

Slovensko

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1. “Domestic reverse-charge” for construction work from 01.01.2016

With the aim of addressing the adverse economic situation regarding the insolvency of customers while eliminating tax fraud in the construction sector, the Ministry of Finance of the Slovak Republic proposes the introduction of VAT obligation in construction work on the recipient of work (i.e. “Domestic reverse-charge”).

Domestic reverse-charge should be applied to transactions between taxable persons doing business in the construction sector, specifically in

- supplying construction work,
- supplying buildings or parts thereof on the basis of a contract for a piece of work or another similar contract,
- delivery of goods with assembly or installation, if the assembly or installation is construction work.

2. More detailed reporting of data in a control report

Due to the discovery of VAT refund fraud as part of the checks carried out by the financial administration, businesses will include in their control report data on trading partners from whom they made purchases in cash, in greater detail than currently.

3. Extraordinary financial statements in 2015

Under the current Law on Accounting, all businesses, cooperatives and other selected accounting entities that use the calendar year as their accounting period, were divided for the first time on 31.12.2014 by their size into micro, small or large accounting entities.

Entities that under the law valid until 31.12.2014 decided, that will not consider themselves as micro entities, from 1.1.2015 will be considered to be small entities. The classification of accounting entities has implications for the proper selection of the form to use for Financial statements. To date, businesses using double-entry bookkeeping use two forms, namely one for micro-entities and the second – common for small and large entities. On the form for small and large entities, the type of accounting entity is left blank on Financial statements up to 31.12.2014, this data must be filled in for the first time in 2015 and therefore it must be indicated in extraordinary Financial statements compiled up to a date in the year 2015.

4. Adjustment of the tax base is a greater risk than a fine for absence of documentation for transfer pricing

The financial administration is gradually strengthening the department of inspectors focused on transfer pricing. The result is a growing number of inspections, taxes additionally assessed and fines imposed. This can be attested to by 11 taxpayers, who saw their tax base increase by 26 million euros due to incorrectly set transfer pricing.

Failure to maintain documentation for transfer pricing is an administrative offence. The fine for the administrative offence is from 60 euros to 3 000 euros. The amount of the fine is at the discretion of the tax authorities on the understanding that the tax authorities determine the amount of the fine taking into account the severity, duration and consequences of illegal situation. A fine may also be imposed repeatedly if imposing it did not lead to rectification and the illegal situation continues.

Adjustment of the tax base of a dependent entity within the territory of the Slovak Republic may be performed by the tax administrator, as the tax base also includes the margin by which the prices in mutual trade relations between dependent entities, including prices for services, loans and credit differ from the prices used between independent parties in comparable trade relations if the difference reduces the tax base or increases the tax loss.

The financial administration has not published the key which it will use to select taxpayers for the control of transfer pricing. The main parameters the financial administration could use to select are easy to illustrate. Some examples are shown below:

- Most of your transactions take place with related parties abroad/domestically.
- Your sales prices are at a level lower than market prices in the same industry for no apparent reason.
- Your purchase prices are at a level higher than the market prices in the same industry for no apparent reason.
- You pay fees for services you do not make use of to an extent corresponding to the fee.
- You pay fees for the use of different types of intangible assets (e.g. license fee), where you do not make use of it to an extent corresponding to the fee.
- You use tax concessions on income tax or use other investment incentives provided from the state budget.
- You have deducted tax losses in excess of 300 000 euros, or in two consecutive tax periods you deducted tax losses from the tax base exceeding the sum of 400 000 euros.

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Best regards,
Your TPA Horwath team

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