

Tax Alert

April 2020

Emergency measures in Slovakia to mitigate the negative impact of the COVID-19 pandemic

On Thursday 2 April 2020 and Friday 3 April 2020, the Slovak National Council approved an amendment to the Act on certain emergency measures in conjunction with the spread of the dangerous contagious human disease COVID-19, in the areas of finance, employment legislation in order to save jobs, and social security and health insurance. All acts have been published in the Collection of Laws under Nos 63/2020, 66/2020, 67/2020 and 68/2020.

Below are the most important changes and measures adopted:

INCOME TAX

Deadline for filing an income tax return

If the deadline for filing an income tax return occurs during the pandemic period, new deadlines shall be introduced as follows:

- an “emergency” deadline – **by the end of the calendar month following the pandemic period**. Income tax is also payable by the same deadline

- an option to extend the original deadline under Section 49(2) of the Income Tax Act (not an “emergency” deadline) on the basis of a notification (by 3 or 6 months in the case of taxable income from abroad). The notification to extend the deadline must be made by the end of the “emergency” deadline. If this extended deadline occurs during the pandemic period, the deadline for filing a tax return is by the end of the calendar month following the end of the pandemic period.

Taxpayers may assign 2% of the tax for public benefit purposes within these periods.

Deadline for filing an income tax return for taxpayers in bankruptcy or liquidation

In the case of taxpayers in bankruptcy or liquidation, the statutory deadline according to the applicable Income Tax Act remains unchanged.

However, if this deadline occurs during the pandemic period, taxpayers may ask the tax authority to extend the deadline, by a maximum of three calendar months, 15 days before the deadline.

The tax authority will make a decision regarding the request; no appeal will be admissible against this decision.

<p>Deadline for filing a tax return when a permanent establishment in Slovakia is dissolved or set up</p>	<p>Under the applicable Tax Return Act, if the deadline for filing a tax return occurs during the dissolution or formation of a permanent establishment in Slovakia during the pandemic period, taxpayers should file the tax return by the end of the calendar month following the end of the pandemic period. Income tax is also payable within the same deadline.</p>
<p>Remittance of a portion of the income tax paid</p>	<p>An employee for whom an employer carries out annual tax accounts by a deadline that falls within the pandemic period may file a declaration to remit a portion of the income tax paid by the end of the second calendar month following the end of the pandemic period.</p>
<p>Notice of deduction and payment of income tax from a healthcare provider</p>	<p>The deadline for filing this notice is considered to have been met if it is filed by the end of the calendar month following the end of the pandemic period and the tax is also paid by the same deadline.</p>
<p>Report on tax statement and the total income tax from employment</p>	<p>If the final day of the deadline for filing a report on the tax statement and the total income from employment occurs during the pandemic period, the report should be filed by the end of the second month following the end of the pandemic period and the tax will also be payable by this deadline.</p>
<p>Annual statement of income tax from employment</p>	<p>Under the Income Tax Act, if the deadline for preparing the annual statement and for the calculation of income tax occurs during the pandemic period, the employer, who is a taxable person, should prepare the annual statement by the end of the calendar month following the end of the pandemic period at the latest.</p> <p>The employer must deliver the proof of preparing the annual accounts to the employee by the end of the second calendar month following the end of the pandemic period at the latest.</p> <p>Overpayments from the annual statement should be returned by the employer to the employee at the latest when calculating wages for the second calendar month after the end of the pandemic period.</p>
<p>VEHICLE TAX</p>	
<p>Deadline for filing a tax return and the date the tax is payable</p>	<p>The tax return for vehicle tax for a period other than a calendar year (e.g. taxpayers are dissolved without liquidation, with liquidation, are bankrupt, have closed or interrupted their business, or have died), for which the deadline for filing has not passed prior to the pandemic period commencing, or which began during the pandemic period, should be filed by the end of the calendar month following the end of the pandemic period. The tax will also be payable by this deadline.</p>

TAX ADMINISTRATION (The Tax Code)

<p>Service of files to the financial administration</p>	<p>Taxable entities <u>not obliged</u> to communicate electronically with the financial administration:</p> <ul style="list-style-type: none"> -If a file does not have a structured format, it may also be filed in another way (e.g. by email) and does not have to be sent by post in paper form as well. If a file has a structured format (a tax return, etc.), it should also be served within five days in paper form. <p>Taxable entities <u>obliged</u> to communicate electronically with the financial administration:</p> <ul style="list-style-type: none"> -Under applicable law, the procedure remains in force.
<p>Missing a deadline</p>	<p>Missing the statutory deadline will be pardoned if the act (registration, appeal, etc.) is carried out by the end of the calendar month following the end of the pandemic period at the latest.</p> <p>The pardon for the missed deadline does not cover the filing of tax returns and the payment of individual taxes.</p>
<p>Service of documents by post from the financial administration in person</p>	<p>Conditions determined by the postal operator shall be used. The “fiction of service” of an item applies – if the item is not picked up by a natural person or legal entity, service shall occur on the final day of the deadline for collecting the stored item from the post office.</p>
<p>Tax inspection – suspension</p>	<p>A tax inspection (other than a tax inspection of the eligibility of an excess deduction) which began prior to the pandemic period (before 12 March 2020) shall be suspended (retroactively) and the suspension will last until the end of the calendar month in which the emergency situation is called off. The deadline for carrying out a tax inspection shall be extended by the suspension period.</p> <p>A tax inspection (other than a tax inspection of the eligibility of an excess deduction) which begins during the pandemic period shall be suspended from the day following the day it begins until the day the pandemic ends.</p> <p>With a tax inspection of the eligibility of an excess deduction which takes place during the pandemic period, the tax authority may issue a partial report. By issuing a partial report, the tax inspection is suspended until the end of the pandemic period. The tax authority may issue a partial report (and thus refund the excess deduction or part thereof that the tax authority is able to determine with certainty as being an entitlement), even if it does not include demonstrable inspection findings or an evaluation of the evidence.</p>
<p>Publication in financial administration lists</p>	<p>During the pandemic period, the financial administration will not be updating the public list of tax debtors, the list of VAT registered entities for whom there were grounds to cancel registration, nor the list of entities deleted from the list of VAT registered entities.</p>

<p>Suspension of tax proceedings</p>	<p>Tax proceedings (e.g. tax assessment procedures, etc.), which began prior to the pandemic period, shall be suspended, until the end of the pandemic period (regardless of whether or not the reasons for which the proceedings were suspended ceased to exist during the same).</p> <p>Tax proceedings which begin during the pandemic period shall be suspended from the day following their commencement.</p> <p>Proceedings in which a decision is made about refunding a tax overpayment or a claim pursuant to special regulations (e.g. an excess deduction) are not suspended. However, if the personal participation of another person (e.g. a witness hearing) is required for these proceedings, who does not agree to take part due to the pandemic, the tax proceedings shall be suspended by the relevant authorities until the end of the pandemic period.</p>
<p>Expiry of the right to levy tax</p> <p>Limitation period and expiration of the right to recover tax arrears</p>	<p>The deadlines for expiry of the right to levy tax and to a limitation period, as well as the expiration of the right to recover tax arrears, shall be suspended (i.e., these deadlines will be extended to include the pandemic period).</p>
<p>Tax arrears</p>	<p>If, during the pandemic, taxpayers fail to pay tax, the due date for which falls within the pandemic period, the sum owed for this tax will not be considered tax arrears, provided that the taxpayers pay the same by the end of the calendar month following the end of the pandemic period.</p>
<p>Postponement of a tax execution procedure</p>	<p>During the pandemic period, a tax execution procedure shall be postponed and will continue after the end of the pandemic period. The legal effects of acts which have been carried out under a tax execution procedure to date shall remain effective.</p>
<p>Administrative offences and penalties</p>	<p>If taxpayers fail to file an income tax return or supplementary income tax return by a deadline that falls within the pandemic period, they will not be penalised, on condition that they fulfil their obligations by the end of the calendar month following the end of the pandemic period.</p> <p>If taxpayers file a supplementary income tax return which increases their tax liability, the fine (3% p.a.) will only be calculated up to the day the pandemic period begins.</p> <p>Taxpayers will not be levied interest on late payment if they have not paid income tax, an advance tax payment, withholding tax, or a sum withheld to guarantee tax payments, which became payable during the pandemic period, on condition that they will pay them by the end of the calendar month following the end of the pandemic period.</p> <p>This provision only concerns income tax; penalties for VAT remain unchanged within the meaning of the applicable act.</p>

ADMINISTRATIVE FEES

Payment of administrative fees

Administrative fees for the acts and proceedings of administrative authorities that are needed to mitigate the negative impact of the pandemic shall not be payable during the pandemic period.

ACCOUNTING ACT

Deadlines for obligations under the Accounting Act (e.g. entering financial statements in the financial statement register)

Under the Accounting Act and other accounting regulations, all deadlines shall be considered to have been met if they are carried out by the end of the third calendar month following the end of the pandemic period or by the deadline for filing a tax return, depending on which deadline occurs first. If an entity meets its obligations by these dates, it will not be penalised under Section 38(1) of the Accounting Act.

MEASURES ON IMPORTING GOODS

Importing goods for victims of natural disasters

Charities or voluntary welfare organisations will be able to import goods to support victims of natural disasters free of import duties and VAT. The Slovak Ministry of the Interior approves these organisations. Organisations must apply for the exemption and also meet one of the following conditions:

- they provide healthcare, social assistance or humanitarian care, or
- support a public benefit purpose, to provide individually specified humanitarian aid for an individual or group who are in danger or need urgent assistance in a disaster, or
- engage in other activities of a charitable or voluntary nature.

THE LABOUR CODE

Work from home

An employer may instruct employees to work from home, if the nature of the work allows it.

At the same time, employees become entitled to work from home, if the nature of the work allows it.

Obstacles to work and salary compensation in a state of emergency

All employers who need to restrict or stop work must provide salary compensation amounting to **80% of the employee's average monthly earnings, and at least equal to the minimum wage**. This applies in cases where employees cannot work at all or in part when the employer stops or restricts work based on a decision made by a competent authority or when stopping or restricting a company's work as a result of declaring an emergency situation.

Determining annual leave

Conditions for ordering use of annual leave in terms of the employer's obligation to give notice in advance shall be adjusted, by reducing the set time to **at least 7 days in advance**. If annual leave has been carried over from the previous year or years, this time is reduced to **at least 2 days**.

Employee protection

Employee protection from termination of employment and protection upon return to employment is added if employees claim an important personal obstacle to work to take care of a family member who has fallen sick or to look after a child. This also applies to employees who are required to go into quarantine measures (isolation requirement). This will secure the same protection as provided to employees who are temporarily unable to work.

SOCIAL SECURITY AND HEALTH INSURANCE

Sickness benefits, care for family members

Now, in the event of a crisis, employees who have been instructed to go into quarantine or isolation and, for this reason, have been recognised as unable to work are entitled to sick pay from the first day of being unable to work; that is the costs are borne by the Social Security Institution from the first day. This shall apply from the act entering into force, i.e. from 27 March 2020. This measure constitutes financial relief for employers as, under the previous legislation, employees were entitled to sick pay for the first ten days, which was paid for by their employers. In these cases, sick pay was also increased to 55% of the daily assessment base during the first three days, which will help employees financially during the crisis.

The act has added definitions such as isolation at home or in a healthcare facility, increased medical surveillance, etc.

The duration of the entitlement to care payments has been extended, the conditions for entitlement to care payments have been adjusted, and the range of people entitled to care payments has been extended. Since the amendment, care for a child under 11 or 18, if the child has a long-term adverse health condition, is taken into account.

Social security contributions for employers and mandatory sickness and pension insurance for the self-employed

If net turnover or trading or other self-employment income for employers or the self-employed **falls by more than 40%, the new deadline for payment of mandatory contributions for March 2020 is set to 31 July 2020**. This deadline does not apply to contributions paid by employers on behalf of employees – contributions for employees must be paid by employers by the original due dates.

If employers or the compulsorily insured self-employed fail to pay these premiums by the special deadline, the Social Security Institution may allow them to pay in instalments, with no interest.

The government should be stipulating further periods not subject to the original due date.

The method of determining a decline in net turnover or a decline in trading or other self-employment income will be determined by a government decree.

The dates for meeting other obligations such as registering employees in the insured persons register, insurance statements, etc. remain unchanged.

Advance payments for health insurance for employers and the self-employed

If net turnover or trading or other self-employment income for employers or the self-employed **falls by more than 40%, the due date for advance payments is extended for March 2020 to 31 July 2020.** This deadline does not apply to the due date of advance payments for insurance paid by the employer on behalf of employees.

Once again, the method of determining a decline in net turnover or a decline in trading or other self-employment income will be determined by a government decree and the government may stipulate further periods not subject to the original due date.

EMPLOYMENT SERVICES

Employment and job support

Projects to support job retention, pilot projects to verify new active measures on the labour market, pilot projects or pilot programmes to promote regional development or local employment, approved by the ministry.

The deadline for demonstrating that obligations to fulfil the mandatory share of employment of disabled citizens has been met (for the previous calendar year) is extended to 30 June 2020.

The deadline for submitting reports on activities to the Central Labour Office for legal entities or natural persons who are engaged in employment placement work, is extended to 30 June 2020.

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