



## NEWSLETTER 1/2024

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

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### 1. Overview of adopted changes in the Income Tax Act and the VAT Act from 1 January 2024

#### VAT changes adopted

On 19 December 2023, the National Council of the Slovak Republic approved an amendment to the Value Added Tax Act (Act No. 315/2023 Coll.), in order to improve the state of public finances. Below are the main changes:

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Changes effective from 1 January 2024:

- The reduced VAT rate of 10% will no longer apply to the serving of alcoholic beverages in the context of the provision of restaurant and catering services.

Changes effective from 1 March 2024 in connection with the amendment to the Act on Transformations of Business Companies:

- tax registration obligation of a domestic person – successor company in the event of a company division by spin-off or cross-border spin-off;
- registration obligation of a foreign person in the event of a dissolution without liquidation, a company division by spin-off or cross-border spin-off;
- specifying and supplementing the rules on the sale of a business;
- specification of the notification obligation for a taxpayer, that has been divided by spin-off or cross-border spin-off, on the VAT relating to the adjustment of the tax deducted on the transfer of investment assets; tax liability in the last tax period on the termination of the taxpayer without liquidation.

#### Income tax changes adopted

In previous issues of our Newsletter we had informed you about the changes in the Income Tax Act adopted in June 2023 with effect from 1 January 2024. However, on 19 December 2023, the National Council of the



Slovak Republic approved an amendment to the Income Tax Act, which introduces new changes and at the same time amends the previous amendment.

Below is an overview of the new changes applicable and effective from 1 January 2024:

- increasing the threshold of taxable income for a micro-taxpayer for applying the 15% tax rate to EUR 60,000, to be applied for the first time for the 2024 tax period;
- exemption from income tax of non-cash benefits acquired by an employee or taxpayer with income from business and other self-employment in the form of employee shares and business shares;
- increasing the tax rate for dividends received by individuals from 7% to 10%;
- extending the scope of legal forms of taxpayers not established for business that can claim the income exemption from so-called charitable advertising, while increasing the exemption amount from EUR 20,000 to EUR 30,000 at the same time;
- introduction of a minimum corporate income tax, the amount of which is derived from the achieved taxable income of the taxpayer as follows:
  - if the taxpayer has achieved, during the tax period,
    - income not exceeding EUR 50,000 - minimum tax of EUR 340,
    - income exceeding EUR 50,000 and not exceeding EUR 250,000 - minimum tax of EUR 960,
    - income exceeding EUR 250,000 and not exceeding EUR 500,000 - minimum tax of EUR 1,920,
    - income exceeding EUR 500,000 - minimum tax of EUR 3,840.

Overview of the most significant changes in the Income Tax Act, which have been repealed by this amendment and therefore will not take effect as of 1 January 2024:

- all changes related to the taxation of cryptocurrencies (i.e. the 7% rate after the time test, the exemption for exchanging virtual currency, the non-payment of health levies, etc.) are repealed;
- tax exemption is repealed for income from unit certificates obtained by their payout (return) after 3 years from their issue date;
- tax exemption is repealed for income from the sale of securities that are not admitted to trading on a regulated market, after 3 years from their acquisition;
- tax exemption is repealed for income from the sale of a business share in case of an individual after 3 years from the acquisition of the share.

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## 2. Extraordinary investment aid

In our previous Newsletter, we had informed you about the draft amendment to Act No. 57/2018 Coll., on Regional Investment Aid, which was approved on 13 February 2024 in the presented version.

Following this amendment, the Ministry of Economy of the Slovak Republic submitted a proposal for modification of the Government Regulation laying down the conditions for granting investment aid, the maximum intensity of investment aid and the maximum amount of investment aid. In particular, the intention is to use the European Union's (EU) temporary crisis framework for accelerated support in sectors strategic for the transition to a climate-neutral economy. The draft Government Regulation modifies the maximum intensity as well as the maximum amount of investment aid for an investment plan with eligible costs above EUR 50 million. The amount of the maximum aid depends on the size of the applicant's business, the location where the investment plan is to be carried out, and the form of the investment aid requested. Investment aid in the form of tax relief is favoured. In cases where investment aid is subject to notification to the European



Commission, the threshold of eligible costs will be reduced.

Furthermore, it is proposed to change the regional aid map for Slovakia and to divide the districts into zones M1 (districts of western, central and eastern Slovakia) and M2 (districts of the Bratislava Region) for the purpose of extraordinary investment aid in sectors strategic for the transition to a climate-neutral economy. At the same time, it will be possible to increase the maximum amount and the maximum intensity of the extraordinary investment aid up to the amount that could be demonstrably granted to the beneficiary for an equivalent investment in a third country outside the European Economic Area.

Among the sectors in which investment plans may be supported by extraordinary investment aid are those focusing on:

- production of batteries, solar panels, wind turbines, heat pumps, electrolyzers and carbon dioxide capture and storage equipment,
- production of key components designed and primarily used as a direct input to production according to the previous point and listed in the Annex to the Government Regulation,
- production or recovery of critical raw materials necessary for the production of the products according to the points above and listed in Annex IV to EU Regulation No. 651/2014.

The effective date of the modification of the Government Regulation is proposed to be the date of its promulgation.

### 3. The Top-up Tax Act has been approved

In the third edition of the Newsletter in 2023, we had informed you regarding the government's draft Act relating to the introduction of the top-up tax at the level of 15% to ensure a minimum level of taxation for multinational enterprise groups and domestic groups (hereinafter referred to as the "Act"). On 8 December 2023, the draft Act was approved by the Members of the National Council of the Slovak Republic and the approved version of the Act took effect on 31 December 2023.

In this edition of the Newsletter, we would like to draw your attention to some additional information and to the changes that were approved by the National Council of the Slovak Republic compared to the previous version, which we had reported on in the third edition of our Newsletter.

The taxpayer is obliged to electronically submit a notification with information for the determination of the top-up tax (hereinafter referred to as the "Notification") as well as the tax return no later than 15 months (originally 13 months) after the end of the relevant tax period, and the top-up tax is due within the same time limit. During the transitional period, i.e. the first accounting period in which the group is in the scope of application of the Top-up Tax Act, the time limit shall be extended by three calendar months, i.e. to 18 months.

The taxpayer is not required to file the Notification if the mandatory information has already been filed by the ultimate parent entity or a designated entity located in a state with which the Slovak Republic has an effective



qualified agreement of competent authorities. In this case, the taxpayer is only obliged to electronically report, within the time limit for filing the Notification, the identifying data of the ultimate parent entity or a designated filing entity, and the state in which it is located.

If the ultimate parent entity is located in the Slovak Republic, it is obliged to entrust a designated filing entity in another EU Member State or in a state with which the Slovak Republic has a qualified agreement of competent authorities effective during the notification period, and to provide it with the information necessary to calculate the top-up tax. In this case, the ultimate parent entity is obliged to electronically report to the tax administrator, within the time limit for filing the Notification, the identification data of the designated filing entity, and the state in which it is located.

According to the explanatory memorandum to the approved version of the Act, the Act applies to accounting periods beginning from 31 December 2023, i.e. the first period analysed will be the accounting period beginning after 31 December 2023, i.e. calendar year 2024.

#### **4. Sending out a notification of a change in the tax reliability index**

After the expiry of the assessment period (calendar half-year as of 31 December 2023), the tax office again announced changes to a well-known incentive tool, i.e. the tax reliability index for tax entities.

Tax reliability index notifications were sent by 31 January 2024 to tax entities that had become rated due to the expiration of two years from the end of the year in which the tax entities had been registered for income tax, and to those tax entities that had been previously sent a tax reliability index notification and, at the same time, whose tax reliability index had changed (improved or worsened) or that had become unrated.

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#### **5. Extension of the scope of regulated persons for the purposes of the special levy on business in regulated sectors from 31 December 2023**

Following the adopted act, which aims at improving the state of public finances, new changes in Act No. 235/2012 Coll., on the Special Levy on Business in Regulated Sectors, are also effective from 31 December 2023.

The most significant change is the expansion of the scope of regulated persons. A regulated person becomes a person or an organisational unit of a foreign person with any authorisation to carry out an activity issued or granted by the National Bank of Slovakia (NBS). This means that in addition to insurance and reinsurance companies, the special levy on business in regulated sectors will newly also apply to e.g. financial agents, consumer credit providers, collective investment funds, asset management companies and others.

A regulated person shall be obliged to pay the levy if its economic result or forecast economic result (the



difference between income and expenditure if it accounts in the simple accounting system) reaches at least EUR 3,000,000.

If a person or an organisational unit of a foreign person has, as of 1 January 2024, an authorisation to carry out an activity or a permission issued in another EU Member State and in a state that is a contracting party to the Agreement on the European Economic Area (EEA), it is also obliged to pay the special levy on business, specifically if:

- it anticipates carrying out its activities for the whole of the levy period; and at the same time
- its economic result, or an estimate of its forecast economic result (the difference between income and expenditure if it accounts in the simple accounting system), reaches at least EUR 3,000,000 for the immediately preceding accounting period before 1 January 2024. The immediately preceding accounting period is deemed to be the period for which the obligation to draw up regular financial statements and submit them together with the tax return by 31 December 2023 has arisen.

In addition to the above changes, new rates of the special levy on business are set for 2024:

- for regulated persons carrying out banking activities, the levy rate is 0.025 (this rate will be gradually decreased over the period 2025 to 2027);
- for other regulated persons, the levy rate is 0.00363.

## 6. Tax bonus on the increase in the housing loan instalment paid for 2023

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With effect from 1 January 2024, the possibility of applying tax benefits from the increase of the paid instalment of a housing loan due to an increase in interest was added in Act No. 595/2003 Coll., on Income Tax (hereinafter referred to as the "Income Tax Act"). A taxpayer who does not claim the tax bonus on interests paid for 2023, can claim the tax bonus on the increase in the loan repayment paid. The taxpayer can claim the tax bonus through the annual settlement of advance tax payments on income from employment or by filing a personal income tax return.

The state will reimburse the taxpayer up to 75% of the difference between the lower average annual instalment paid in 2022 and the higher annual instalment paid in 2023, up to a maximum of EUR 1,800 per year. However, the taxpayer's monthly income must not exceed 1.6 times the average monthly salary of an employee for 2022, i.e. EUR 2,086.40. A taxpayer claiming the tax bonus on the increase in the instalment paid does not have to meet the age condition, as is the case for the tax bonus on interest paid.

The aid in the form of the tax bonus on the increase in the loan instalment paid will also be available for loans that have been refinanced in the past, but subject to other conditions (date of refinancing and purpose of the loan as stated in the loan agreement).



## 7. Fight against money laundering

Back in 2021, the European Commission had proposed a package of legislative proposals to improve and strengthen EU rules on anti-money laundering and combating the financing of terrorism. The main objective of the agreement is to protect both citizens and the EU financial system from money laundering and terrorism financing by improving the way national systems are organised and cooperate in this area. The agreement will, for the first time, fully harmonise anti-money laundering rules across the EU.

On 18 January 2024, the European Parliament and the European Council reached a preliminary agreement on a package of anti-money laundering measures. The agreed rules set a maximum cash payment limit of EUR 10,000 as well as the establishment of a new institute to monitor, support and coordinate EU rules within individual Member States. The agreement will ensure that the cryptocurrency sector, the luxury goods sector and also professional football clubs will be obliged to monitor their customers with transaction monitoring and suspicious activity reporting.

For the agreement to enter into force, it must be formally voted on by the representatives of the individual member states and the European Parliament.

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Best regards,

Your TPA team.

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