Council Implementing Decision (EU) 2019/1903 of 8 November 2019 authorising Czechia to apply the generalised reverse charge mechanism derogating from Article 193 of Directive 2006/112/EC

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax[(1)], and in particular Article 199c(4) thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) Article 199c of Directive 2006/112/EC permits Member States, by way of derogation from Article 193 of that Directive and under certain conditions, until 30 June 2022, to introduce a generalised reverse charge mechanism ('GRCM') on non-cross-border supplies of goods and services, providing that the person liable for payment of VAT is the taxable person to whom all supplies of goods or services are made above a threshold of EUR 17 500 per transaction.

(2) By letters registered with the Commission on 21 January 2019 and 22 March 2019, Czechia requested authorisation to apply the GRCM.

(3) The VAT gap in Czechia in 2014 was 16,14 % of the VAT total tax liability, in accordance with the method and figures set out in the Commission's 2016 final report of 23 August 2016 on the VAT gap. Czechia's VAT gap therefore exceeded the Community median VAT gap (10,4 %) by more than 5 percentage points.

(4) The carousel fraud level within Czechia's total VAT gap was more than 25 % according to the impact assessment that accompanied the proposal for Council Directive (EU) 2018/2057[(2)], which introduced the GRCM.

(5) Czechia has provided details to the Commission showing that, although several control measures had been implemented in Czechia with positive results, the measures have not been sufficient to combat carousel fraud. Administrative cooperation in the field of VAT has also proven insufficient to combat carousel fraud.

(6) Czechia has provided details to the Commission showing that the estimated gains in tax compliance and collection as a result of the introduction of the GRCM are expected to be 10 billion Czech crowns (CZK). Czechia also showed that the overall additional burden on business and tax authorities is expected to be CZK 604 million. The estimated gains

in tax compliance and collection therefore outweigh the expected overall additional burden on business and tax authorities by at least 25 %.

(7) Given that Czechia does not expect the overall additional burden on business and tax authorities resulting from the introduction of the GRCM to be significant, it will not result in businesses and tax authorities incurring costs that are higher than those incurred as a result of the application of other control measures.

(8) Czechia has requested authorisation to apply the GRCM from 1 January 2020 to 30 June 2022.

(9) Czechia has confirmed to the Commission that actions will be taken to inform taxable persons of the introduction of the application of the GRCM by means of email, public lectures, discussions with business associations, the website of the administration, and printed or electronic promotional material.

(10) Czechia has provided the Commission with a detailed description of its existing VAT control mechanisms and has confirmed that, with the addition of a special GRCM code, the existing measures will be sufficient to ensure the effective functioning and monitoring of the application of the GRCM.

(11) Based on the information provided by Czechia to the Commission, it is considered that Czechia complies with the conditions set out in Article 199c(1) of Directive 2006/112/EC and that the request submitted by Czechia complies with the requirements set out in Article 199c(3) of that Directive. It is therefore appropriate to authorise Czechia to apply the GRCM from 1 January 2020 to 30 June 2022.

(12) The derogation will have no adverse impact on the Union's own resources accruing from VAT,

HAS ADOPTED THIS DECISION:

Article 1

By way of derogation from Article 193 of Directive 2006/112/EC, Czechia is authorised to apply the generalised reverse charge mechanism in accordance with Article 199c of that Directive from 1 January 2020 to 30 June 2022.

Article 2

This Decision shall take effect on the date of its notification.

It shall apply from 1 January 2020 to 30 June 2022.

Article 3

This Decision is addressed to the Czech Republic.