

# 15. Customs System

## Transfer of Goods across Czech National Borders

On the first day of the Czech Republic's membership in the EU, the country's customs authorities abolished routine customs checks of goods transferred across the internal borders, i.e. the common border between the Czech Republic and other EU member states.

Since the Czech Republic does not have any borders with non-EU member states, the routine customs checks of goods transferred across the Czech border for customs and taxation purposes are usually conducted at international airports. Note that these checks do not apply to flights between airports within the EU territory. Since the Czech Republic became a part of the Schengen area, routine checks of persons moving across the national border, i.e. checks of passports and visas by the Czech police at borders has been abolished (except for flights from/to non-Schengen member states).

Any trade between EU member countries is considered intra-Community trade, which is not subject to routine customs checks or duties or other fees collected in relation to the importation or exportation of goods. Goods are transferred freely across internal EU borders.

## Customs Legislation

Customs procedures apply to goods moved from/to non-EU member states. The customs procedures are stipulated mainly by EU customs regulations. As of 1 May 2016 Community Customs Code was replaced by Union Customs Code. The change impacted also the implementing regulations. Thus the main customs legislation today comprises:

1. Regulation (EU) No **952/2013** of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code
2. Commission delegated regulation (EU) **2015/2446** of 28 July 2015 supplementing Regulation (EU) No 952/2013 of the European Parliament and of the Council as regards detailed rules concerning certain provisions of the Union Customs Code (so called Delegated Act)
3. Commission Implementing regulation (EU) 2015/2447 of 24 November 2015 laying down detailed rules for implementing certain provisions of Regulation (EU) No 952/2013 of the European Parliament and of the Council laying down the Union Customs Code (so called Implementing Act).

For the reliefs from customs duty the below regulation should be consulted:

4. Council Regulation (EC) No 1186/2009 of 16 November 2009 setting up a Community system of reliefs from customs duty.

And for the Customs Tariff the main law is:

5. Council Regulation (EEC) No. 2658/87 of 23 July 1987, on customs and statistical nomenclature and on the Common Customs Tariff, as amended
6. Commission Implementing Regulation (EU) 2016/1821 of 6 October 2016 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff.

These regulations are available in the languages of the current member states, for example on the Internet at [EU legislation](#).

The EU customs tariff, containing customs duty rates and import and export restrictions, can be found at this link: [TARIC Consultation](#).

## Statistics on Intra-Community Trade (Intrastat)

EU legal regulations only stipulate certain obligations for enterprises in relation to intra-Community movement of goods. For the purposes of the EU's common trade policy, trade operations between member states must be statistically monitored. Entities whose subject of business is intra-Community trade and whose turnover has reached a set limit have the stipulated obligation to fill out reports for intra-Community trade statistics, i.e. Intrastat.

## Value Added Tax

As mentioned above, customs duties and any other additional fees collected upon import or export of goods do not apply in the case of intra-Community trade when the goods move in the free-circulation regime.

This, of course, does not apply to value added tax (VAT). VAT legislation is laid out by the national regulations of individual countries implementing the common EC VAT Directive. VAT is a revenue source for their national budgets as well as EU budget.

In principle, the following general rules apply: VAT is charged on the “destination principle” on cross-border supplies of goods made between two VAT payers. i.e. no VAT is chargeable by the supplier, but he is entitled to deduct VAT paid on purchases connected with the supply. The supplier must be able to prove that the goods have been dispatched to another EU member state. On the other hand, the VAT payer making the intra-Community acquisition of the goods must account for the VAT due using reverse charge mechanism according to the VAT rules and rates valid in the country of acquisition. Both participants in such trade must of course show these transactions in their VAT records, VAT returns and other related filings (e.g. EC sales lists for goods delivered and services provided to other EU member states and Intrastat reports for intra-Community movement of goods, both in electronic form only) in order to enable tax and customs authorities to check them.

Most goods and services are subject to a 21 % VAT rate in the Czech Republic, except food, pharmaceutical products, books etc., in which case the 15 % or 10 % VAT rate applies. The Czech VAT system contains a concept of registration for VAT purposes in order to become a Czech VAT payer. In certain situations businesses may become the VAT payers automatically by law. Foreign companies may register as VAT payers without having an establishment (either seat or a fixed establishment) in the Czech Republic.

## EU – One Customs Territory (Example)

As the EU is considered one customs territory, the following sample situations can occur:

If, for example, American goods are transported to the Czech Republic via the port of Hamburg, the Czech importer has two possibilities. He can either declare the goods for customs clearance through customs at the Hamburg customs office (i.e. the import customs duty and VAT are declared in Germany) or the Hamburg customs office can release the goods into a transit regime (T1 transit declaration) and the goods will subsequently be released into free circulation at certain Czech customs office (i.e. the customs duty and import VAT are declared in the Czech Republic).

Export customs procedures can also be performed either by the Czech customs office or, in certain cases, by the customs offices of other member countries. In every case, however, the exported goods will leave the EU territory through a border customs office (e.g. the Latvian customs office at the border with the Russian Federation).

However, exports and imports carried out by businesses in member states other than those where they are registered for VAT may have adverse VAT implications (e.g. obligation to register for VAT and fulfil related reporting obligations) for these businesses in these countries.

## Preferential Agreements

The EU has concluded free trade agreements with a large number of countries around the world. When trading with third countries, it is recommended that businesses make sure whether preferential (reduced) customs duty rates apply or not.

## Authorized Economic Operator (AEO)

As part of a coordinated approach to secure international trade, the EU has introduced rigorous new procedures aimed at improving supply-chain security. The changes affect almost every aspect of any business that buys, sells or moves goods into or out of the EU. The AEO regime introduces an EU-wide accreditation scheme. Obtaining of AEO status may help business to achieve various reliefs and simplifications in customs clearance proceedings. Following the new legislation, which came into effect on 01.05.2016 the importance of AEO status increased significantly.

## Pre-arrival / Pre-departure Declarations

The obligation to file Pre-arrival/ Pre-departure Declarations came into force in 2009. It should accelerate the import and export of goods, i.e. it is mandatory for traders and freight forwarders to provide customs authorities with advance information (in electronic form) on goods brought into or taken out of the EU customs territory.