



I. Autumn amendments to the tax laws

In the course of September 2015 the Slovak Parliament enacted traditional autumn tax law amendments with scheduled entry into force mainly on 1 January 2016. We summarize selected points from the approved amendments which have been already published in the Collection of Laws.

1. VAT Act

1.1 Special scheme on accounting for VAT on a cash basis

The VAT Cash Accounting Scheme was implemented in the Slovak VAT Act. This special scheme will allow the taxpayers to pay VAT when they receive payment from their customers. Special scheme can be applied on a voluntary basis by the suppliers – taxpayers who fulfill specified conditions. For the taxpayer to be allowed to join the scheme, its annual turnover must be less than EUR 100 thousand.

If the supplier applies the VAT Cash Accounting Scheme, it will impact its customers too: the customers will become entitled to deduct VAT from goods and services received on the same day as the tax liability arises to the supplier, i.e. when they pay the supplier for goods or services.

The amended VAT law lays down a series of obligations which the concerned entities must meet upon application of the special scheme, e.g. obligation to notify the tax authorities about the commencement (as well as about the termination) of the application of the VAT Cash Accounting Scheme (using a prescribed template form), obligation to indicate special information in each invoice, etc. The Finance Directorate of the Slovak Republic will be publishing a list of taxpayers who announced commencement or termination of the application of the VAT Cash Accounting Scheme.

Who will be the most affected by this change?

Businesses – VAT payers with annual turnover of less than EUR 100 thousand and their customers. The special scheme will require changes in the setup of IT systems and processes connected with VAT agenda: both for businesses applying the special scheme and their customers.

1.2 Application of the reverse charge procedure

The VAT Act amendment broadens the scope of application of the reverse charge procedure to the following supplies:

Civil engineering work, supply of a structure or a part thereof on the basis of a contract for work or similar contract, supply of goods with assembly and installation (where assembly and installation are classified under section F of the Classification of Products – *Constructions and civil engineering work*). The amendment implements domestic reverse charge procedure in order to improve economic situation regarding insolvency and eliminate tax avoidance in the construction sector.

Supplies of goods by a taxable person non-established in Slovakia (except for distance sales) to a customer – taxable person established in Slovakia. So far the reverse charge procedure has been applied only to supplies of goods by a non-established person (to an established customer) where the supply was connected with assembly and installation.



A practical consequence of the amendment will be the limitation of the right of foreign entities trading with goods in Slovakia to claim their Slovak input VAT via VAT returns filed in Slovakia. This is due to the fact that output supplies of the foreign entities will no longer give rise to a payment of VAT as this obligation will be transferred to the customer. The foreign entities will thus need to have recourse to non-resident VAT refund claims.

Who will be the most affected by this change?

Businesses – customers of building companies, real estate sector, foreign non-established entities trading with goods in Slovakia.

1.3 Changes in the VAT ledger – requirement for a more detailed information on simplified invoices

The VAT Act amendment brings additional administrative burdens for simplified invoices (such as cash register bills): if the VAT deducted from such invoices is in aggregate EUR 3,000 or more for a single VAT period, the VAT payer will have to show a break-down of the deducted VAT according to particular suppliers in its VAT ledger. The entry into force of the respective law provision is set on 1 April 2016.

Who will be the most affected by this change?

Businesses who have in the particular VAT period simplified invoices with deducted VAT amounting in aggregate to TEUR 3 and more, being an equivalent of purchases with a VAT base in the amount of TEUR 15 and more (when using the standard VAT rate of 20 %). The change will require adjustments of processes connected with preparation of the VAT ledger.

1.4 Other changes

The approved VAT Act amendment introduces other changes such as

- Abolition of the obligation to provide a deposit to the tax authorities upon VAT registration for taxable persons who are undertaking preparatory activities for their business;
- VAT incurred on services prior to VAT registration will be in general eligible for deduction upon VAT registration;
- Introduction of a time limit for the commencement of a tax audit upon belated VAT registration: the VAT audit will have to start within 30 days of the date on which the VAT return for the pre-registration period was filed;

- Easing of conditions for claiming accelerated refund of excessive VAT deductions: the tax authorities will tolerate the aggregate amount of arrears of up to EUR 1 000 for the period of last 6 months;
- Fund administration services - related to administration of mutual funds, pension funds or supplementary pension funds - will be listed among VAT exempt services regardless of the license of the entity supplying the services;
- Decrease of VAT rate applicable to selected food items from 20 % to 10 %.

[Amendment to the VAT Act in the website of the Slovak Parliament](#)



2. Income Tax Act (ITA)

The rules for taxation of income of individuals and entities are being amended by the Amendment to the Income Tax Act (ITA) which has been already published in the Collection of Laws. The Amendment is in general effective from 1 January 2016; however, selected amended provisions should be relevant already for the 2015 tax returns *.

2.1 Which amendments will be the most relevant already for the 2015 tax returns of sole proprietors and corporate businesses?

- Expenses on advisory and legal services are tax deductible subject to their actual payment. The amendment makes it clear that this condition relates to services classified under codes 69.1 a 69.120 of the Statistical Classification of Products. Expenses incurred on services such as bookkeeping, payroll or tax advisory will therefore be tax deductible in the period in which they are actually paid. A detailed list of services falling under the above codes can be found in the website of the Statistical Office of the Slovak Republic > menu Metadata > submenu Code lists;
- Expenses on the acquisition of certificates and standards can be included in the tax base one-off if their input price is higher than EUR 2 400;
- Landlords renting out their property only partly or only for a portion of the tax period will have to recalculate the amount of depreciation charges included in their tax-deductible expenses proportionally based on the extent and duration of the rental of these assets;
- Tenants of multifunctional buildings will classify technical improvement depreciated by them to the depreciation group based on the purpose for which they use the property (i.e. not based on the prevailing purpose of use of the whole building by the landlord);



- A limitation on the tax residual value of technical improvement financed by tenants of leased premises included in the sixth depreciation group (e.g. administrative buildings) should be cancelled;
- Creditors will be in a position to include expenses on provisions against appurtenances to receivables (i.e. late payment interest, fees and other expenses arising due to the late payment of receivables) and expenses incurred upon write-off of appurtenances to receivables in their tax base (conditions apply);
- Expenses arising upon assignment of receivables will have to be tested for tax deductibility separately for the respective receivables and appurtenances to receivables.

* Tax returns filed after 31 December 2015

2.2 Overview of other important changes in income taxation effective from 1 January 2016:



- The tax authorities may ask the taxpayer for submission of the transfer pricing documentation on the first day following the tax return filing deadline for the respective tax period at the earliest;
- More precise rules were implemented regarding the process of approval of transfer pricing method by the tax authorities, i.e. regarding advance pricing agreements ("APA"). If the value of related party transactions is significant, an APA may provide more comfort for taxpayers in the area of transfer pricing which currently affects both foreign and domestic related parties. A transfer pricing documentation must be enclosed to the request for an APA;
- Tax treatment of transactions by operation of which the taxpayer will acquire dividends (share on profits) will have to pass a test of so-called "sound business reasons";
- Valuation of financial assets for tax purposes will be separately regulated: changes in law may affect structuring of certain transactions;

- Taxation rules in respect of income of health care providers, the employees of health care providers and health care workers are being amended. We are closely following trends in this area and [will gladly send you an overview of the respective changes upon request](#);
- Changes in tax deductibility rules concerning technical reserves of insurance companies and reinsurance companies were adopted.

[ITA Amendment in the website of the Slovak Parliament](#)

3. Amendment to the Tax Procedures Code

The amendment to the Tax Procedures Code takes effect on 1 January 2016 (with some exceptions and transitional provisions). It introduces inter alia the following:

- system of penalties taking into account time factor upon supplementary tax return and assessment of correct amount of tax,
- possibility to file a supplementary tax return after commencement of a tax audit within the period of 15 days; in exchange for filing of such a supplementary tax return, the taxpayer will be imposed a lower amount of penalty compared to what the tax authorities would impose on the basis of tax audit results,
- absorption principle: the tax administrator will be entitled to impose an aggregate penalty according to a law provision setting forth the most severe penalty; this could be the case if the taxpayer commits several administrative offences of the same kind in the same area of administrative law.

Who will be affected by the changes? Any taxable entity who incorrectly declared tax or made a mistake upon fulfilment of its tax obligations.

[Amendment to the Tax Procedure Code on the website of the Slovak Parliament](#)

II. Public guidance to motor vehicles provided to employees for business and private purposes

At the beginning of October 2015, the Finance Directorate of the Slovak Republic (**FDSR**) released a public guidance to application of the law provisions of the Income Tax Act (**ITA**) dealing with motor vehicles provided to employees for both business and private purposes.

The employer must ensure that this car benefit should be subject to personal income tax. The value of the employee benefit is determined by the law as 1 % of the acquisition costs, or decreased acquisition costs of the car.



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FDSR asserted in its guidance that the costs connected with acquisition, technical improvement, operation, repair and maintenance of such motor vehicles are tax deductible in full amount. According to FDSR fuel costs relating to such cars cannot be treated as costs which are deductible in full.

FDSR claims that fuel costs must be treated according to special law provision of the ITA which pre-supposes partial reduction of tax deductible fuel costs by one of the methods selected by the taxpayer.

[Guidance on the website of FDSR](#)

Who should be interested by the guidance?

Businesses, employers who provide their employees with a motor vehicle for business and private purposes. We would recommend reviewing and potentially re-assessing the tax treatment of costs connected with motor vehicles provided to employees for both business and private purposes to align the tax treatment with the guidance published by FDSR.

III. Overview of other selected legislative changes

Regulation	Follow the legislative process
Act approved on 22 September 2015 which changes and supplements Act no. 106/2004 Coll. on Excise Tax on Tobacco Products and which changes and supplements Act no. 377/2004 Coll. on Protection of Non-Smokers	
Act approved on 22 September 2015 which changes and supplements Act no. 530/2011 Coll. on Excise Tax on Alcoholic Drinks	
Methodological Guidance of FDSR on the change in VAT registration of taxable persons	
Act approved on 18 September 2015 which changes and supplements Act no. 118/1996 Coll. on Protection of Deposits	
Act approved on 22 September 2015 on Register of Legal Entities, Entrepreneurs and Public Authorities	
Act approved on 22 September 2015 which changes and supplements Act no. 351/2011 Coll. on Electronic Communications	
Act approved on 18 September 2015 which supplements Act no. 592/2006 Coll. on Provision of Christmas Contribution to Certain Recipients of Pensions	
Act approved on 22 September 2015 on Administrators of Flat Houses and on the change and supplementing of Act no. 182/1993 Coll. on Ownership of Flats and Non-Flat Premises	

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