

# Sales with VAT refund, i.e. the tax-free system

A taxable person may also treat as export the transfer of goods to a natural person residing in a third country. It is the so-called tax-free sale, i.e. sale with a refund of VAT – at the time of sale VAT must be added to the price of the goods and is later refunded to the purchaser. The conditions a transaction must meet are the following: the goods are transferred to a natural person residing in a third country; the goods are purchased on the same date at the same point of sale from the same sales company; the price of the goods including VAT exceeds 38 euros and the purchaser takes the goods out of the Union territory in unopened packaging not later than by the end of the third month following the transfer of the goods; the taxable person has a document with the confirmation of the customs authorities or the Police and Border Guard Board certifying that the purchaser has taken the goods out of the Union (subsection 2 of § 5 of the VAT Act).

VAT must be added to the price of the goods on the sale of goods. In addition, the seller has to fill in a receipt for sale with a refund of VAT, which is given to the buyer. When leaving the Community, the buyer must ask for the customs authorities or the Police and Border Guard Board to indicate on the receipt that the goods have been taken out of the Community unopened and within the prescribed time limit (within the three months following the month in which the receipt was issued). By means of a receipt with a corresponding confirmation, the person may contact the representative office of a VAT refund company, which will refund the VAT. However, there is a possibility that the seller has not considered it necessary to enter into a contract with a VAT refund company. In this case, the buyer himself will return the receipt with the confirmation of the customs authorities or the Police and Border Guard Board to the seller, who in turn will refund the VAT to the buyer.

The seller may declare the sale of goods as an export of goods subject to zero VAT rate only if he has a confirmation from the customs authorities or the Police and Border Guard Board certifying that the goods have been taken out of the Community (exported). If the sale of the goods has to be declared before the receipt is returned, the taxable person must initially declare the sale of the goods as domestic supply and later adjust the VAT return for the month in which the receipt was received, reducing the amount of the domestic supply and declaring the sale as a zero-rate taxable supply in fields 3, 3.2, 3.2.1 of the KMD (subsection 6 of § 29 of the VAT Act).

The procedure for treating goods transferred to a natural person of a third country as export is established by a regulation of the minister of finance.