Tax&Legal Highlights

Slovakia

Draft Changes to the Income Tax Act

The Ministry of Finance of the Slovak Republic (the "MF SR") presented a draft amendment to the Income Tax Act, which primarily introduces changes in the following areas:

R&D expenses – an increased deduction of R&D expenses from the original 100% to 150% for the 2019 taxation period and to 200% for subsequent taxation periods.

Receivables – conditions for the tax deductibility of the creation of provisions, write-off or assignment of receivables, and the time when the receivables become time-barred, will not be assessed as at the date they are written off, assigned or the date of creation of a provision, but as at the last day of the taxation period in which they occurred. In this regard, a receivable is not considered time-barred if it was not time-barred for at least one calendar day of the relevant taxation period.

Expenses subject to the obligation of payment – contractual penalties, late payment fees and default interest are to be considered tax deductible after a period in which they were assessed as tax non-deductible only after payment. It is also proposed to include flat-rate compensation for costs related to exercising a claim from a debtor and severance payments for beneficiaries in the amended Article 17 (19) (g) as tax deductible expenses after payment, which would expand this group of tax expenses. For fees and commissions for mediation, taxable persons will no longer have to monitor their deductibility limitations as the previous limitation of 20% of a mediated transaction is cancelled. In this group of expenses, it is also proposed to extend the definition of consulting services to include corporate governance and business management consulting services according to codes of Statistical Classification of Products by Activity: 70.1 and 70.22.1.

Micro-taxable persons – it is proposed to introduce a new category of a "micro-taxable person". A micro-taxable person will be a taxable person, a natural person, who generates income from business activities and other self-employed activities, where the amount of such income does not exceed the amount set for the purposes of VAT registration for a taxation period (currently EUR 49 790). A micro-taxable person will also be a legal entity whose income for the relevant taxation period is capped at EUR 49 790 inclusive (related parties cannot be considered micro-taxable persons). The amendment proposes various tax reliefs for this taxable person group.

Tax losses – it is proposed to extend the period for carrying forward tax losses to five years, and it will be possible to carry them forward for up to 50% in the first year. Special rules for carrying forward tax losses were proposed for micro-taxable persons.

In-kind benefits – other changes relate to employees, eg with regards to exemption of their in-kind benefits. Due to the reduction of the administrative burden, these benefits are exempt up to EUR 500 if they represent tax non-deductible expenses for the employer. These in-kind benefits include teambuilding events and corporate parties, and the amount of exemption of such benefits for an employee is the total for all employers for the taxation period.

The full wording of the draft amendment to the Act can be found here:

https://www.slov-lex.sk/legislativne-procesy/SK/LP/2019/329

Contact Details

Valéria Morťaníková
Senior Manager, Tax&Legal
e-mail: vmortanikova@deloitteCE.com

New VAT Rules

In connection with an amendment to the VAT Directive of December 2018, the Ministry of Finance of the Slovak Republic submitted a draft amendment to the VAT Act for interdepartmental comments. It will become effective on 1 January 2020 after its approval. The draft act is intended to simplify and harmonise rules in selected areas of EU cross-border trade. Proposed changes to the VAT Act include:

- Facilitation of call-off-stock;
- Harmonised rules for chain stores;
- Changes to the conditions for exemption of the supply of goods to another Member State;
- Supplementation to tax exemptions for transactions with crude oil and mineral oils.

Contact Details

Ivana Dvořáková
Manager, Tax
e-mail: idvorakova@deloitteCE.com

Read more