NEWSLETTER 4/2023

In the latest edition of the Newsletter, we deal with the following topics:

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1. New amount of meal allowances from 1 October 2023

Considering the ever-increasing prices in restaurant facilities, meal allowances for domestic business trips have been increased again, just four months after the last change.

With effect from October 1, 2023, the meal allowance amounts for different time periods have changed as follows:

- EUR 7.80 (previously EUR 7.30) for the time zone of 5 hours to 12 hours,
- EUR 11.60 (previously EUR 10.90) for the time zone of over 12 hours and up to 18 hours,
- EUR 17.40 (previously EUR 16.40) for the time zone of over 18 hours.

In line with these changes, the maximum possible employer's contribution to the employee's meals is equally increased to EUR 4.29 (previously EUR 4.02), and the lowest possible value of a meal voucher is increased to EUR 5.85 (previously EUR 5.48).

The financial contribution for meals is the same as the amount the employer contributes to the employees' meals or meal vouchers.

The abovementioned meal allowance prices are regulated by a measure published in the Collection of Laws.

2. FDSR uses a legal concept to eliminate straw men

As reported some time ago, with effect from January 1, 2022, a legal concept entered into force within the amendment to the Tax Code, which entitles the tax authority to decide on the exclusion of an individual who seriously violates their tax obligations from the position of a statutory representative, member of a statutory body or a supervisory body in companies or cooperatives for a period of three years.

Based on the information published by the Financial Administration of the Slovak Republic, this legal concept is actively applied. Since the beginning of 2022, the Financial Administration of the Slovak Republic has issued a total of 146 exclusion decisions and processed 95 disqualification letters (to be delivered to the court). These actions have led to the exclusion of statutory representatives in a total of 578 companies.

3. Amendment to the Regional Investment Aid Act to promote climate neutrality

The Ministry of Economy of the Slovak Republic has submitted a draft amendment to Act No. 57/2018 Coll., on Regional Investment Aid (hereinafter referred to as the "amendment"), which is currently going through the interdepartmental comment procedure. This amendment is part of the implementation of the REPowerEU plan, which aims to deploy renewable energy, decarbonise industry and promote investment in sectors strategic for the transition to a climate-neutral economy (e.g. the production of batteries, solar panels, wind turbines, heat pumps, electrolysers, as well as carbon capture and storage equipment).

The amendment introduces extraordinary investment aid, which is based on the existing regional investment aid. The extraordinary investment aid is intended for strategic sectors for the purpose of transitioning to a climate-neutral economy and is granted to support the implementation of an investment plan in industrial production. It will be provided in the form of:

a) subsidies for tangible and intangible fixed assets,
b) income tax reliefs,
c) transfer of an immovable property or lease of an immovable property for a value lower than the value of the immovable property or the value of the lease of the immovable property as determined by an expert opinion.

The eligible costs of an applicant for the extraordinary investment aid are the investment costs for the acquired tangible fixed assets in the form of land, buildings, machinery, plant, and equipment, and the investment costs for the acquired intangible fixed assets in the form of industrial rights, know-how, and licenses. The extraordinary investment aid may be cumulated with other state aid and must not exceed the maximum aid ratio calculated for the eligible costs or the maximum aid amount (max. 100% of eligible costs).

The amendment is proposed to take effect on the date of its announcement. We will follow the progress of this amendment closely and keep you informed in the next editions of our Newsletter.

4. Extension of issuance and validity of qualified certificates for a recognized method of authorization until December 31, 2024

On October 17, 2023, an updated interpretative opinion on the application of the Decree of the Ministry of Investments, Regional Development and Informatisation of the Slovak Republic No. 511/2022 Coll. on Recognised Methods of Authorisation was published. The above opinion allows the use of an ID card or a residence document with a chip issued until June 20, 2021, for valid authorization in the form of an electronic signature even after December 31, 2023, without the need to replace the document.

In order to extend the possibility of using the ID card issued until June 20, 2021, it is necessary to download a new certificate for the recognized authorization method through the eID client application (version 4.4.), which will replace the old document. According to the information of the Central Administration Portal, this is only a temporary solution, as new certificates are currently being issued with validity until December 31, 2024 (the validity of certificates issued before October 11, 2023, expires on December 31, 2023) only.

The eID client application in its current version will automatically notify the user when the certificate is about to expire.

5. Amendment to the VAT Act – new wording of the draft law

In the previous edition of our Newsletter, we already informed you about the amendment to Act No. 222/2004 Coll. on Value Added Tax (hereinafter referred to as the "Amendment"). The Amendment has undergone an interdepartmental comment procedure, which has brought several changes compared to the original version.

Here are some of the most important changes:

- **Registration obligation of domestic taxpayers** – the original draft of the Amendment increased the turnover threshold from the current EUR 49,790 to EUR 50,000. In addition to the original draft, a new, higher threshold of EUR 62,500 has been introduced. If the taxpayer's turnover exceeds EUR 50,000 in a given calendar year, they become a VAT payer as of January 1 of the following calendar year. If their turnover reaches the limit for the higher threshold, they will become a taxpayer as soon as the amount of EUR 62,500 is reached. If a tax entity applies for registration on the grounds of reaching the lower threshold of EUR 50,000 and a significant change occurs before the end of the calendar year which makes the tax entity a taxpayer with immediate effect, the tax entity is obliged to immediately notify the tax office accordingly.

  The National Council of the Slovak Republic has also received a parliamentary proposal to increase the turnover threshold for VAT registration to as much as EUR 75,000, which, according to the submitters, should reduce the administrative burden for small entrepreneurs.

The time limit for submitting an application for registration is also extended from 5 calendar days to 5 working days, starting from the day when the turnover was exceeded or when the taxable person became a taxpayer based on another title. The same time limit for filing an application for registration should also apply to foreign taxpayers for whom the time limit was originally set to immediately.

- **Delayed VAT registration** – a definition is introduced for a taxpayer who has not fulfilled their registration obligation under Section 4 or Section 5 of the VAT Act or where this registration has been delayed. This also applies to a taxpayer who has not complied with the notification obligation due to reaching the lower threshold, if a significant change occurs before the end of the year which makes them a taxpayer immediately.

- **Exemption from tax** – the Amendment adds that the acquisition of goods from another EU Member State is not subject to tax if the acquirer is a non-taxable person who is entitled to a tax refund (tax refund to persons using international privileges and immunities).

- **Tax return** – domestic taxpayers will not be obliged to file a VAT return if they only carry out transactions that are exempt from tax under Sections 28 to 42 of the VAT Act (e.g. financial or insurance services) during the tax period.

The entry into force of the Amendment has been postponed after the interdepartmental comment procedure, with most of the provisions expected to take effect as of January 1, 2025.

6. Newsflash

Among other things, the following is new on the international tax scene:

- In October 2023, the DAC8 Directive was adopted by the Council of the EU to strengthen administrative cooperation between the tax administrations of EU Member States. The main changes relate to the notification and automatic exchange of information on the proceeds of crypto-asset transactions, as well as the exchange of binding tax opinions across borders relating to wealthy individuals.

- The European Commission has published draft directives governing corporate income taxation in Europe. These are the BEFIT Directive, which regulates the taxation of the income of multinational companies based on a common tax base, and the European Union Transfer Pricing Directive, which proposes harmonized transfer pricing rules and harmonized transfer pricing documentation within the EU.

- In October 2023, the OECD published the text of a new multilateral convention to implement Part A of Pillar 1, which addresses the tax challenges arising from the digitization and globalization of the economy.

We will monitor the further development and direction of these guidelines and inform you accordingly in future editions of our Newsletter.

Among other things, the following is new on the Slovak tax scene:

- The Financial Administration of the Slovak Republic (the "FA SR") has published information on the amount of assigned taxes (between 1% and 3% of the tax paid) for the third sector from the income tax returns filed for 2022. The amount of tax remitted increased by approximately EUR 12 million, compared to the 2021 tax period, to almost EUR 94 million, which is not the final amount as the FA SR has not yet processed all the remittance declarations.

7. Draft amendment to accounting policies

The Ministry of Finance of the Slovak Republic has published preliminary information on the draft measure amending and supplementing the measure of the Ministry of Finance of the Slovak Republic No. 23054/2002-92 establishing details on accounting procedures and the framework chart of accounts for entrepreneurs applying in the double-entry bookkeeping system (accounting procedures).

The aim of the proposal is to align the terminology of the accounting procedures with the new Act on the transformation of companies and cooperatives since the current text of the accounting procedures uses terms and legal concepts that have been established in the Commercial Code only. In connection with this change, there is also a plan to supplement the accounting procedure for the new secession instrument.

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Best regards,

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