



## NEWSLETTER 4/2020

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

<b>1. The 2021 Amendment to the Value Added Tax Act approved by the Parliament.....</b>	<b>1</b>
<b>2. Amendment to the Income Tax Act 2021 approved .....</b>	<b>2</b>
<b>3. Tax Code changes effective from the new year .....</b>	<b>3</b>
<b>4. First Aid PLUS substantially increases State aid .....</b>	<b>4</b>
<b>5. Milder conditions for investment aid and a change in tax relief .....</b>	<b>5</b>
<b>6. Change in the regional investment aid .....</b>	<b>6</b>
<b>7. Abolition of the special levy from 1 January 2021 .....</b>	<b>7</b>
<b>8. Reduced registration fee for greener vehicles .....</b>	<b>8</b>
<b>9. 2021 sees changes to the minimum wage .....</b>	<b>8</b>
<b>10. What will the Labour Code bring in 2021? .....</b>	<b>9</b>

### **1. The 2021 Amendment to the Value Added Tax Act approved by the Parliament**

1

On 5 November 2020, the National Council of the Slovak Republic approved an amendment to Act No 222/2004 Coll., on value added tax, as amended, which we informed about in more detail in the previous edition of our Newsletter. Below is a brief overview of the changes brought by the amendment to the VAT Act:

- redefinition of mail order sales by means of the term “distance sale of goods” and adjustment of the place of delivery;
- extension of voluntary special arrangements for the application of the tax to services provided by a non-EU taxable person to a non-taxable person established in an EU Member State;
- extension of the existing voluntary special arrangement, the Mini One Stop Shop (MOSS), which currently only applies to digital services, to other services provided by a taxable person not established in the EU to other than taxable persons established in some EU Member States, the place of delivery of which is in the given Member State of consumption;
- extension of the existing voluntary special arrangement MOSS for digital services supplied by taxable persons, which are established in the EU territory but not established in the Member State of consumption, to other services provided by this taxable person, as well as to the distance selling of goods within the EU, and certain domestic supplies of goods – extension of the system to a single point of contact, the One Stop Shop (OSS);
- new voluntary special arrangement (the Import One Stop Shop – IOSS) for the sale of goods at a distance, which are imported from a third country if their own value does not exceed EUR 150 and these goods are



not subject to excise duty. By means of this special arrangement, taxable persons may fulfil their obligations to file a tax return and pay tax in only one Member State of identification;

- abolition of the tax exemption on imports of consignments the value of which does not exceed EUR 22;
- introduction of the possibility to correct the taxable base if the supplier did not receive payment and its receivable became uncollectible and, at the same time, introduction of the obligation to correct the taxable base for the customer who did not pay for the supply and claimed a tax deduction.

The approved amendment will enter into effect on 1 January 2021, except for the provisions concerning, in particular, the sale of goods at a distance, which will enter into effect on 1 July 2021.

## 2. The approved amendment of the Income Tax Act from 1 January 2021

On 2 December 2020, the National Council of the Slovak Republic approved an amendment to Act No 595/2003 Coll. on income tax. The most important approved changes are listed below:

- the definition of the registered office and place of actual management, as one of the criteria for determining the tax residence of a legal entity in the Slovak Republic, is made more precise;
- the exception for those individuals who cross the borders of the Slovak Republic on a daily basis for the purpose of performing dependent activity in Slovakia is omitted from the criteria for determining the residence of an individual. The purpose of such arrangement is to ensure that the tax residence of individuals is determined according to the delimitation criteria in the relevant agreement on avoidance of double taxation;
- legislation on hybrid mismatches is being extended, e.g. the definition of transparent entity and reverse hybrid entity is introduced, and the rules for the taxation of income of these entities are introduced;
- the application of the CFC rules (rules for controlled foreign persons – so far valid in law only for legal entities) is extended also to individuals; the aim of these rules is to prevent tax evasion and to tax the income of a CFC company in the Slovak Republic as early as at the moment of achieving the income in the CFC company and not as late as when dividends are paid out (postponing the effect of this change until 1 January 2022);
- implementation of new tax rate for personal income from a controlled foreign company at 25% on income from cooperating countries, and 35 % on income from non-cooperating countries;
- refrain from settling the corporate income tax advances paid, which are paid from the beginning of the tax period to the deadline for filing the tax return in a lower amount than that based on the tax return filed;
- extend the benefits provided by the financial administration to taxpayers, namely by including the obligation of the tax administrator to notify the taxpayer filing the tax return of the amount and due date of the income tax advance no later than five days before the date for payment of income tax advance (postponing the effect of this change until 1 January 2022);
- for the sake of simplification and legal certainty, an employee is allowed to request the annual settlement from any employer who is a taxpayer and who paid a taxable salary to the employee during the tax period;
- define more precisely the taxpayer of the non-cooperating country;

- abolish the exemption of cash income which the employer may grant to an employee for work on the occasion of the summer leave period and the Christmas holidays (exemption of 13th and 14th salaries);
- abolish the possibility of applying the non-taxable part of the tax base for spa care in the amount of EUR 50;
- delete the preferential tax depreciation of technical improvements and repairs carried out on the building used to provide spa care;
- delete the preferential tax depreciation of buildings used to accommodate own employees;
- extend the tax bonus for children from 6 to 15 years, from 1 July 2021 to 31 December 2021 the taxpayer may claim 1.7 times the basic tax bonus and from 1 January 2022 even 1.85 times the tax bonus;
- for the purposes of defining the position of the so-called micro-taxpayer, only taxable income (and not all income from business and from other self-employed activities, as under the current valid wording of the law) will be included in the income (revenues);
- 15 % tax rate will be applicable only for the “micro-taxpayers”;
- postpone the deadline for mandatory electronic delivery of financial administration submissions to individual taxpayers due to the unpreparedness of the FS and NASES information systems by one year, until 31 December 2021.

Although the amendment to the Income Tax Act enters into force on 30 December 2020, most of the provisions have been postponed to 1 January 2021, the provisions on the tax bonus will be applied from 1 July 2021 and the provisions concerning e.g. CFC rules for natural persons, reverse hybrid entity, registration and notification obligations do not take effect until 1 January 2022.

Act No. 595/2003 Coll. on income tax was also amended as part of the amendment to Act no. 57/2018 Coll. on regional investment aid on 1 December 2020. For further information, please see a separate article in this Newsletter.

### 3. Changes in the Tax Code from 1 January 2021

We bring you an overview of changes in the Tax Code, which were approved by the Parliament of the Slovak Republic in 2019 by Act No 369/2019 Coll. of 15 October 2019 and which we have already informed about in previous editions of our Newsletter, but which will take effect from 1 January 2021:

- The Financial Directorate of the Slovak Republic will publish an updated list of tax entities registered for income tax on its website. Data such as the tax identification number, name and surname of a natural person or the name of a legal person, address of permanent residence, place of business or registered office of a legal person will be published. For the first time, the Finance Directorate will publish this list no later than 30 June 2021.
- Registration of tax entities ex officio by the tax administrator. The tax administrator shall register an entity within 30 days from the date of entry in the register of legal persons, entrepreneurs and public authorities. If the entity is not registered in the mentioned registers, the tax administrator shall register such entity within 30 days from the date of filing the first tax return. With this method of registration, the tax entity will also be assigned a tax identification number and a taxpayer's personal account number. If the same

reporting obligation towards another institution arises for a tax entity and that institution is obliged to notify new or changed data to the tax administrator, the taxpayer is no longer obliged to notify these facts to the tax administrator again. By the end of February 2021, the tax administrator was to register ex officio all entities that are entered in the above-mentioned registers as of 31 December 2020, but were not registered with the tax administrator. The Parliament of the Slovak Republic approved a government draft Act that postponing the effect of this change until 1 January 2022.

- Change concerning the notification obligation on the use of payments by the tax administrator. These notifications will only be sent to tax entities if the amount of the payment used is more than EUR 5.

In addition to these changes, the National Council of the Slovak Republic approved, on 2 December 2020, a draft amendment to the Tax Code Act with effect from 1 January 2021, which proposes the following:

- reduction in the annual interest rate on deferred tax and tax paid in instalments, from 10% to 3%, in order to give tax entities an incentive to use this institute at the time of coping with a temporarily difficult financial situation, the interest on deferred tax lower than EUR 5 is not applied;
- possibility to allow deferral or payment in instalments also retroactively to the tax due date;
- application of the reduced interest rate also to those deferrals and payments in instalments that were allowed before the entry into effect of this amendment, but the decision on interest of which will only be issued after the effective date of this amendment.

#### 4. First aid PLUS – changes in State contributions from 1 October 2020

4

On 28 October 2020, the Government of the Slovak Republic approved a proposal to increase and expand financial assistance to employers and self-employed individuals to maintain jobs within the “First Aid PLUS” project. The new conditions for the provision of contributions to manage and mitigate the consequences of the COVID-19 pandemic will apply to applications submitted as early as in October 2020, and entrepreneurs will also receive the contributions for the months of January to March 2021.

In the “First Aid PLUS”, the following measures are changed or introduced compared to the “First Aid” project:

##### MEASURE 1 – closed operations or restricted activities

- the contribution of 80% of the employee’s average earnings is increased to 80% of the total labour costs of the employee for the time there was an obstacle on the part of the employer, up to a maximum of EUR 1,100 (from the original EUR 880);
- employers and self-employed individuals who started their activities no later than 2 September 2020 may apply for the contributions;
- an employer may apply for a contribution for employees recruited no later than 2 September 2020;
- the period of compulsory retention of an employee in employment is reduced to one month (during a state of emergency).

## MEASURE 2 – aid for the self-employed

- depending on the decrease in sales, the financial contribution for self-employed individuals is increased by 50% compared to the measures of the original “First Aid” project, as follows:
  - a) EUR 270 – with a decrease in sales from 20% to 39.99%;
  - b) EUR 450 – with a decrease in sales from 40% to 59.99%;
  - c) EUR 630 – with a decrease in sales from 60% to 79.99%;
  - d) EUR 810 – with a decrease in sales of 80% and higher.
- the amount of the contribution also depends on the existence of an employment relationship, as the amount of the contribution is reduced by the net income from employment undertaken in parallel with self-employment.
- The following self-employed individuals may apply for the contribution:
  - a) those obliged to pay sickness and pension insurance after 1 July 2020 (voluntary payment is excluded);
  - b) those who are using the “levy holidays”;
- only self-employed individuals who were registered and started pursuing their activity no later than 2 September 2020 may apply for the contribution.

## MEASURES 3A and 3B – aid for the employers (short time)

- Under measure 3A, the amount of the contribution is increased from 80% of the average earnings to 80% of the total labour costs, but not more than EUR 1,100.
- Under measure 3B, the employer may receive a contribution from EUR 270 to EUR 810 per employee, depending on the decrease in sales.

5

## MEASURE 4 – aid for selected groups of self-employed individuals, independent professions, and single-person limited liability companies

- The flat-rate contribution is increased to EUR 315. If the applicant is gainfully employed, his or her net income will be deducted from the contribution.

## SOS subsidy

- An SOS subsidy of EUR 300 is also being reintroduced for people who have stopped working as a result of the state of emergency and are not entitled to any other contribution.

## COVID extra pay



- An injury benefit called COVID extra pay is introduced for medical staff, social workers or assisting volunteers who become infected with COVID-19 in connection with the activity performed.
- The COVID extra pay in combination with the sickness benefit will amount to approximately 80% of the employee's gross salary

## 5. Amendments to the Motor Vehicle Tax Act

Government draft amendment to Act No 361/2014 Coll., on motor vehicle tax, was approved by the National Council of the Slovak Republic on 5 November 2020 and it is on its way to the Collection of Laws. The aim of this draft amendment is to reduce the tax burden on road carriers pursuing activity in truck and bus transport and to strengthen their competitiveness on international level. At the same time, the draft amendment helps to all taxpayers by postponing the statutory deadline for submission of motor vehicle tax return and paying the tax. The amendment brings the following changes:

- introduction of a separate Annex 1a, which defines the tax rates for commercial vehicles such as tractors and semi-trailers – removal of the original condition of pairing of tractor and semi-trailer in a train and inclusion thereof in the maximum permissible total weight;
- new percentage of annual tax rate for all commercial vehicles in categories M2, M3 and N3 – with benefits ranging from 50% to 10%, depending on the age of the vehicle;
- reduction in the annual tax rate for vehicles in the O4 category by 60%, regardless of the age of the vehicle;
- postponing the deadline for submission of the motor vehicle tax return and payment of the tax for taxation period beginning on 1 January 2020 at the earliest and ending on 28 February 2021 at the latest from original statutory deadline 31 January 2021 to 31 March 2021 (except specific cases);
- cancelation of the obligation to pay motor vehicle tax prepayments for taxation period 2021 due on the last day of the new statutory deadline for submission of motor vehicle tax (31 March 2021).

6

Annual tax rates listed in Annex 1a and the benefits for the annual tax rate for commercial vehicles classified in categories M2, M3, N3 and O4 shall be applied for the first time when filing the return for the 2020 tax period.

This Act shall enter into effect on 1 December 2020.

## 6. Change in regional investment aid

The Ministry of Economy of the Slovak Republic submitted a draft amendment Act amending Act No 57/2018 Coll., on regional investment aid, and supplementing Act No 595/2003 Coll. on income tax. This draft Act has been approved on 1 December 2020 by the National Council of the Slovak Republic and responds to the situation arising in connection with the COVID-19 pandemic and the impact of this pandemic on the recipients of investment aid, as well as their ability to fulfil the obligations arising from the decision to provide or approve

investment aid.

According to the explanatory memorandum, the ambition of the approved amendment to the Act is not to provide assistance to beneficiaries beyond the other measures relating to the coronavirus crisis. Its main purpose is to moderate certain conditions of investment aid from the material and time point of view in individual regions. These changes are, for example, the extension of the period for the acquisition of assets in accordance with the decision on investment aid from the original 12 to 24 months, or the time limit for the completion of an investment project from the original 3 to 5 years. The above provisions of the approved Act will apply to proceedings in which the beneficiary's obligations arose after 12 March 2020.

The approved changes to the Income Tax Act concern the application of tax relief. According to the current version of the act, a taxpayer may, subject to meeting certain conditions, claim a tax relief for approved investment aid for a maximum of 10 immediately consecutive taxable periods. This Act introduces transitional provisions, on the basis of which the period from 2020 to 2022, i.e. the three immediately following taxable periods, the first of which began in 2020, will not be included in the period for relief application. This change will apply to taxpayers to whom a decision approving investment aid was issued by 31 December 2020, and, at the same time, who may apply tax relief even after 31 December 2019.

## 7. Draft Act on the abolition of the special levy on selected financial institutions

7

Government draft of the Act on the abolition of a special levy on selected financial institutions and on certain measures related to its abolition, was approved by the National Council of the Slovak Republic on 24 November 2020 and it is on its way to the Collection of Laws. Pursuant to this Act, the obligation of selected financial institutions to pay a special levy, which they were obliged to pay from 1 January 2012 on the basis of Act No 384/2011 Coll., on a special levy for selected financial institutions in the amount of 0.2% and, from 1 January 2020, in the amount of 0.4% of the value of banks' liabilities reported in the balance sheet, will be abolished.

The primary objective of introducing the special levy for selected financial institutions was to ensure that the banking sector made an adequate contribution to financing the costs of resolving possible financial crises in the future.

The Act on the abolition of the special levy states that the balance of the special levy paid will remain a State financial asset and may be used for the activities of the Slovak Development Fund, which will be focused on supporting and financing development programmes of the Slovak government.

This Act shall enter into effect on 1 January 2021.



## 8. Registration fee for registration of a vehicle as a property-environmental tax

In September 2020, the Ministry of Finance of the Slovak Republic issued a preliminary information on the draft amendment to Act No 145/1995 Coll., on administrative fees. The amendment proposes to change the nature of the administrative fee for the registration of a vehicle holder in the register of vehicles in the Slovak Republic (the “registration fee”) to a property-environmental tax. After the change, the calculation of the amount of the registration fee should be based not only on the engine power and the coefficient of the vehicle’s residual value, but also on an “environmental criterion”. The addition of the environmental criterion, which can be determined directly from each vehicle’s documentation, regardless of its age, will favour vehicles that are friendlier to the environment. On the contrary, vehicles that are more harmful to the environment should be put at a disadvantage.

According to the preliminary information, the basic registration fee rate of EUR 33 to cover administrative costs should not be changed by the draft amendment.

## 9. Minimum wage and extra pay for 2021

Amendment to Act No 294/2020 Coll., amending Act No 663/2007 Coll., on the minimum wage, was approved by the National Council of the Slovak Republic on 20 October 2020 and published in the Collection of Laws.

Pursuant to this approved amendment, with effect from 1 January 2021, the employees with the lowest wages will receive at least EUR 623 per month gross, which is EUR 508.45 net. The hourly minimum wage will increase to EUR 3.58. An increase in the minimum wage will result in an increase in the employee’s net wage of EUR 31.70.

The approved amendment to the Minimum Wage Act also regulates the automatic determination of the minimum wage.

The amendment to the Labour Code from 1 January 2021 will also bring changes in the determination of extra pay. These will no longer be tied to the percentage of the minimum hourly wage, but will be set as a fixed amount. This means, for example, that the extra wage will be EUR 1.79 for work on Saturday, EUR 3.58 for work on Sunday and EUR 1.43 for work at night.





## 10. Upcoming changes to the Labour Code in 2021

The Ministry of Labour, Social Affairs and Family has prepared a draft amendment to Act No 311/2001 Coll. (Labour Code), with effect from 1 March 2021.

The aim of this draft amendment is primarily to address the issues related to work from home and telecommuting, regulate the employee's ability to choose between a meal ticket and financial allowance for meals, specify the extension of probation, introduce the concept of an employee permanently caring for a child, set the rules of operation of the trade union active at the employer, regulate the possibility of temporary assignment of employees between the parent and subsidiary companies, etc.

We will inform you about specific changes in the next edition of our Newsletter.

This Newsletter is a product of TPA.  
Best regards,

Your TPA team.

9

### 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](http://www.tpa-group.sk)

[www.tpa-group.com](http://www.tpa-group.com)

If you want to receive information on a regular basis, 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 them in practice, we recommend that you do so only on the basis of a professional consultation allowing to assess all aspects of the case at hand. This document does not replace professional advice and, therefore, TPA cannot be held liable for any damage resulting from the use of the information contained herein.

Copyright © 2020 TPA, Blumental Offices II, Nám. Mateja Korvína 1, 811 07, Bratislava

All rights reserved.