



NEWSLETTER 3/2019

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1. Sum of Meal Allowances from 1 July 2019

In the 2/2019 edition of our Newsletter, we informed you about proposed increases in the sum of meal allowances. Under Regulation No 176/2019 of the Ministry of Labour, Social Affairs and Family of the Slovak Republic, which entered into effect on 1 July 2019, the sum of meal allowances for employees sent on business trips has been increased to:

- €5.10 for time ranges of 5 to 12 hours;
- €7.60 for time ranges of 12 to 18 hours;
- €11.60 for time ranges in excess of 18 hours.

In connection with this change, the amount of the employer's maximum contribution to employees' meals, which may be considered as a tax expense of the employer, has also changed. As of 1 July 2019, the applicable amount is €2.81 (55% of €5.10).

If meals for employees are provided through another legal or natural person who is licensed to mediate catering services, the value of a single meal voucher as of 1 July 2019 must be at least €3.83.

2. Use of e-Kasa Postponed

In previous issues of our Newsletter, we have informed you about news and obligations regarding the e-Kasa system.

Since cash register manufacturers were unable to fulfil all business orders for the delivery of new e-Kasa registers by the end of June 2019, the Financial Administration of the Slovak Republic and the Ministry of Finance of the Slovak Republic decided in favour of businesses that sanctions will not be enforced. From 1



July 2019 to 31 December 2019, therefore, neither tax offices nor customs offices will charge penalties for failures to use the online cash register 'e-Kasa klient'. However, this exemption only applies if the following three conditions are fulfilled:

- the business provides evidence of a binding order for an e-Kasa register dated up to 30 June 2019 with a manufacturer who has been issued with a decision on certification;
- by 30 June 2019, the business has requested the assignment of an e-Kasa register code on the financial administration portal and, at the same time, has downloaded the assigned initialisation packages;
- the business continues (i.e. after 30 June 2019) to record sales in the original electronic cash register it currently uses.

Business who received an online cash register (e-Kasa register) before 30 June 2019 shall be obliged to record sales on this cash register, and the sanction-free transition period mentioned above shall not apply to them. Businesses who receive an online cash register during the transition period shall be obliged to begin registering sales in the 'e-Kasa klient' cash register without delay. The sanction-free transition period shall cease to apply to them once the e-Kasa register has been delivered.

At the same time, the Financial Administration of the Slovak Republic has already started to carry out audit concerning the implementation of online cash registers and to impose penalties. Fines ranging from €330 to €20,000 may be imposed in the event of failure to register sales, while businesses may lose their trade licences if they repeatedly infringe the new regulations.

3. Changes to VAT Return and Recapitulative Statement Beginning January 2020

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The interdepartmental comment procedure currently includes a draft measure from the Ministry of Finance of the Slovak Republic that establishes a specimen VAT return form and a specimen EC Sales List.

The specimen VAT return form has been adjusted to reflect amendments to the VAT Act in relation to a new exemption for transactions relating to crude oil and mineral oils. Meanwhile, the specimen EC Sales List reflects amendments to the VAT Act ensuing from an adjustment to the call-off stock system due to the adoption of Council Directive (EU) 2018/1910. In the previous issue of our Newsletter (February 2019), we provided you with information about both changes to the VAT Act.

4. Recreation Vouchers for All Employees

On 30 July 2019, a group of members of parliament submitted a proposal to the National Council of the Slovak Republic concerning employees' recreational activities. This specifically concerns an extension of the obligation to provide a recreation vouchers to all employees; this shall apply to all employers, regardless of the number of people they employ.

The obligation to provide a recreation voucher has been imposed by the Labour Code since 1 January 2019; however, it currently only concerns employers who employ more than 49 employees. We detailed this



change in our Newsletter 4/2018.

The extension of the recreation voucher obligation to all employers will apply to those employees who have worked continuously for their employer for a period of 24 months.

This allowance constitutes a cost-effective tool for the remuneration of employees, as it is exempt from taxes and levies, and the employer's expenditure on the allowance is tax-deductible.

If the proposal is approved, it is expected to take effect from 1 January 2021. This should provide employers with sufficient time to prepare and take into account the financial implications of the extension.

5. 13th and 14th Wages to Be Exempt from Social Security

The National Council of the Slovak Republic has passed a law amending and supplementing Act No 461/2003 Coll., on Social Security.

In practice, many companies are already applying tax and levy benefits on wages paid during summer holidays (13th wage) and the Christmas holidays (14th wage). These were approved in 2018. Before the introduction of an annual settlement of social insurance, i.e. before 1 January 2022, this new law will regulate the assessment basis for the payment of social security contributions to employees and employers from the 13th wage provided to employees in 2021 and the 14th wage provided to employees between 2019 and 2021.

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In 2021, neither employees nor employers will pay social insurance contributions from the 13th wage provided by every employer from a sum of up to €500, provided that the following conditions are met at the same time:

- the 13th wage is provided in June 2021;
- the 13th wage is a minimum amount of €500;
- as of 30 April 2021, the employee has worked for the employer for an uninterrupted period of at least 24 months.

Similarly, neither employees nor employers will pay social insurance contributions from the 14th wage provided by every employer from a sum of up to €500 from 2019 to 2021, provided that the following conditions are met at the same time:

- the 14th wage is provided in December of the relevant calendar year;
- the 14th wage is equal to the employee's average monthly earnings;
- as of 31 October of the relevant calendar year, the employee has worked for the employer for an uninterrupted period of at least 48 months;
- the employer has also paid the employee a 13th wage.

The National Council of the Slovak Republic has approved this legislation, which will go into effect 1 September 2019.



6. Second Wave of Reductions on the Administrative Burden of Natural and Legal Persons

On 22 July 2019, an amendment to Act No 177/2018 Coll., on Certain Measures for Reducing Administrative Burdens through Use of Public Information Systems and on Changes and Amendments to Certain Acts (the Anti-Bureaucracy Act) was passed. Based on this amendment, natural and legal persons will no longer have to submit the following certificates and extracts to public authorities in documentary form:

- confirmation of tax arrears;
- confirmation of arrears on social security;
- confirmation of arrears on health insurance;
- confirmation of school attendance; and
- extracts from the register of non-governmental non-profit organisations.

Even though the mentioned extracts and certificates of confirmation are registered in public administration information systems that are freely accessible by public authorities, natural and legal persons have still been obliged to submit physical copies of such documentary evidence under special regulations. The amended act does away with these obligations by deleting individual articles of special regulations; indirect amendments have also been made to the Tax Administration Code, the Income Tax Act, and others.

Various parts of this Act will enter into force on 1 September 2019, 1 December 2019, and 1 January 2021.

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7. More Changes to the VAT Act to Come

In the 2/2019 issue of our Newsletter, we informed you about planned changes to the VAT Act regarding rules for the taxation of trade between Member States on the basis of Council Directive (EU) No 2018/1910 of 4 December 2018 amending Council Directive No 2006/112/EC on VAT. These amendments have not yet been approved.

Since Slovakia is also obliged to comply with both the VAT Act and Council Directive (EU) 2017/2455 of 5 December 2017 amending Directive 2006/112/EC and Directive 2009/132/EC, additional changes await the process of amending the VAT Act from 1 January 2020.

This amendment is intended to define the distance selling of goods both within the EU and imported from third territories or third countries (the VAT Act currently uses the term 'distance selling' for such goods). In accordance with the newly proposed regulations, the place in which goods for distance selling are supplied will be, in principle, the Member State in which the dispatch or transport of the goods to the customer ends.

At the same time, a proposal has been made to extend voluntary special adjustments to the application of the tax on digital services in accordance with Sections 68a and 68b of the VAT Act.

Another proposal suggests to cancel the exemption on imports of consignments with values not exceeding



€22, because such an exemption distorts competition between EU and non-EU suppliers. Still another change would impact the distance selling of goods imported from third territories or third countries. For consignments which are not subject to excise duty and whose intrinsic value does not exceed €150, a new voluntary special arrangement for tax compliance is proposed in one Member State only, the so-called Member State of identification.

The anticipated deadline for comments on these proposals is March 2020.

8. Changes to the Income Tax Act from 1 January 2020 approved

During September 2019 the amendment to the Income Tax Act effective from 1 January 2020 has been approved in the third reading. You were informed about this amendment in the edition of our Newsletter 2/2019 and we will inform you about the specific approved changes in the subsequent edition of our Newsletter.

9. IFRS 16 – New Leasing Standard Effective 1 January 2019

The new IFRS 16 leasing standard, which affects both lessees and lessors, entered into force on 1 January 2019.

Lessees are obliged to recognise almost all leases as 'Right of Use' assets and lease liabilities. However, this does not apply to leases with a low-value underlying asset, or to short-term leases of 12 months or less. Lessees have the option of either a full retrospective restatement, reassessing the comparative data as if IFRS 16 had always been in force, or a limited restatement without reassessing the comparative data for the previous year.

Regulations regarding lessors remain essentially unchanged from IAS 17. Lessors continue to charge leases as operating leases or finance leases, depending on who bears the risks and rewards of ownership of the related asset.

The new standard also defines the expression 'lease term', which shall mean a contractual lease term including the option to extend the lease if it is probable that the lessee will exercise this option.

Currently, this new standard does not make any changes to local legislation; however its integration into the country's legislation is probably only a matter of time.



This Newsletter is a product of TPA.
Best regards,

Your TPA team

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