



NEWSLETTER 4/2021

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

1. Changes in the Tax Code from 1 January 2022.....	1
2. Amendment to the Value Added Tax Act.....	1
3. Amendment to the Income Tax Act.....	2
4. Amendment to the Accounting Act and its contribution to digital transition in accounting.....	3
5. Employee meals after 1 January 2022.....	4
6. E-invoice.....	4
7. Tax authorities change the method of communication.....	4
8. Mandatory disclosure of bank account numbers.....	5
9. Action plan for family business development.....	6
10. Global agreement on corporate taxation.....	6

1. Changes in the Tax Code from 1 January 2022

The amendment to Act No. 563/2009 on the tax administration (Tax Code), which we have discussed in detail in the previous issues of our Newsletter, has been published in the Collection of Laws of the Slovak Republic.

Below is a brief overview of the most significant changes effected by the amendment:

- The tax authority will no longer issue tax registration certificates.
- Introduction of taxpayer rating, the so-called Tax Reliability Index. The taxpayer rated as highly reliable will be entitled to tax benefits. The tax reliability criteria will be determined on the basis of a decree of the Slovak Ministry of Finance, which, however, is still in the legislative proceedings. Nevertheless, current wording of the proposed decree does not clearly define the individual criteria on the basis of which taxpayers will be rated; similarly, the weights of the individual criteria and the manner in which the final level of taxpayer reliability will be determined are yet to be specified.
- Establishment of the institute of individual's exclusion. This institute will enable tax administrator to issue a decision on the individual's exclusion, who is the statutory body of a taxpayer and seriously violates the tax obligations. The consequence of the decision on the exclusion is that the excluded individual must not act as the statutory representative or be a member of the statutory body or the supervisory body in a company or a cooperative.
- Reduction of the fee for binding opinions.

2. Amendment to the Value Added Tax Act

The amendment to the Tax Code, as published in the Collection of Laws of the Slovak Republic, includes changes to the Act No. 222/2004 on value added tax. We have already informed you about the upcoming



changes in the previous issues of our Newsletter.

Please find the most significant changes adopted below:

- Introduction of the taxpayer's obligation to disclose its bank accounts to the Financial Directorate of the Slovak Republic.
- Introduction of a tax guarantee where the taxpayer in receipt of a taxable supply in Slovakia should or may have known that the supplier (the VAT payer) would not pay all or part of the tax amount in question and the consideration is paid to a bank account that does not feature on the list of bank accounts published by the Financial Directorate of the Slovak Republic.
- Introduction of a new method for the payment of tax on the supply of goods or services in the supplier's bank account administered by the tax authority in order to avoid the potential application of the tax guarantee to customers.

3. Amendment to the Income Tax Act

On 8 November 2021, the President of the Slovak Republic approved an amendment to Act No. 595/2003 on income tax and on amending certain acts, as amended.

The main changes adopted by this amendment effective from 1 January 2022 include:

- Reduction of the super-deduction for research and development from the current 200% to 100%.
- Introduction of the possibility of deducting expenditure (costs) on investments. The taxpayer may deduct from the tax base a specified percentage (from 15% to 55%) of the tax depreciation for assets. The amount of the deduction depends on the planned investment percentage of the average value of the investments and on the invested value of this planned average value of investments specified in the investment plan. Such a deduction can only be claimed for assets used for new production or a logistics system, which is specifically listed in Annex 3 to the amendment. In order to claim the deduction for expenditures and investments, the taxpayer must meet a number of legal conditions, such as: prepare an investment plan, the assets used for the investment must not be procured from public funds, and the super-deduction for research and development must not be claimed for such assets. The entitlement to this deduction ceases, and the taxpayer must return any tax benefit achieved, for example, if the taxpayer is dissolved with or without liquidation, where it is being restructured or is bankrupt, or if the taxpayer has otherwise disposed of the asset during the depreciation period.
- Equal taxation of meal vouchers and financial contributions for meals. Both types will be exempt from personal income tax only up to 55% of the sum of the meal allowance provided for business trips lasting between 5 and 12 hours, i.e. currently up to EUR 2.81. In this case, there is a change in the taxation of meal vouchers, which have so far been fully exempt from tax for the employee.



4. Amendment to the Accounting Act and its contribution to digital transition in accounting

On 18 November 2021, the President of the Slovak Republic signed an amendment to Act No. 431/2002 on accounting, effective from 1 January 2022. The amendment to the Accounting Act, which we have already informed you about in the previous issue of our Newsletter, mainly adopted changes in the area of digitalisation of accounting, aiming to reduce the administrative burden of bookkeeping for businesses.

The main changes are as follows:

- The amendment provides a more accurate definition of electronic, as well as hardcopy, accounting records. It also defines the requirements for accounting records, namely in terms of the credibility of its origin, content integrity, and legibility.
- The amendment introduces the possibility of transforming an accounting record from hardcopy to an electronic form and vice versa. The accounting entity may only perform this transformation once and only with the identical content.
- The Act permits scanning accounting documents without the use of guaranteed conversion, which will significantly streamline the electronic archiving of accounting documents. The accounting unit itself chooses the method of keeping accounting documents, i.e. in hardcopy or electronic form, by its internal regulation, and it may also apply this method to accounting documents created before the effective date of the amendment.
- The handwritten signature of the person responsible for the accounting record may be replaced with any verifiable electronic signature, electronic data exchange, or an internal control system. At the same time, the required particulars of an accounting record no longer include the identification of the accounts in which the accounting event is to be booked and the signature of the person responsible for the entry. Saying this, the identification of the accounts in which the accounting records are recognised must be accessible in the accounting software.
- All accounting documents, i.e. financial statements, audit reports, annual reports, and financial statement approval notices, will be entered in the financial statements register in electronic form only.

3

The authors of the amendment take into consideration the current state of affairs and the fact that it is demanding to store quantity of paper documents; the digitalisation of accounting is, therefore, an essential part of modern business. While the adopted changes will help businesses, accountants and inspection authorities alike, they also bring about the need to improve the quality of the accounting software used.

In addition to the topic of digitalisation, the amendment to the Accounting Act also includes changes and additions in the following areas:

- Extending the scope of the act applicable to persons other than the accounting entities;
- Defining the content of the annual report for non-profit entities;
- Extending the public section of the financial statements register to include other legal forms of legal entities;
- Clarification of the terms used for assessing of the company in crisis;
- Lower limits for fines imposed for administrative offences under the Accounting Act.



5. Employee meals after 1 January 2022

Effective from 1 January 2022, only a limited amount (EUR 2.81, unless the meal allowance is increased) will be exempt from tax for all forms of performance of the employer's obligation to provide meals to its employees (which also concerns non-monetary transactions, such as meal vouchers); the part provided as a contribution from the social fund will also be exempt.

The voluntarily part of the contribution (including a non-monetary form, such as meal vouchers) beyond the employer's obligation will constitute the employee's taxable income (and will also be subject to health insurance and social security contributions). This represents a major change in the taxation of meal vouchers, which have so far been fully exempt from tax for the employees.

Employers are not allowed to provide meal vouchers and financial contributions retrospectively. Thus, the employer should provide them no later than the last day of the current calendar month for the immediately following calendar month, so that they are available to the employee no later than the 1st day of the relevant month for which they are provided.

6. E-invoice

An interdepartmental review procedure is expected to start within the next few days for the bill on reporting of invoice data (e-invoice). The new law should introduce the obligation to submit structured data from the outgoing and incoming invoices to the tax authority in real time. The law is proposed to be effective from 2023.

4

Its objective is to expedite the submission of data on taxable income to the tax authority that should enable to perform a more accurate and timely tax audits. In this way, the Slovak government seeks to prevent tax evasion in the area of VAT and income tax.

From 1 January 2023, all businesses (including self-employed entrepreneurs) will be obliged to send invoice data to the tax authority if the income for the goods and services invoiced is subject to income tax or VAT. All the data will have to be sent to the tax administration through the e-invoice system before the invoice is sent to the customer. The extent of the data being submitted may vary from case to case; in general, the data will include supplier and customer data, information about the invoice, and data about the taxable transaction.

Customers will then have to notify the tax authority of the receipt of the invoice provided that they claim VAT deductions or income tax expenses. This obligation must be fulfilled before claiming these rights.

7. Tax authorities change the method of communication

From 1 January 2022, tax authorities will deliver documents to taxpayers electronically. The Central Government Portal (ÚPVS) will (with certain exceptions) be used for purposes of the electronic communication at slovensko.sk.



The tax authorities will send electronic official documents:

- to the electronic inbox on the Central Government Portal – if an entity's electronic inbox is not active, a hardcopy of the document will be delivered to the entity via Slovak Post;
- to the entity's inbox on the tax administration portal – this method will only be available to foreign entities who do not dispose with an electronic inbox on the Central Government Portal;
- as a non-electronic hardcopy, which will also include an authentication clause through a postal service provider or in person directly from the tax authority –if the entity has no electronic inbox on the Central Government Portal or tax administration portal or if the electronic inbox cannot be identified.

If the taxpayer has a representative, the electronic document will be automatically delivered to the representative's electronic inbox.

For the purposes of tax administration, an electronic **document is deemed delivered to the taxpayer on the date when the recipient has acknowledged the delivery, or after expiry of 15 day period.**

After two-way electronic communication is launched, the taxpayer will have access to its electronic file (eFile) on the tax administration portal. The eFile will contain documents relating to the tax obligations of the taxpayer. In addition, the taxpayer will find all the documents delivered to the tax authority since 1 January 2014 (except financial statements), in addition to documents that the tax authority receives in paper form after 1 January 2022, as well as those that the tax authority sends to the taxpayer electronically. The electronic document sent by the tax authority will be accessible to the taxpayer in its eFile on the tax administration portal only after the document is received or after expiry of 15 day period, respectively.

Effective from 12 December 2021, tax authorities will also terminate the dual sending of electronic official documents in the area of excise duties; from 13 December 2021, they will only send such documents to the taxpayer's electronic inbox on the Central Government Portal. An exception will apply to foreign entities provided that they do not have the electronic inbox set up on the Central Government Portal but the electronic inbox on the tax administration portal would be available. In this case, the tax authorities will send documents to the electronic inbox on the tax administration portal.

8. Mandatory disclosure of bank account numbers

The Slovak Ministry of Finance has reintroduced the mandatory disclosure of bank account numbers for all VAT payers. During the registration process, the VAT payer must report all its domestic and foreign bank accounts used for its business activities that are subject to VAT in Slovakia. VAT payers registered in the past must report their bank account numbers used for the business activities, which are subject to VAT in Slovakia, to the tax authority by 30 November 2021.

The tax authorities will publish a list of VAT payers' bank account numbers on its webpage. The list will be updated regularly.



9. Action plan for family business development

The Ministry of Economy of the Slovak Republic has introduced a proposal for an action plan to promote the development of family businesses in Slovakia with a view of creating more favourable conditions for the effective development of family enterprise through the 10 proposed measures.

The draft action plan also foresees changes in the tax area. It could support the ongoing generational change (transfer of family businesses) by exempting income from the sale of property owned by an individual - entrepreneur to direct family members. Administrative streamlining could be achieved by setting an exemption from the rules for transfer pricing with regard to domestic controlled transactions between family members or for low-value domestic controlled transactions (e.g., of up to EUR 10,000).

The expert community considers the proposed action plan insufficient, in particular, with regard to the specifications of the tax-related measures concerning family businesses, which makes it impossible to assess the practical applicability of the proposals. According to the Ministry of Economy, the measures, currently debated by experts, can be implemented either as part of a more comprehensive effort to improve the tax system or as part of other packages aimed at reducing the administrative burden.

10. Global agreement on corporate taxation

136 out of the 140 OECD countries approved a global agreement to prevent tax avoidance by shifting of corporate profits to low-tax countries on 8 October 2021.

6

The agreement is designed to ensure that large multinational corporations pay a fair share of tax wherever they operate and generate profits. The two-pillar solution will be delivered.

Pillar One concerns the taxation of the largest multinationals with a profitability above 10% and annual global sales above EUR 20 billion (the threshold can drop to EUR 10 billion in 2030). These companies will have to tax 25% of their profit above the 10% threshold in the jurisdictions where the sales were achieved, i.e. in the countries where the goods were sold or the services provided.

Pillar Two introduces a global minimum corporate tax of 15%. The minimum tax rate will apply to multinational enterprises with revenues above EUR 750 million. If multinational enterprises tax their profit in jurisdictions with an effective tax rate lower than 15%, they will have to pay additional tax to compensate the difference in the jurisdiction of the parent company.

The agreement is proposed to become effective in 2023 and has yet to be translated into the legal framework. Although the timeframe for implementing the agreement in the national legislation is too short, all the countries concerned are highly motivated to introduce these rules.



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Best regards,

Your TPA team.

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

www.tpa-group.com

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