



NEWSLETTER 3/2018

In the latest issue of the Newsletter, we bring you the following topics:

- 1. The Regional Investment Aid Act changes the calculation of tax relief for investment aid recipients 1**
- 2. Major changes in VAT from 01/01/2019 2**
- 3. Additional information lists published by the Financial Administration of the Slovak Republic – the amount of corporate income tax, VAT / excess deduction 3**
- 4. Advance transfer pricing agreement in Slovakia..... 3**

1. The Regional Investment Aid Act changes the calculation of tax relief for investment aid recipients

Following the adoption of the new Act on Regional Investment Assistance, the method of calculating the income tax relief for investment aid recipients has changed since 01/04/2018. The value of the investment aid recipient's equity recognised in the financial statements for the tax period in which the investment plan was filed is no longer used in the calculation of the coefficient by which the proportion of the tax base is determined. Instead, the tax base is multiplied by the coefficient of 0.5 and the percentage of the total amount of eligible costs incurred after submitting the request for investment aid in relation to the total eligible costs for which the investment aid was granted. It is further stipulated that the amount of the tax relief may not exceed 20% of the total amount of the approved investment aid.

The new procedure for calculating the entitlement to tax relief shall be applied for the first time to the decisions to grant investment aid issued after 01/04/2018 pursuant to the new Act on Regional Investment Aid.

At the same time, the concurrence of the application of income tax relief approved until 31/03/2018 and then approved after 01/04/2018 is prevented. Such investment aid recipients must first finish the "older" relief before then they can benefit from the new relief. A longer period of use of the originally granted investment relief reduces the time for using the relief granted under the new law.



2. Major changes in VAT from 01/01/2019

The forthcoming amendment to the Act on VAT with its proposed effect from 01/01/2019 brings, inter alia, the following changes:

- complete cancellation of the obligation to lodge tax security in compulsory and voluntary VAT registration
- introduction of new rules for the application of VAT in the acquisition of goods and services through vouchers – the purpose is to ensure reliable and consistent treatment of vouchers in all EU member states The amendment introduces the definition and classification of vouchers into single-purpose and multi-purpose and determines the date of tax liability, the tax base and other rules according to type.
- a substantial change in the taxation of property intended for dwelling (flat, family house, residential suite) – in the case of the provision of property intended for dwelling that meets the conditions for tax exemption under the current law, the possibility of taxation of that property expires Similarly, when renting such property, i.e., regardless of the status of the beneficiary (the tenant), the landlord (the payer) will always be obliged to exempt the rent from tax.
- more accurate specification of the moment in time relating to the start of the calculation of the 5-year period within which the taxpayer cannot apply the exemption from the tax on the provided construction
- introduction of a new definition of turnover for the purposes of VAT with a view to unifying the conditions for taxable persons conducting either single- or double-entry bookkeeping The terms “income” and “revenue” are to be replaced by the term “value of the delivered goods and services”.
- determination of the place of delivery of digital services for non-taxable persons from a Member State other than the place where the service provider is established, but only if the value of the delivered services without tax does not exceed EUR 10,000 in the calendar year and in the immediately preceding year
- introduction of adjustment to the deducted tax on movable property in connection with a change in the scope of use of the movable property for business as well as for other purposes other than business
- cancellation of the transfer of tax liability in the delivery of agricultural crops and goods from metal, if a simplified invoice is drawn up
- changes relating to the payment of property tax in the case of cancellation of registration for VAT



3. Additional information lists published by the Financial Administration of the Slovak Republic – the amount of corporate income tax, VAT / excess deduction

Pursuant to the amendment to the Act on Tax Administration (the Tax Rules) effective from 01/01/2018, the Financial Administration of the Slovak Republic published additional information lists on its website at the end of June 2018:

- list of tax entities with the amount of corporate income tax in which, in addition to the identification data of the legal person, it is possible to find information on the amount of prescribed tax, surtax or tax loss, and
- list of tax entities with the amount of excess deduction and the amount of tax liability, which, in addition to the identification data of the natural or legal person, also discloses the information on the amount of the applied excess deduction and the amount of the tax liability of the relevant tax entity.

The lists will be updated and published periodically on a quarterly basis, where the source materials for updating will be the tax returns submitted in the previous calendar quarter.

The above lists are available on the website of the Financial Administration of the Slovak Republic, in the “Electronic Services” section.

4. Advance transfer pricing agreement in Slovakia

In connection with the preparation of documentation on the transfer pricing method, the taxpayer in the Slovak Republic has the possibility of asking the tax administrator for advance agreement on the use of a particular transfer pricing method (hereinafter “APA” – *Advance Pricing Agreement*) and from 2017, also for the agreement on the method of determining the price of controlled transactions (but not the price or price range itself) and thus verify compliance with the principle of independent relationship before conducting a transaction with a related company.

The taxpayer must submit the request in writing to the local tax administrator no later than 60 days before the beginning of the tax period during which the method is to be applied. A mandatory attachment to the request is the transfer pricing documentation prepared in its entirety.

If the tax administrator complies with the request, the decision on the agreement on the use of the method shall be issued for a maximum of five tax periods. If the taxpayer proves that there has been no change in the conditions, the tax administrator may issue a decision to extend the APA for the next five tax periods. The amount of the fee for a unilateral APA was set at EUR 10,000, while in the case of a bilateral or multilateral APA (i.e. when the transaction involves two or more contracting states) the fee is EUR 30,000. The previous confusing regulation, where the amount of the fee was determined by the percentage of the expected amount of the business case, was thus replaced from 2017 by a fixed flat rate.



This Newsletter is a product of TPA.

Best regards,

Your TPA team

Contact:

TPA Slovakia

Blumental Offices II

Nám. Mateja Korvína 1

811 07 Bratislava

TPA Slovakia

Letná 27

040 01 Košice

Phone: +421 (02) 57 351 111

www.tpa-group.sk

www.tpa-group.com

If you wish to receive regular information, please subscribe to the Newsletter on our website.

IMPRESSUM The information contained in this document is for general information purposes only. If you decide to use it in practice, we recommend doing so only on the basis of a professional consultation in the context of which all aspects of a particular case can be assessed. This document does not replace professional advice and therefore TPA cannot be held liable for any damage resulting from the use of the information presented herein.

Copyright © 2018 TPA, Blumental Offices II, Nám. Mateja Korvína 1, 811 07 Bratislava

All rights reserved.