

Value Added Tax in Czech and EU Tax Law

As the main topic of my thesis I have chosen the regulation of Value Added Tax (hereinafter referred to as “VAT”), both at the level of the European Union as well as in Czech national law. This question which is still widely discussed across the European Union and its Member States, I consider to be an always actual topic, especially because the legislation regulating it changes constantly. Moreover, it can have strong positive but also negatives impacts on national economy of the Member States and on economic situation of individuals. However, despite the fact that Czech Republic is a member of the European Union for nearly seven years, individual taxpayers as well as Czech tax authorities’ clerks are very often unaware of the influence of the EU tax law on Czech national legislation. Therefore, the aim of this paper is to confront current Czech VAT Act with the legislation formed by institutions of the European Union. For this purpose I have used the comparative legal method. In relation to what is going on in the respective area, the second part of this paper represents an attempt to analyze the functioning of the reverse-charge mechanism in the framework of the Single Common Market of the European Union, whereas the focus of this part lies in the description of historical development of the institute.

Chapter One of this paper is introductory and defines basic terminology used in it as well as explaining of the general rules related to functioning of the VAT. In addition to this, the Chapter describes the history of EU harmonization in the area of VAT.

Chapter Two lists the most important European and Czech legal acts and explains the interrelationships between these two big legal systems. In this respect, it is necessary to point out that this relationship conforms to the principle of the priority of EU law over the law of Member States in case of inconsistency between them.

Chapter Three and Four deals with valid VAT legislation. As mentioned above, these two parts focus on different legal constructions, concepts and terms related to VAT, whereas the current and – if it is effective – also previous Czech VAT Act is confronted with EU tax law as well as the significant decisions of the Court of Justice of the European Union.

Chapter Five concentrates on application and functioning of reverse-charge mechanism in the framework of cross-boarder taxable supplies within the European Union. In consistency with latest change of EU tax law and therefore also national legislations of the Member States, the focal point of this Chapter is to describe the reverse-charge mechanism applied to the provision of services across the Member States’ borders. The second significant

topic analyzed in this Chapter examines the recent attempts of the European Union to combat VAT frauds. One of the proposed solutions to this problem would be the introduction of general reverse-charge mechanism not only for cross-border but also for domestic supplies of goods. However, such a provision would represent a significant danger for smooth function of the Single Common Market and therefore it was denied.

Finally, it is necessary to emphasize that since the Czech Republic's accession to the European Union the Czech national legislation is not anymore an exclusive source of law in the area of VAT and without knowing the EU tax law, the orientation in this area is not longer possible.