities the Czech VAT legislation defines a VAT treatment that varies from the one described above. If for one transaction the purchase price of such commodities without VAT exceeds CZK 100,000 and if the goods are acquired by a Czech VAT registered payer (i.e. Czech VAT registered e-shop) then so called local reverse charge mechanism applies. Under the local reverse charge mechanism the supplier transfers the VAT liability to the customer (i.e. Czech VAT registered e-shop). This means that the supplier applies no VAT on the delivery of the goods to the
customer. The customer (i.e. Czech VAT registered e-shop) is consequently obliged to declare the output VAT relevant to the acquisition of goods in its VAT return. Simultaneously, the input VAT relevant to the purchase of the goods may under standard conditions be claimed through the VAT return.

Some of the concerned commodities are as follows:

- mobile phones
- portable automatic data processing devices (such as laptops, tablets etc.)
- video game consoles

### 2.2. Acquisition of goods from the EU

![Diagram](image)

When acquiring goods from other EU member states reverse charge mechanism applies to the purchasing party - VAT registered e-shop in the Czech Republic.

Under the reverse charge mechanism the supplier of the goods treats the delivery of the goods to a customer seated in another EU country as exempt from VAT. The purchasing party (i.e. the Czech VAT registered e-shop) is subsequently obliged to declare the output VAT relevant to the acquisition of goods from other EU member state through its Czech VAT return. Simultaneously the input VAT relevant to the purchase of the goods may under standard conditions be claimed through the Czech VAT return.

### 2.3. Acquisition of goods from 3rd countries – import of goods

![Diagram](image)

In case of import of goods to the Czech Republic the tax administration is divided between the tax and customs authorities. If the importer of the goods is Czech registered VAT payer the tax authority is the relevant tax administrator. The assessment and collection of VAT will be in the hands of the customs
authority if the import to the Czech Republic will be realized by a person not VAT registered in the Czech Republic.

The import of goods to the Czech Republic by Czech registered VAT payer is reported in his VAT return through the reverse charge mechanism. The purchasing party declares the output VAT arising from the imported goods through its Czech VAT return. Simultaneously the input VAT relevant to the purchase of the goods may under standard conditions be claimed through the Czech VAT return.

3. Sale of goods to customers

The sale of goods may create various situations from the VAT point of view. When concluding on the VAT treatment to be applied many indicators will need to be evaluated, e.g. where are the goods located at the moment of sale, is/is not the e-shop registered for VAT in the Czech Republic, are the goods sold to Czech customer or to a foreign one and many others.

The text below comments on the VAT treatment of some of the situations that may arise on the sale of goods.

a. Czech seated and VAT registered e-shop sells goods to Czech customer (non taxable person); the goods are located on the territory of the Czech Republic at the moment of sale

Under this scenario the e-shop will be liable to apply output VAT on the sale of the goods.

b. The Czech seated and VAT registered e-shop sells goods to an EU customer (non taxable person). The goods are located on the territory of the Czech Republic at the moment of sale.
Delivery of goods to the final customer (non taxable person) to other EU member state where the goods are transported from the Czech Republic by the supplier or by third person engaged for this purpose (e.g. courier service, post office) by the seller falls under distant sale regime (provided that the sold goods are not used goods, goods that are delivered with installation and assembly or new means of transport).

For the determination of the correct VAT treatment in this situation the overall value of the goods sold to the given EU member state by the e-shop is decisive.

The Czech VAT will be applied and reported in the Czech VAT return of the Czech e-shop on the sale of goods if the place of taxable supply will be in the Czech Republic. The place of the taxable supply will be in the Czech Republic provided that the following conditions will be met:

- the sold goods are not subject to excise tax (e.g. tobacco products, alcohol beverages)
- the overall value of goods (without VAT) sent by the e-shop to the designated EU member state does not in both the given and the preceding calendar year exceed the amount set by the EU member state

If the above conditions will not be fulfilled the e-shop will become liable to register for VAT in the other EU member state and apply the relevant VAT rate as defined by the VAT legislation of the given EU member state. Subsequently, the e-shop will be liable to comply with VAT reporting and payment obligations as defined by the VAT legislation of the other EU member state.

Even if the e-shop will not fulfil the above conditions obligating it to VAT registration in the other EU member state the e-shop will be entitled to VAT register voluntarily in the other EU member state. Also in this case the e-shop will be obliged to comply with VAT reporting and payment obligations defined by the other EU member state.

c. EU seated and VAT registered e-shop sells goods to a Czech final customer (non taxable person)

This scenario mirrors the one described in the above example. Therefore, the place of taxable supply will be in the other EU member state provided that the conditions given by the Czech VAT legislation (and giving rise to obligatory Czech VAT registration) are not fulfilled. Under this scenario the sale of goods to Czech final customer (non taxable person) will be subject to VAT of the other EU member state.

If however the value of the goods sold to Czech Republic final customers (non taxable persons) in the given and the preceding calendar year exceeds CZK 1,140,000 (approx. EUR 42,000) the EU e-shop
would become liable to VAT register in the Czech Republic. As a consequence the EU e-shop will be liable to apply Czech VAT on the sales to Czech Republic final customers (non taxable persons) and comply with its Czech VAT reporting and payment obligations.

d. The Czech seated and VAT registered e-shop sells goods to a third country customer (non taxable person). The goods are located on the territory of the Czech Republic at the moment of sale

Under this scenario the sold goods exit from the territory of the EU and are released to export customs regime. Should this be the case the sale of goods to the final customer (non taxable person) would be exempt from VAT in the Czech Republic. Any duty and VAT could be assessed to the customer based on the legislation of the country of destination.

e. Sale of goods by the Czech seated and VAT registered e-shop to a Czech final customer (non taxable person). The goods are dispatched from the warehouse located in other EU member state

This situation would be very likely connected with the VAT registration of the Czech seated e-shop in other EU member state. The main reason behind this VAT registration would be connected with the entitlement to apply for input VAT of the other EU member state in case of local purchases or import of goods from third countries.

At the sale of the goods to the Czech final customer (non taxable person) the Czech VAT will be applied if the threshold of CZK 1,140,000 on the sales to the Czech Republic will be exceeded in the given and the preceding calendar year or if the e-shop would decide for such an approach.
Should the threshold given by the Czech VAT legislation be not exceeded the goods could be sold to the Czech final customer (non taxable person) while applying VAT at the rate of the given EU member state. VAT reporting and payment obligations would need to be fulfilled in the other EU member state.

4. Tax documents declaring sale of goods to Czech customers

Below we comment on the liability of the e-shop to declare the sale of goods through a tax document as defined by the Czech VAT legislation.

The liability to issue a tax document declaring the sale depends on whether the e-shop is VAT registered in the Czech Republic or not. Our comments to individual scenarios follow below.

4.1. Goods delivered within the Czech Republic

a. Goods sold to Czech end customer (non–taxable person)

If the goods that are sold to Czech end customer (non-taxable person) are at the moment of their sale located on the territory of the Czech Republic no liability to issue a tax document arises. The e-shop is also not liable to issue any tax document when receiving advances from the end customers. Similarly, the e-shop is neither required to issue a tax document in case of exchange or return of the goods. In case of a warranty claim from the customer the e-shop is liable to issue a confirmation of the warranty claim and a report on the settlement of the warranty claim (declaring how the customer’s claim was dealt with). None of these documents are tax documents.

In this case it will be sufficient for an e-shop to issue any convenient document that will indicate the following information: identification of the e-shop (business name, seat, registration number, VAT number), identification of the customer (name, address), date of order, delivery date, description of the goods sold, total amount including VAT, advance payment, amount to be paid.

b. Goods sold to person liable to VAT

If the e-shop sells goods to a person liable to VAT the liability to issue a tax document depends on the fact whether the e-shop is VAT registered in the Czech Republic or not.

Under the condition that the e-shop is not VAT registered in the Czech Republic no need to issue a tax document will arise to the e-shop. Rules as described under point a. above will apply.

If VAT registered in the Czech Republic the e-shop is liable to declare the sale of the goods by a tax document issued in line with the Czech VAT legislation. Liability to issue a tax document will also apply when receiving advances from the customers. Furthermore, obligation to issue a corrective tax document will arise to the e-shop in case of exchange or return of the goods.

As required by the Czech VAT legislation the tax document must provide the following information: identification of the e-shop (business name, seat, registration number, VAT number), identification of the customer (name, address), description of the goods sold, date of taxable supply (delivery date or date of advance payment receipt), date of issuance of the tax document, unit price of the goods sold excluding VAT and discount (if the discount is not included in the unit price), VAT base, VAT rate, amount of VAT in CZK, total amount to be paid.

In case of exchange or return of the goods a liability to issue corrective VAT document will arise. Based on the Czech VAT legislation the corrective VAT document must state the following information: Identification of the e-shop (business name, seat, registration number, VAT number),
identification of the customer (name, address), evidence number of the original tax document, evidence number of the corrective VAT document, reason for issuance of the corrective tax document, difference between the original and corrected tax base, difference between the original and corrected amount of VAT, difference between the original and corrected amount to be paid by the customer.

4.2. Goods transported from EU

a. Goods sold to Czech end customer (non-taxable person) – distant sale

If the goods sold to Czech end customer (non-taxable person) are at the moment of their sale located on the territory of the EU the liability to declare the sale of the goods by a tax document will depend on the fact whether the EU e-shop is VAT registered in the Czech Republic or not.

If the e-shop is not VAT registered in the Czech Republic the VAT legislation of the country where the EU e-shop is VAT registered will be followed when it comes to issuance of VAT documents.

If on the other hand the e-shop is VAT registered in the Czech Republic it is liable to declare the sale of the goods to the Czech end customer (non-taxable person) by a tax document issued in line with the Czech VAT legislation. Liability to issue a tax document will also apply when receiving advances from the end customers. Furthermore, obligation to issue a corrective tax document will arise to the e-shop in case of exchange or return of the goods.

As required by the Czech VAT legislation the tax document must provide the following information: identification of the e-shop (business name, seat, registration number, VAT number), identification of the customer (name, address), description of the goods sold, date of taxable supply (delivery date or date of advance payment receipt), date of issuance of the tax document, unit price of the goods sold excluding VAT and discount (if the discount is not included in the unit price), VAT base, VAT rate, amount of VAT in CZK, total amount to be paid.

In case of exchange or return of the goods a liability to issue corrective VAT document will arise. Based on the Czech VAT legislation the corrective VAT document must state the following information: Identification of the e-shop (business name, seat, registration number, VAT number), identification of the customer (name, address), evidence number of the original tax document, evidence number of the corrective VAT document, reason for issuance of the corrective tax document, difference between the original and corrected tax base, difference between the original and corrected amount of VAT, difference between the original and corrected amount to be paid by the customer.
b. Goods sold to person liable to VAT

In case of sale of goods to a person liable to VAT the rules for issuance of a VAT document as valid in the given EU country will apply. The rules of the given EU country will also apply to a situation when receiving VAT advances from the customers, or in case of exchange or return of the goods.

4.3. Goods transported from 3rd country

a. Goods sold to Czech end customer (non-taxable person)

If the goods are transported to Czech end customer from a 3rd country then regulations of the 3rd country are decisive when it comes to rules governing the issuance of VAT/sales documents.

b. Goods sold to a person liable to VAT

If the goods are transported to Czech end customer from a 3rd country then regulations of the 3rd country are decisive when it comes to rules governing the issuance of VAT/sales documents.

It is essential for the e-shop (with no regard to the destination from where the goods are shipped) to be able to prove both the date of receiving the advance payment (in case of receiving advances from the customers) as well as the date of taxable supply (i.e. the date on which the customer overtakes the goods). Receipt of the payment can be proved by a bank account statement in case of card/bank transfer or by a confirmation from courier company in case of cash on delivery. The hand over of the goods to the customer can be proved by a confirmation issued by the courier company proving that the goods were handed over to the customer or by a delivery note. Even though there is no legal obligation to issue delivery notes, it is a common practice in case of e-shop sale.

Disclaimer

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ABOUT ACCACE
With more than 330 professionals and branches in 7 countries, Accace counts as one of the leading outsourcing and advisory services providers in Central and Eastern Europe. During past years, while having more than 1400 international companies as customers, Accace set in motion its strategic expansion outside CEE to become a provider with truly global reach.

Accace offices are located in the Czech Republic, Hungary, Romania, Slovakia, Poland, Ukraine and Germany. Locations in other European countries and globally are covered via Accace’s trusted network of partners.

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