

15. Customs System

Transfer of goods across Czech state borders

As of the first day of EU membership the Czech customs authorities abolished routine customs checks of movement of goods across internal borders, i.e. the common border with other member states. Since the Czech Republic does not have any external EU borders (borders with non-EU member states), routine checks of movement of goods across the state border for customs and taxation purposes are maintained only at international airports. However, these checks do not apply to flights to or from airports on EU territory. Routine checks of movement of persons across the state border, i.e. checks of passports and visas by the Czech police force, are maintained provisionally at all borders. Any trade with EU member countries (including new accession 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 formalities apply to goods moved from/to non-EU member states. The customs formalities are laid out mainly by EU customs regulations. The most important are:

1. Council Regulation (EHS) No. 2913/92 of October 12, 1992, by which the customs code of the Community is issued, as amended,
2. Commission Regulation (EHS) No. 2454/92 of July 2, 1993, by which Council Regulation (EHS) No. 2913/92 is performed, as amended,
3. Council Regulation (EHS) No. 918/83 of March 28, 1983, on the Community system for customs duty exemption, as amended,
4. Council Regulation (EHS) No. 2658/87 of July 23, 1987, on customs and statistical nomenclature and on the Common Customs Tariff, as amended.

These regulations are available in the languages of current member states, for example on the Internet: <http://europa.eu.int/>.

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 businessmen in relation to intra-Community movement of goods. For 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 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. This, of course, does not apply to value added tax. Value added tax legislation is laid out by the national regulations of individual countries according to the respective EC guidelines and is a revenue source of their national budgets. In principle, the following general rules apply: For trade between two VAT payers having residence or registered seat in different EU countries, VAT is paid by the recipient according to the rules and rates valid in his country of residence or registered seat. Both participants in such trade must of course show these trades in their accounting, VAT return and other related filings in order to enable financial authorities to check them.

Most goods and services are subject to a 19% VAT rate in the Czech Republic, except food, pharmaceutical products, etc. where the 9% VAT applies.

The Czech VAT system contains a concept of registration for VAT purposes. As a consequence, foreign companies may register for VAT without having legal presence in the Czech Republic and in certain cases there might arise an obligation to register.

EU – one customs territory (example)

As the EU is considered as one customs territory, the following sample situations can occur: For example, if American goods are transported to the Czech Republic via the port of Hamburg, the Czech importer has two possibilities. He can either clear the goods through customs at the Hamburg customs office or the Hamburg customs office can release the goods into a transit regime and the goods will subsequently be released into free circulation at certain Czech customs offices. Export customs procedures as well can be performed either by the Czech customs office or, in certain cases, by the customs office of other member countries. In every case, however, the exported goods will leave 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 bring VAT implications 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 to make sure whether preferential customs duty rates apply or not.

Authorized Economic Operator (AEO)

As part of a coordinated approach to secure international trade, the EU is introducing rigorous new procedures aimed at improving supply-chain security. The changes will affect almost every aspect of any business that buys, sell or moves goods into or out of the EU. The AEO regime will introduce an EU-wide accreditation scheme. Businesses that want to meet the AEO requirements need to start preparing for the necessary changes to systems, supply chains, buyer and seller relationships and customs procedures. AEO accreditation may be obtained as from 1 January 2008. Further regulatory changes will come into force in the next few years.