



Newsletter 4/2019

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1. Amendment to the Accounting Act

On 15 October 2019, an amendment to Act No. 431/2002 Coll., on accounting, was approved that, with effect from 1 January 2020, brings a 100% increase in size of the two criteria in determining the duties of the statutory audit of financial statements, specifically the total amount of assets, and the value of the net sales of an accounting entity.

An entity, that is a business company or cooperative, will be required to have audited an ordinary and extraordinary individual financial statement, if at least two of the following criteria are met in two consecutive accounting periods:

1. total assets more than EUR 2,000,000,
2. net sales more than EUR 4,000,000,
3. average number of employees during an accounting period that exceeds 30.

There is also a change in the condition for statutory audit only for those trading companies that mandatorily generate share capital. The circle of entities that will be required to audit financial statements will thus be extended to general partnership and limited partnerships, provided that they meet the above size criteria.

For entities that prepare financial statements under IFRS, auditors will have an extra responsibility to verify that the data reported in the statement of data selected from the financial statements (“výkaz vybraných údajov z účtovnej závierky”) is consistent with the financial statements prepared in accordance with IFRS. This shall not apply to entities that fall under the supervision of the National Bank of Slovakia.



2. Changes to the Accounting Act following the amendment to the Commercial Code

On 22 October 2019, the National Council of the Slovak Republic approved the amendment to the Commercial Code which, among others, also amends the Accounting Act with effect from 1 October 2020:

1. The amendment will bring the concept of "additional liquidation". In case of an additional liquidation, a trading company and a cooperative become an accounting unit, once re-incorporated in the Commercial Register. An accounting period of such entity shall begin on the registration re-entry date in the Commercial Register, and end on the date of the deletion of the entity from the Commercial Register due to the termination of additional liquidation.
2. Moreover, the obligation of entities to close the books shall be extended for the following reasons:
 - as of the date of publication of notice of the entry into force of the resolution to dismiss the bankruptcy proceeding for lack of assets,
 - as of the date of the cancellation of an entity from the Commercial Register, provided that a decision to cancel the entity was issued, and a notice of assumption of the entity's bankruptcy published, or a proposal submitted to appoint a liquidator, along with lodgement of security, without even filing a bankruptcy order against the assets of the entity.
3. In the case of deletion of a trading company or cooperative from the Commercial Register, the statutory body that was entered in the Commercial Register as the last before the deletion of the trading company or cooperative from the Commercial Register shall be held responsible for storing relevant documents in the register of final accounts. If special cases occur, when an entity is cancelled without liquidation, an obligation to file financial statements prepared as of the date of the deletion of the company or cooperative from the Commercial Register shall also originate to the statutory body last incorporated to the Commercial Register.

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3. Amendments to the VAT Act approved – adjustments to chain supplies, call-off stock, 10% VAT reduction on selected goods and other changes

At the end of November 2019, it was announced in Collection of Laws an amendment to Act No. 222/2004 Coll., on value added tax. In this part of the Newsletter, we provide you with a brief overview of the most important changes that were approved in 2019.

In connection with the harmonisation and simplification of some selected taxation rules for trade between member states arising from Directive (EU) No. 2018/1910 of 4 December 2018, amending Directive (EU) No. 2006/112/EC on VAT, the following modifications were approved (i.e. quick fixes):

- simplification of cross-border goods trade within the so-called call-off stock regime, when, subject to certain conditions, transporting goods to another member state shall not be regarded as the transfer of goods to another member state;
- determining the place of goods supply with transport, carried out by a so-called intermediary entity, or on behalf of such intermediary entity, in so-called chain supplies within the EU;



- the supply of goods exemption to another member state will be subject to notifying the goods acquirer's VAT ID to the supplier (substantive condition for the application of the exemption), and submission of a EC Sales List with the accurate, true and complete information on the supply of goods to another member state by the supplier for the relevant period.

In addition to amending the taxation of trade between member states, the following changes were also approved:

- VAT exemption for transactions relating to crude oil and mineral oil listed in Annex No. 9 to the VAT Act, provided that those are delivered to customs warehouses, special warehouses or tax warehouses;
- new rules for adjustment of deductions from services performed on investment property;
- new determination of the tax base for the free supply of goods with a cost equal to or less than EUR 1,700;
- amendment to the provision on the correction of the tax base on the sale of tourism services;
- extension of the tax reduction to 10% on newspapers, magazines and periodicals, and selected types of food.

All these changes come into force on 1 January 2020.

4. Recreation vouchers unchanged and minimum wage increased from 1 January 2020

The proposed amendment to the Labour Code concerning the extension of the obligation to provide a contribution to recreation for all employers was not approved. Therefore, the obligation to provide a contribution for recreation will continue to apply to companies with more than 49 employees only.

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In October this year, the Slovak Government approved a regulation establishing the minimum wage in 2020, amounting to EUR 580 for a monthly salary and to EUR 3.333 for an hourly wage.

5. Amendment to the Tax Code

At the end of November 2019, it was announced in Collection of Laws an amendment to Act No. 563/2009 Coll. (the Tax Code). The amendment to the act brings some changes and amendments, particularly in the following areas:

- adding the mayor of the municipality to the definition of the tax authority employee to enable them to carry out the competence of a tax authority employee, such as local inquiry, tax audit or the tax assessment procedure;
- in order to reduce the administrative burden, the tax administrator may, in agreement with the tax entity, waive requesting certified translation of documents into the national language;
- adjustment of representation by power of attorney if the taxpayer submits more than one power of attorney on the same scope of operations; in this case, the new power of attorney replaces the previous to the extent in which they collide;



- those taxpayers, that are required to communicate with the financial authority electronically, and that submit comments, although in a structured form, but other than by electronic means (e.g. in certificated form), will be requested to deliver these in a correct manner (through the financial authority portal); and, only when they fail to satisfy that request, the submission shall be considered unsuccessful;
- the introduction of a summary record of interrelated transactions of taxpayers as a major source of information for criminal justice authorities;
- allowing the extension of the deadline for conducting a transfer pricing tax audit, regardless of whether they are foreign or domestic related persons;
- registration for income tax shall be, with effect from 1 January 2021, carried out by the tax authority ex officio (within 30 days from the date of entry in the register of legal entities, entrepreneurs and public authorities, or from the date of the first tax return). At the same time, it repeals the notification obligation of taxpayers to the tax authorities, if the taxpayer reported changed or new facts to that institution, which notifies them to the tax administrator; the same applies to the communication of bank account numbers, as those are regularly reported by financial institutions;
- standard forms of tax returns will not be issued in the Collection of Laws of the Slovak Republic, but will be posted on the website of the Ministry of Finance of the Slovak Republic, indicating the date of publication;
- submission of the tax return for the period for which the taxpayer was assessed by means of tax aids will no longer be possible;
- decreasing the lower limit of fines for failure to fulfil the obligations imposed by the decision of the tax authority, and for failure to fulfil any of the obligations of a non-cash nature of the amount of EUR 60 to EUR 30;
- non-collection of penalty if the taxpayer submits an additional tax return, by which it can reduce the claimed VAT overpayment, or applied claim under special regulations, prior to its return;
- from 2021, the Financial Directorate of the Slovak Republic will publish an updated list of taxpayers and their Tax ID. This will happen for the first time by no later than 30 June 2021;
- shortening of the period in which the tax authority may not authorise further extension of tax, or payment of tax in instalments due to a breach of conditions, from five to two years;
- introduction of a new form of tax execution by confiscating a driver's licence;
- adjustments relating to bankruptcy, restructuring and debt relief.

Most of the changes shall take effect on 1 January 2020, but some no earlier than as of 1 January 2021.

6. Approval of the amendment to the act on cross-border measures subject to reporting – DAC 6

In September 2019, the National Council of the Slovak Republic approved an act amending and supplementing Act No. 442/2012 Coll., on international assistance and cooperation in tax administration, implementing DAC 6. As we informed you in the previous editions of our Newsletter, this act establishes the automatic exchange of information on cross-border measures subject to communication between competent EU member state authorities, i.e., the measures used for aggressive tax planning. In order to ensure that automatic exchange of information, a reporting obligation of the so-called obligators (intermediary or taxpayer, i.e. the user) has been



established.

Some of the provisions of this Act enter into force on 1 January 2020, some up to 1 July 2020. It should however be reiterated that the reporting duty will be retroactively subject to the above-mentioned transactions already effected from 25 June 2018, whilst the transactions effected from the period from 25 June 2018, to 30 June 2020, will need to be reported by 31 August 2020.

7. Approved changes to the fee for development

On 19 November 2019, it was announced in Collection of Laws an amendment to Act No. 447/2015 Coll., on local fees for development. Pursuant to this act, the subject of the development fee is understood as a building construction in the municipality that is included:

- in a valid building permit authorising the construction;
- in a notification of the building office of the reported construction;
- in a final decision on the authorisation of the construction before its completion;
- in a final decision on additional building permission.

For the sake of clarity, the tax base for the development fee extends and clarifies, while introducing what will not be counted in the fee base, for example, a balcony or loggia. Complemented are the provisions of the development fee administrators, such as that the municipality as a tax authority of the fee will be competent to send a challenge to a taxpayer to communicate the area of the floor space of the above ground part of a building according to its use. Among other things, the definition of rooms and floor space is amended. The amendment also responds to uncertainties in the calculation of the development fee, particularly in cases when after the issuance of the building permit there was another change in the construction before completion.

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For reasons of transparency it is suggested that in a generally binding regulation the development fee administrators identify the method of disclosure of information, both of the yield of the development fee, and of its use.

The Act comes into force on 30 November, 2019.

8. Doubling a special bank levy

On 28 November 2019, it was in shortened legislative proceedings approved the National Council of the Slovak Republic draft amendment to Act No. 384/2011 Coll., on special levy on selected financial institutions, specifically on banks and branches of foreign banks, which was aimed to increase the rate of the special levy.

This act was originally introduced on 1 January 2012, in response to the 2008 financial crisis, and its purpose was to ensure that the banking sector makes a fair contribution to the financing of costs to deal with potential financial crises in the future. However, the act was determined for a special levy on banks until 2020 only and at the level of 0.2% of the value of banks' liabilities reported in the balance sheet.



The amendment changes the annual rate of the levy for 2020 and subsequent years up to an amount of 0.4%. The purpose of this proposed amendment is to increase the financial capacity of funds from the special levy in order to strengthen the financial stability and the ability to deal with potential emergencies.

The Act comes into force on 1 January 2020.

9. The Financial Administration of the Slovak Republic will draw attention to eKasa connection twice monthly

During Quarter 4 of 2019, the Financial Administration of the Slovak Republic informed about repeatedly sending of challenges concerning connection to the eKasa system. It plans to twice monthly send challenges to those entrepreneurs that do not register even one connected virtual or on-line cash register. The main reason is to alert businesses to the obligation of connecting to eKasa, and thus avoid time pressure at the end of the year associated with the possible lack of technicians and suppliers. Most businesses not connected to the eKasa system are registered in the Bratislava region, followed by the regions of Nitra and Prešov. The total number of unconnected business amounts to about 50,000.

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Your TPA team.

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