



Power Exchange Central Europe, a. s.
Transferring the Settlement of Power
Trading to European Commodity
Clearing AG



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Abbreviations

PXE	Power Exchange Central Europe, a.s.
EnCC CZ	Energy Clearing Counterparty, a.s.
ECC AG	European Commodity Clearing AG located in Leipzig
ECC Lux	European Commodity Clearing Luxembourg S.à.r.l.
CDCP	Centrální depozitář cenných papírů, a.s./Central Securities Depository
VAT	Value added tax
MP	Market participant
CZ	Czech Republic

Further information on ECC Lux / ECC AG invoicing available on

<http://www.ecc.de/en/operations/invoicing/invoice-types>

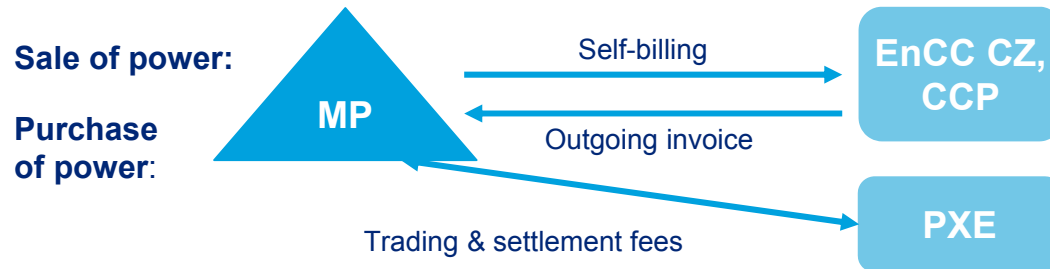
- Draft invoices issued by ECC
- General notes and information on invoicing stipulated by ECC

Introduction

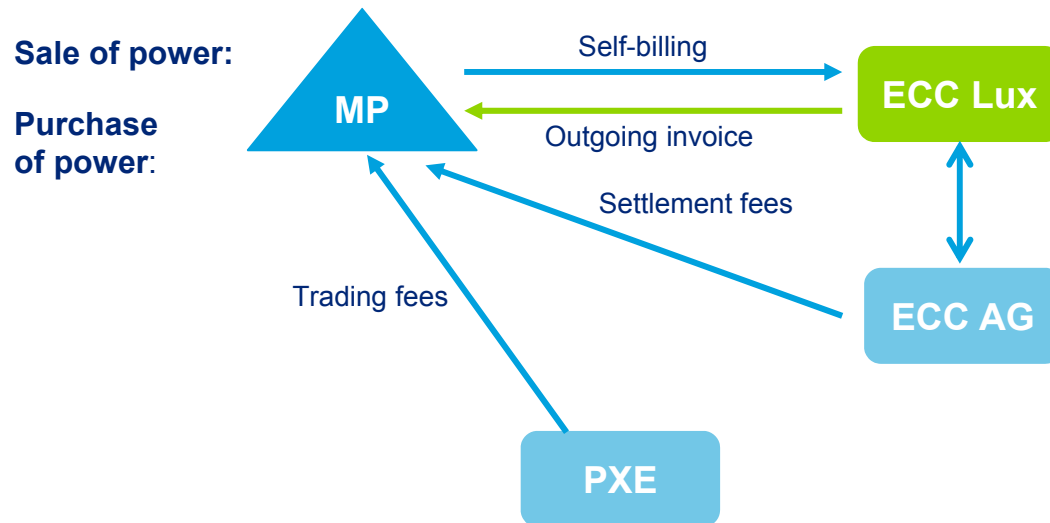
- PXE and ECC agreed on transferring settlement of power trades with futures to ECC group
- The clearing house for market participants will change from CDCP to ECC AG
- ECC Lux will be the new central counterparty for futures with physical settlement at expiration – i.e. at the purchase/supply of power
- EnCC remains central counterparty for Czech spot transactions in cooperation with OTE
- PXE – invoices all fees relating to trading of financial and physical futures, payment settlement through ECC AG being a payment agent
- ECC invoices fees related to clearing
- The purpose of this slide deck is to identify Czech tax implications for market participants

Current versus new structure for Czech market

Current Structure of clearing of power futures



New structure of clearing for power futures



Tax implications for market participants

Electricity Tax

- ECC Lux will have the permission from Czech customs office for purchase of power from clients without electricity tax – then no negative effect for market participants

Energy Trading License

- ECC Lux will have the energy trading license

VAT Implications

- For market participants with no seat or fixed establishment in CZ no change
- For market participants with registered seat or fixed establishment in CZ:
 - Elimination of negative VAT cash flow impact on settlement resulting from application of reverse-charge mechanism in Luxembourg
 - For market participants starting with ECC Lux - qualification for non-residency for VAT purposes in Luxembourg to be assessed by ECC based on filled in VAT questionnaire

Corporate Income Tax

- No impact on the tax base

Specific VAT implications



Tax point on the day of:

- Power sale/purchase, or receipt of the payment, whichever occurs the first, or
- Last day of the calendar month – for recurring/continuous supplies
- Exchange rate of Czech National Bank or European Central Bank for the tax point day

Reverse-charge for purchase of power from ECC
Lux

Input VAT recovery:

- In contrast to local supplies, application of VAT recovery possible without the tax document being available in the relevant taxable period.

Intrastat reporting:

- No reporting of supplies and purchases of power from/to ECC
 - Solely physical supplies of power cross border should be reported.
 - PXE and ECC products are based on the local electricity market.

EC Sales list:

- No reporting required.

VAT on fees

PXE

- PXE keeps charging the trading related fees



- No change related to application of VAT

ECC

- ECC will charge clearing related fees



- MP should split the invoice for commodities and fees
- Self-assess VAT on the fees related to futures with physical settlement

Negative price for sale of the power

- Self-billing – the ECC Lux invoices issued on behalf of market participants should be generally in compliance with Czech VAT legislation
- The sale of power at negative price is generally regarded as provision of the service by the counterparty (service of power liquidation):
 - This approach is also described on the ECC draft invoices, example
 - Sale of power at negative price by ECC Lux is regarded as provision of service by market participant to ECC Lux
 - Tax point
 - On the day of provision of the service, or
 - The day of receipt of the payment, whichever occurs the first
 - Invoice requirements
 - Invoice to be issued by 15th day of the following month
 - State the information, that the recipient is liable to pay relevant VAT liability
 - Self-billing invoices should be in compliance with these rules

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