



Tax & Legal

Taxes

Special Edition

VAT on electricity and gas supplies to be waived

Based on Wednesday's decision by the Minister of Finance, VAT on supplies of electricity and gas, their acquisition from another EU member state, and their imports is to be waived. The waiver shall apply to all supplies with the date of taxable supply in November and December 2021, and to advance payments for supplies to be received during that period.



Petr Toman
ptoman@kpmg.cz
+420 724 244 076



Tomáš Havel
thavel@kpmg.cz
+420 222 123 615

The decision does not limit the range of persons to whom the waiver shall apply. This means that VAT shall be waived for supplies of electricity and gas by their distributors, but also for further supplies of these commodities (e.g. supplies to tenants as a part of property rentals, etc.), and for supplies between energy traders that are subject to the reverse charge regime. The waiver shall apply not only to supplies to households or small entrepreneurs (i.e. non-payers of VAT) as the government had earlier announced, but to all supplies: even those to VAT payers. Thus, entities that are VAT payers but cannot claim a deduction will also achieve savings; other VAT payers may generate some cash flow savings.

In the context of gas and electricity supplies, a taxable supply is generally deemed to have taken place on the date a reading (of consumption) is taken from a measuring device; therefore, if the reading is taken during the above period, the tax will in fact also be waived for supplies that were physically delivered before but were not covered by advance payments.

According to the General Financial Directorate, suppliers should not indicate VAT in tax documents for supplies provided or for advance payments received during this period. On the other hand, customers shall not deduct VAT on the supplies even if the tax is indicated in the tax document. However, payment schedules previously issued (in a form of a tax document) will not need to be changed and should be viewed as a payment instruction. In practice, the procedure will thus be similar to applying an exemption with the right to deduct. The reduction in the advance payments due to the waiver may only show up in the subsequent final account/settlement of advances against actual consumption, where the advance payments shall be deducted in their full amount; this will also depend on the existing contractual arrangement between the supplier and the customer.

When issuing the final account of gas and electricity supplies, the existing provisions of the VAT Act should be followed.

In this context, please note that at its Wednesday session, the government also approved a draft amendment to the VAT Act, which is to exempt electricity and gas supplies from VAT (with the right to deduct) from 1 January 2022. The exemption should apply for the period of one year until 31 December 2022. The government has contacted the European Commission to request that this procedure be allowed. The draft amendment must go through the standard legislative process to enter into effect.

We will be happy to discuss with you the practical implications of this decision. Please contact your KPMG contact or the authors of this article.

3 | Tax and Legal Update – Special Edition – 21. 10. 2021

© 2024 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

[LinkedIn](#) | [Twitter](#) | [Facebook](#) | [Instagram](#)

www.kpmg.cz

Tel.: +420 222 123 111

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.