



NEWSLETTER 1/2021

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1. New Act on reporting of invoice data to the Financial Administration (e-invoice)

The Ministry of Finance of the Slovak Republic has launched a consultation process on new legislation that should introduce the obligation to prepare an e-invoice for all business entities. The aim is to report selected invoice data for each business transaction within specified deadline to the Financial Administration before the final version of the invoice is issued. The reporting should be possible in two ways: through the entrepreneur’s ERP system (accounting software) or free state-certified communication component. The same reporting obligations should apply to customers.

The new legislation should ensure that information is obtained by the Financial Administration in real time that could help combat tax fraud and tax evasion. The current version of VAT Control report is no longer considered as a sufficient tool and could be abandoned upon the introduction of e-invoice. The Ministry of Finance believes that this measure could simplify the preparation of tax returns; however, it is questionable whether the new legislation will reduce the administrative and financial burden on entrepreneurs.

2. The approved amendment to the Tax Code regulates the waiver of tax sanctions

The National Council of the Slovak Republic approved an amendment to Act No. 563/2009 Z. z., on Tax Administration (the Tax Code) as amended, which will enable the Government to issue a decree on waiver of collection of penalties and late payment interest from taxpayers. The Government decree will allow regulation of all sanctions in relation to all taxes, as well as breach of obligations that occurred before the amendment came into effect.



The aim is to ease the existential problems of companies negatively affected by the introduction of measures against the spread of COVID-19.

The Government issued the following decrees during February 2021:

- Decree on waiver of penalty for failure to file local tax returns for 2021 within statutory deadline of 31 January 2021 if the taxpayer fulfils its obligations by 15 March 2021 at the latest.
- Decree on waiver of late payment interest for breach of the obligation to pay or remit the tax due or difference in tax, tax advance or payment of tax in instalments within statutory deadline, which became due in the period from 12 March 2020 to 31 December 2020. The taxpayer should fulfil its obligations by 30 June 2021 at the latest. The penalty for failure to file the tax return will also be waived, provided that the same conditions are met.

3. COVID testing of family members and suppliers as tax expense

On 29 January 2021, the National Council of the Slovak Republic approved the amendment to Act No. 67/2020 Z. z., on certain exceptional financial measures concerning the spread of COVID-19, as amended. The amendment includes, inter alia, Section 24ab, which considers also the following expenses as tax deductible:

- incurred by the employer on testing of its employees,
- incurred by entrepreneurs or self-employed individuals on own testing;
- incurred on testing of relatives living in the same household with the employees or entrepreneurs and self-employed individuals,
- incurred on testing of individuals who carry out activities for the aforesaid taxpayers at the places of their business. That includes, for example, individuals performing cleaning or servicing activities.

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The testing expenses constitute a non-monetary benefit for the employee, his or her relative and individuals performing activities in the taxpayer's place of business; however, they will be exempt from personal income tax.

This tax treatment of testing expenses applies throughout the duration of the pandemic and also retroactively.

4. Application of the tax bonus where a “pandemic” benefit is used

On 29 January 2021, the National Council of the Slovak Republic approved an amendment to Act No. 67/2020 Z. z., on certain exceptional financial measures concerning the spread of COVID-19, as amended. The amendment also deals with the adjustment of the conditions for the application of the tax bonus.

The aim is to alleviate the conditions for applying the tax bonus for a dependent child. According to the amendment, “pandemic” benefits and contributions received by the taxpayer in 2020 that are tax exempt will



also be included in the taxable income when assessing the right to a tax bonus for 2020, including “pandemic” sickness and care-giver’s allowance, the contribution provided within the active labour market policy and subsidies provided to the cultural community from the Ministry of Culture of the Slovak Republic.

Employees that did not achieve the taxable income higher than 6 times the minimum wage were obliged to notify the employer by 15 February 2021 on the amount of “pandemic” contributions received for purpose of application of the tax bonus.

5. Draft Act on short-time work allowance - „Kurzarbeit“ scheme

The Government of the Slovak Republic approved the draft Act on short-time work allowance, which is the Slovak version of the so-called “Kurzarbeit” scheme. The aim should be the provision of allowance to cover the employee’s income at the time when the employer cannot assign work due to adverse external factors which cannot be controlled or prevented. The introduction of permanent “Kurzarbeit” scheme is expected in early 2022.

It is proposed that short-time work allowance would be paid upon fulfilment of certain conditions, such as:

- the employer has paid social security contributions and compulsory pension contributions for at least 24 calendar months prior to the submission of the application for allowance;
- the employer does not violate the prohibition of illegal employment for a period of two years prior to the submission of the application for allowance;
- the employer enters into a written agreement with the employees’ representatives or directly with the employees (in case of employers where no employees’ representatives operate) regarding the application for allowance;
- the employer applies for the allowance by the end of the following calendar month;
- the employer is unable to assign work to employee for at least 10% of the weekly working hours;
- the employee has been employed by the employer for at least one month as at the date of submission of the application for allowance;
- the employee is not under a notice period;
- the employee has used all vacation for the previous calendar year and positive balance of working time account, and there is no possibility of transfer to another job within the agreed type of work.

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The allowance should represent 60% of the employee’s average hourly income up to the maximum amount calculated as 60% from the ratio of 1/174 of twice the average wage of an employee in the Slovak economy for the calendar year preceding two years when the allowance is provided. For example, if an estimated average wage in the national economy of the Slovak Republic would amount to EUR 1,100 in 2020, the maximum allowance would be 60% from the ratio of 1/174 and the amount of EUR 2,200, i.e. EUR 7.5862. If the obstacle at work on employer’s side would last throughout the entire month, the state allowance for wage costs would amount to EUR 1,320, which is 60% of employee’s wage, and the remaining 20% will be paid by



the employer. The employee will receive 80% of his net salary. Allowance will be paid by labour office on a monthly basis, but for a maximum period of six months over 24 consecutive months. The employer's obligation will be to subsequently maintain the job position for which allowance was received at least two months after the termination of support. At the same time, the draft Act introduces full electronic submission of applications for allowance.

Financial allowance will be paid from the newly established employment fund, which will be managed by the Social Insurance Authority. The employer will contribute 0.5% of the employee's assessment base to this fund. The current rate of unemployment insurance contributions will be reduced by 0.5%, therefore total contribution will not increase for those who pay unemployment insurance.

Due to proposed change in the Income Tax Act, the short-time work allowance should be exempt from income tax.

6. Changes in the Labour Code – home office and teleworking

The amendment to the Labour Code effective from 1 March 2021 imposes obligations to the employer to reimburse demonstrably increased expenses associated with the use of the employee's own equipment if working from a household (further "home office") and/or teleworking.

The so-called "right to disconnect" is introduced and the employee will not be obliged to use the work equipment intended for home office or teleworking (for example, to read and reply to e-mails or to receive telephone calls) outside the working hours.

The amendment to the Labour Code introduced new definition of household as an agreed place of work outside the employer's workplace. The household does not have to be only formal employee's place of residence; it can be also another place that the employee determines himself, but this must be agreed in the employment contract in writing.

7. Changes in the obligation to provide meal vouchers to employees

With effect from 1 March 2021, an employer that does not provide meals in its own catering facility or in the catering facility of another employer should allow employees to choose between the provision of meal vouchers or financial contribution for meals. The employee will be bound by his choice for a period of 12 months from the date on his choice.

The financial contribution for meals provided according to Section 152 of the Labour Code is exempt from income tax.

8. New grounds for employee dismissal

Effective from 1 January 2022, new grounds will be added to the Labour Code that would enable the employer to give notice to its employee, if the employee reaches the age of 65 and, at the same time, becomes entitled to old-age pension.

In this case, employee should be entitled to severance pay.

9. Higher contributions for employers and self-employed individuals - “First Aid ++”

On 2 February 2021, the Government of the Slovak Republic approved the extension of the October 2020 project aimed at maintaining jobs, i.e. the “First Aid +” project. The new project called “First Aid ++” increases and expands financial aid for employers and self-employed individuals to mitigate the impact of the COVID-19 pandemic. The applications for contributions under the “First Aid ++” measure for period of February 2021 could be submitted in the second half of March 2021. The possibility to claim the contributions should be extended until 30 June 2021.

Although the available information is preliminary, the following measures should change in “First Aid ++” project compared to the “First Aid +” project:

MEASURE 1 – closed operations or restricted activities

- the contribution of 80% from total employee labour costs is increased to 100% for the time there was an obstacle at work on employer’s side, while the maximum amount of EUR 1,100 remains unchanged;
- employers and self-employed individuals who started their activities in the period between 2 September 2020 and 1 February 2021 may apply for the contributions;
- an employer may apply for the contribution also for employees recruited in the period between 2 September 2020 and 1 February 2021.

MEASURE 2 – aid for the self-employed individuals

- depending on the decrease in sales, the financial contribution for self-employed individuals is increased as follows:
 - a) EUR 330 – with decrease in sales from 20% to 29.99%
 - b) EUR 420 – with decrease in sales from 30% to 39.99%,
 - c) EUR 510 – with decrease in sales from 40% to 49.99%,
 - d) EUR 600 – with decrease in sales from 50% to 59.99%,
 - e) EUR 690 – with decrease in sales from 60% to 69.99%,
 - f) EUR 780 – with decrease in sales from 70% to 79.99%,



- g) EUR 870 – with 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 employment income earned in parallel with self-employment;
- only self-employed individuals who were registered and started pursuing their activity no later than 1 February 2021 may apply for the contribution.

MEASURES 3A and 3B – aid for the employers, so-called Kurzarbeit

- Under measure 3A, the amount of the contribution is increased from 80% of the total labour costs to 100% of the total labour costs, while the maximum amount of EUR 1,100 remains unchanged.
- Under measure 3B, depending on the decrease in sales, the employer may receive a contribution from EUR 330 to EUR 870 per employee, while no contribution will be granted for an employee who was on leave of absence, received sickness allowance or care-giver's allowance, or experienced another obstacle at work on employee's side for more than 50% of the monthly working hours.

MEASURE 4A – aid for selected groups of self-employed individuals

- The lump sum contribution for self-employed individuals who have no income from business activities as of 1 February 2021 is increased from EUR 315 to EUR 360. If the applicant is self-employed, the net income from self-employment activity will be deducted from the contribution.
- Self-employed individuals who received contribution under measure 4A and register for voluntary sickness and pension insurance by 15 February 2021 will be able to apply for higher contribution under measure 2 up to EUR 870.

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MEASURE 4B – aid for single-member limited liability companies

- The amount of contribution under measure 4B is increased to EUR 360. If the applicant is self-employed, the net income from self-employment activity will be deducted from the contribution.

The SOS subsidy remains unchanged in the amount of EUR 300 for people who have stopped working as a result of the state of emergency and are not entitled to any other contribution.



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Best regards,

Your TPA team.

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