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IMPLEMENTATION CHALLENGES

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Implementation costs

- Implementation costs for RCM equal to 0,3 “annual“ ongoing compliance costs
- This is also equal to 0,06 % of RCM trade (and 0,01 % Total Trade)

Source: *EU Commission Study on Assessment of the application and impact of the optional “Reverse Charge Mechanism“ within the EU VAT system*



Ongoing compliance costs

- Compliance costs for RCM in relation to turnover is 0,43% and non-RCM compliance costs are 30%
- The difference between RCM and non-RCM compliance costs is 0,13% on average, i.e. RCM **increase compliance costs by 43%**
- Extrapolation of the above RCM compliance costs to 100% of EU trade would represent almost 15 bn euros

Source: *EU Commission Study on Assessment of the application and impact of the optional "Reverse Charge Mechanism" within the EU VAT system*



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Cash Flow assessment

- 75 % of the survey respondents did not consider the current RCM obligation to create any burden for the business in terms of cash flow
- Remaining respondents observe either positive or negative impact on the business cash-flow

Source: *EU Commission Study on Assessment of the application and impact of the optional "Reverse Charge Mechanism" within the EU VAT system*



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“The struggle you´re in today is
developing the strength you need
for tomorrow”

...



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Today's panelists



Tereza Šmejkalová
EMEA Indirect Tax Director
HP



Radka Mašková
Tax Director
Deloitte



Petr Toman
Tax Partner
KPMG Česká republika

Ing. Zbyšek Malý
Ředitel sekce řízení rizik při
správě daní
GŘR



Lukáš Moravec
CULS Prague



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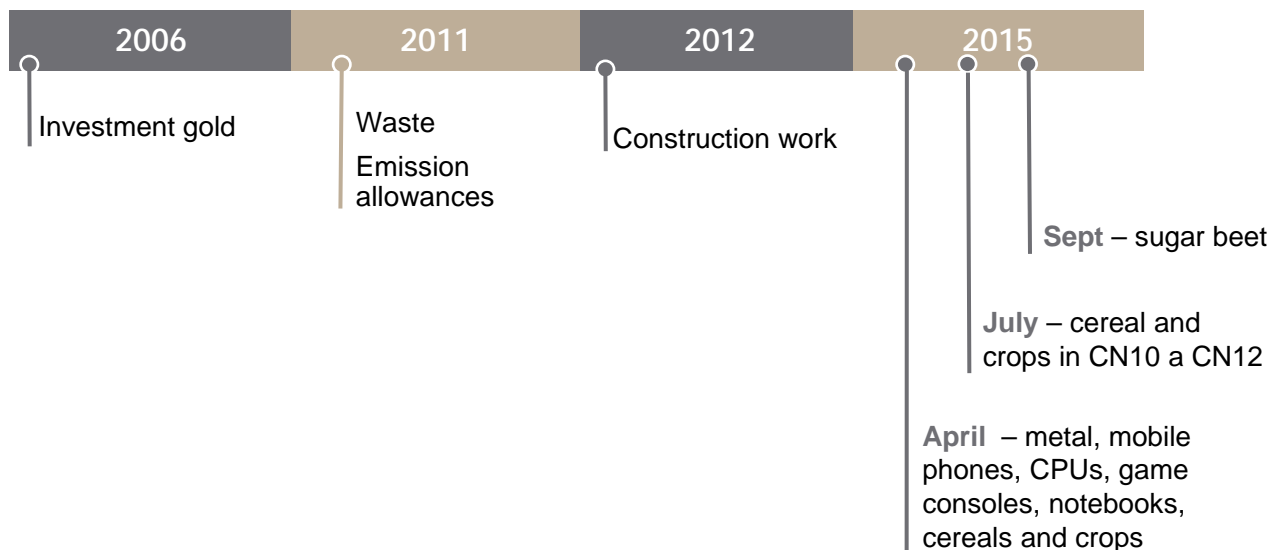
Implementation challenges to be discussed

- Today's experience and challenges
- Future extension of domestic Reverse Charge
- Selective and universal Reverse Charge



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Development of Domestic Reverse Charge in the Czech Republic





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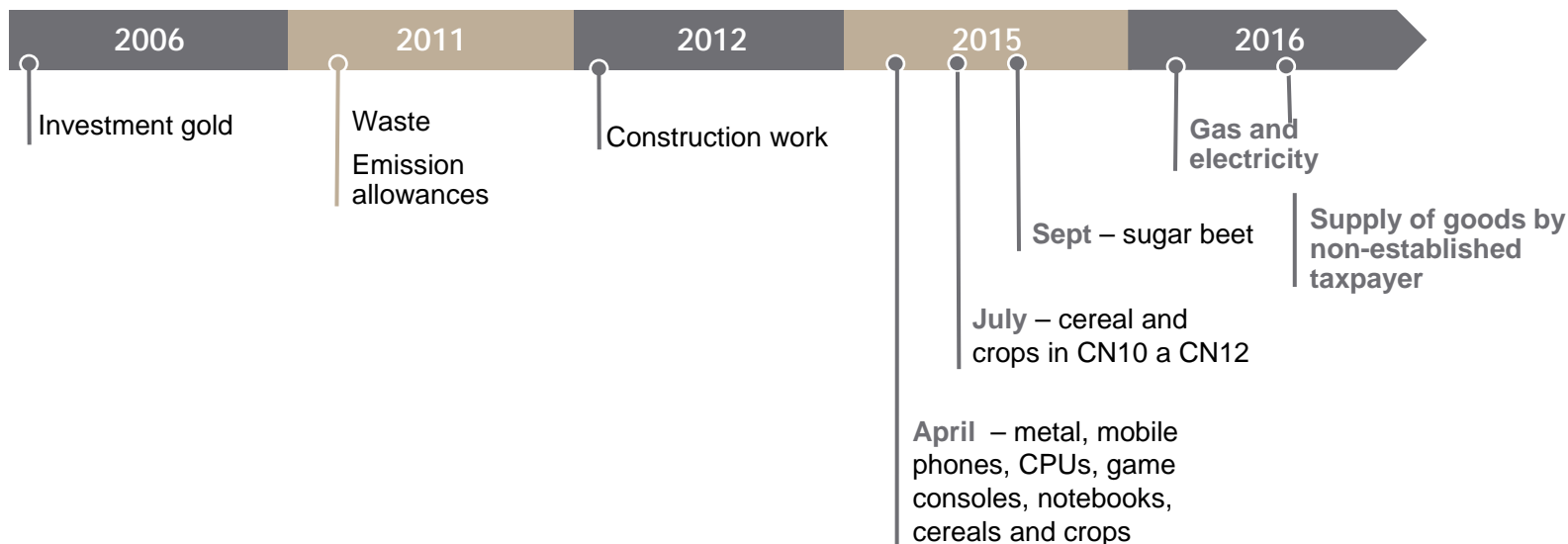
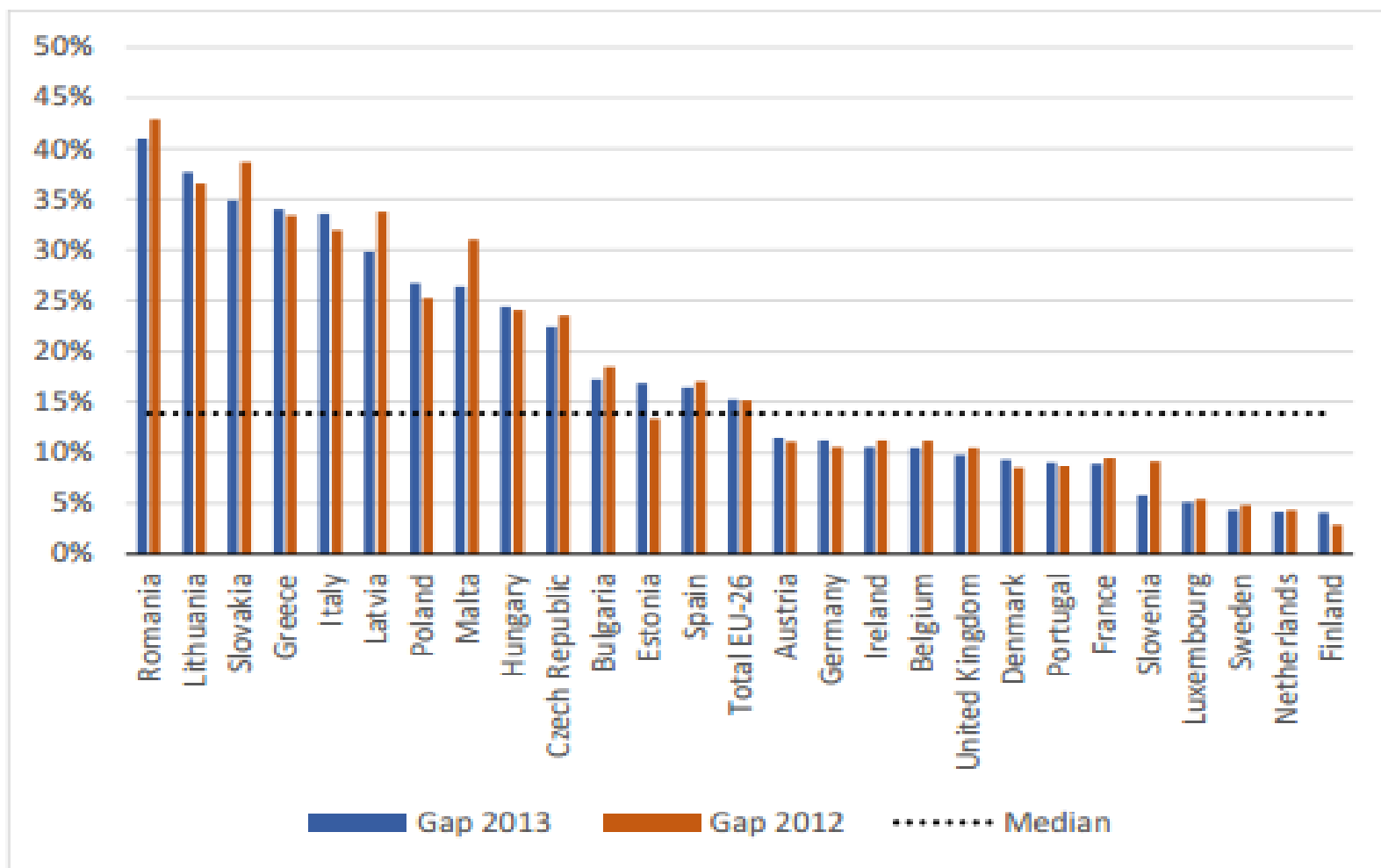




Figure 2.1. – VAT Gap in the EU-26 countries, 2012-2013





Country	In EUR/million		
	VAT collection	VAT Gap	MTIC fraud ¹³⁰
Austria	23,447	3,468	451
Belgium	26,021	4,970	1,008
Bulgaria	3,352	604	72
Croatia ¹³¹	3,049	326	63
Cyprus ¹³²	520	21	-
Czech Republic	10,994	4,241	1,187
Denmark	23,869	2,566	498
Estonia	1,363	301	55
Finland	16,915	2,831	708
France	140,506	32,233	12,571
Germany	189,920	26,910	5,712
Greece	15,027	9,763	2,219
Hungary	8,516	3,700	681
Ireland	9,782	1,108	215
Italy	98,557	36,134	8,212
Latvia	1,368	954	217
Lithuania	2,444	1,352	285
Luxembourg	2,690	551	102
Malta	520	21	3
Netherlands	41,610	4,012	778
Poland	29,843	5,410	1,031
Portugal	14,235	2,764	513
Romania	11,412	10,348	2,352
Slovakia	4,711	2,773	693
Slovenia	3,049	326	49
Spain	56,547	15,197	4,163
Sweden	36,610	932	181
United Kingdom	130,577	19,487	5,338
Total	907,454	193,303	49,356

VAT Gap and MTIC

- VAT Gap/MTIC Gap estimates based on detailed analysis provided by 8 EU Member States
- These Tax Authorities estimate VAT fraud related gap to 36 %
- On average, the overall VAT Gap due to MTIC is estimated at 24 % of VAT Gap

Source: EU Commission Study on Implementing the 'destination principle' to intra-EU B2B supplies of goods and EU Commission Study on VAT Gap



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Thank you



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