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Indirect tax changes from 2021 - excise and customs duties

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The government has proposed amendments to tax laws including, inter alia, excise duties and customs. The changes are scheduled to take effect on January 1, 2021.

The most significant change is the introduction of a schedule of progressive excise duty increase on tobacco products, raw tobacco and heated tobacco products in the period from 2021 to 2023. Excise duty rates should rise by about 5% each year compared to the previous year. For example, the excise duty rate on cigarettes will progressively increase from the current (minimum) CZK 2.90/piece to CZK 3.05/piece in 2021, CZK 3.20/piece in 2022 and CZK 3.36/piece in 2023 (only the fixed part of the excise duty rate will change).

For ethyl alcohol (spirits) distributors, the distribution conditions will be slightly alleviated as the deposit provided by an ethyl alcohol distributor will be categorized according to the volume of ethyl alcohol distributed in the calendar year. Today, an ethyl alcohol distributor must pay a uniform deposit of CZK 5,000,000. New deposits of CZK 0.5 million and CZK 1 million will be introduced for volumes of up to 25,000 liters and 50,000 liters, respectively.

The amendment also seeks to resolve the situation of entities subject to compulsory labeling of ethyl alcohol (spirits) imported in consumer packaging labeled by a foreign supplier, which was released for free tax circulation outside the Czech Republic. These entities will not have to be holders of a permit to operate an excisewarehouse or a permit of a registered consignee if they undertake in the registration to only label ethyl alcohol through their foreign supplier.

Concerning customs duties, one of the most significant changes is the extension of the range of persons able to secure customs debt. Today, customs debt is secured by the debtor or a customs representative acting under a direct representation arrangement. In the future, any person will be entitled to secure the debt.

Another change affects joint and several liability for a customs debt; it will not be necessary to assess the customs duty to both the declarant and the indirect representative. In the first step, the customs administrator will be able to choose only one of them. If the selected entity fails to pay, the customs debt can subsequently be assessed to the other debtor.

The above list of changes is not exhaustive. If excise or customs duties apply to you, we recommend monitoring further legislative developments. We will be happy to discuss with you the impact of specific changes on your business in more detail.



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