



Alena SCHILLEROVÁ
Deputy Prime Minister and Minister of Finance

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Prague, *25* October 2021

Dear Commissioner, *Dear Paolo,*

As the European Commission has rightly pointed out in its Communication on Tackling rising energy prices: a toolbox for action and support, the current unprecedented surge in energy prices will have major impact on low and lower-middle-income households. It will also have significant repercussions on industry and on SMEs, as well as on the European supply chains with repercussions on production, employment and prices.

Indeed, the European Council has also addressed the spike in energy prices and invited the Member States and the Commission to urgently make the best use of the toolbox to provide short-term relief to the most vulnerable consumers and to support European companies, taking into account the diversity and specificity of situations of the Member States.

The Czech Republic will be heavily affected by this situation not only because the high industry proportion in its economics, but also due to a high number of households relying on the central heating system.

Therefore, it is in this context that I would like to inform you about the measures to be implemented in the field of taxation by the Government of the Czech Republic to tackle these impacts.

The above-mentioned Communication clearly states that taxes and levies provide revenue to compensate the most vulnerable households and address energy poverty, while providing incentives for investment into renewable energy sources and in support of the green transition.

It is the intention of the Czech Republic to temporarily waive VAT on retail electricity and natural gas for November and December 2021.

I very much appreciate that the Commission helpfully came with the possibility for Member States to use an accelerated procedure to inform the Commission of their intention to apply a reduced rate in accordance with the Article 102 of the Council Directive 2006/112/EC on the common system of value added tax.

The possibility of application of a reduced VAT rate to the supply of natural gas and electricity would represent a saving of 11 pp for the affected vulnerable households in the Czech Republic (the difference between the standard rate and the second reduced VAT rate). It is clear that the current situation may require an even more vigorous solution. That is why in addition to waiving VAT on retail electricity and natural gas for November and December, the Government has submitted a draft legislation to the Parliament to apply the same measure for the whole year 2022.

With regard to the seriousness of the current situation, I strongly hope that the Commission will find the above temporary measures justified and proportional, especially when the Commission proposal laying down new rules for VAT rates is still pending in the Council. All Member States should be able to use a broad range of instruments to address the problem. The temporary application of a 0% VAT rate or any similar measure would provide the necessary flexibility in this context.

I would appreciate your support on this matter and I am ready to provide you with further details and consult them with you at the earliest opportunity.

I sincerely believe that you will understand our position and the need to take the aforementioned measures to mitigate quickly the negative impacts of the current energy crisis.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Anna Štěpánková', written in a cursive style.

Mr. Paolo Gentiloni
Commissioner for Economy
European Commission