



## Tax&Legal Highlights

### Slovakia

#### [Information on the Amendment to Act No. 595/2003 Coll. on Income Tax, as Amended](#)

The Financial Directorate of the Slovak Republic published information on the amendment to the Income Tax Act.

**The Income Tax Act was amended with effect from 1 January 2018 and the most significant changes for individuals are as follows:**

- The definition of a taxable person with an unlimited tax liability was extended to include an individual residing in the Slovak Republic. An individual is considered to reside in the Slovak Republic if they have available accommodation which is not only for occasional use, and the individual's intention to remain permanently in the given place of residence is apparent, taking into account all related facts and circumstances, including the individual's personal and economic ties to the Slovak Republic.
- There was an amendment to the taxation of employee transport to and from the place of work if the transport is arranged by an

employer. Such an in-kind consideration provided by the employer to its employees is subject to tax in the amount of the difference between the costs documentably incurred by the employer and the amount paid by the employee to the employer for the transport provided. The rate is either 60% or 30% of the costs documentably incurred by the employer (after meeting statutory conditions).

- 60% if the total payment from employees is lower than 60%.
- 30% of the amount of costs documentably by the employer where the predominant activity is multi-shift production and the transport mode is used by at least 30% of the total average number of employees.
- The employer must use motor vehicles classified under the Product Classification code 29.10.3, which covers motor vehicles for the transport of ten or more people (buses), excluding trolleybuses and electric buses.
- For individuals – healthcare providers, in-kind benefits provided by a holder in the form of the value of a meal provided at a professional event intended exclusively for educational purposes are tax exempt. The value of accommodation and transport is not considered as participation in continuous education. Such in-kind consideration will be fully tax exempt from 1 January 2018.

**The most significant changes in the corporate income tax introduced by the amendment to the ITA with effect from 1 January 2018 are:**

- There were significant changes in business combinations (in-kind contributions, mergers by acquisition, mergers by formation of a new company, or divisions of companies or cooperatives). Domestic business combinations will only be possible at fair value for tax purposes as of 1 January 2018.
- The amendment introduces exit tax, ie tax levied when a taxable person's assets are transferred abroad (eg when assets are transferred from Slovakia to a permanent establishment abroad), or when a taxable person leaves Slovakia or relocates their business activities abroad.
- An additional deduction of R&D expenses (costs) under Article 30c of the ITA has been increased from 25% to 100%. In addition to the 100% additional deduction, a 100% increment in R&D expenses (costs) may also be deducted in aggregate for all R&D projects, and the amendment provides for the calculation of such an increment.

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## Amendments to the Value Added Tax Act

**Act No. 334/2017, amending the VAT Act, was published in the Collection of Acts of the Slovak Republic on 23 December 2017. The amendments to the VAT Act are effective from 1 January 2018.**

In connection with the approved amendment to the VAT Act, the official bulletin of the Slovak Ministry of Finance published a new VAT return template and updated guidance on its completion. Updated guidance on the completion of the VAT transactions statement was also published.

In connection with the approved amendment to the VAT Act, the Financial Directorate of the Slovak Republic published several updated methodological instructions and guidelines:

- **Methodological instruction on tax deduction under Article 49a and on the adjustment of deducted tax under Article 54a of the VAT Act and methodological instruction on the adjustment of deducted tax for non-current assets under Article 54 of the VAT Act** – non-current assets includes structures other than buildings, and the new definition of non-current assets only applies to a structure other than building if the payer deducts VAT from such a structure after 31 December 2017.
- **Methodological instruction for invoicing under the VAT Act** – contains new information on appointing a tax representative under Article 69aa of the VAT Act, and issuing a summary invoice for rent and supplies of electricity, gas, water and heat and information on simplified invoices. Explanatory Notes to the VAT Invoicing Rules were republished with methodological instruction.
- **Methodological instruction on the transfer of a tax liability when supplying construction work** under Article 69 (12) (j) of the VAT Act – the change only concerns general information about goods and services where the domestic transfer of a tax liability is applied to the recipient of the supply, ie responds to the cancellation of the tax base limit of EUR 5 000 specified on an invoice for the supply of selected agricultural crops and metals such as iron and steel and articles from such metals.
- **Methodical instruction on the filing of EC Sales Lists under Article 80 of the VAT Act** – reflects the changes to the filing of the EC Sales List by persons registered under Article 7 and Article 7a of the VAT Act. In connection with the amendment to the VAT Act, new guidance on the completion of the EC Sales List will be published. The EC Sales List template will remain unchanged.
- **Guidance on a Tax Authority's Proceedings on a VAT Refund in the Event of a Notice to Remedy Deficiencies in a Filed Tax Return, Amended Tax Return, VAT Transactions Statement and Additional VAT Transactions Statement after 1 January 2018** – the guidance is updated due to a change in Article 68a of Act No. 563/2009 Coll. on Tax Administration (the Tax Code), valid from 1 January 2018.

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## OECD Transfer Pricing Country Profiles – the Slovak Republic

As we informed in [Deloitte News December 2017](#), the OECD has updated several transfer pricing country profiles, prepared by tax authorities of the respective countries, including the Slovak Republic.

It examines current legislation and describes to what extent laws comply with OECD Transfer Pricing Guidelines.

### **We would like to draw attention to the following published information:**

- With respect to the benchmark analysis, Slovak tax authorities prefer to use domestic comparable companies to foreign ones. If domestic comparable companies cannot be used, the taxable person may use the data of foreign companies.
- Slovak tax authorities do not use any “secret comparables” in the transfer pricing process, ie data not accessible to taxable persons (eg obtained by tax authorities during a tax audit).
- The Slovak Republic applies the principles outlined in OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (hereinafter the “OECD TP Guidelines”) to the pricing of intragroup transactions, in addition to the approach stated in Section D.2 Simplified determination of arm’s length charges for low value-adding intra-group services.
- The tax authorities of the Slovak Republic do not apply secondary adjustments (referred to in Chapter IV, Section C.5 of the OECD TP Guidelines - Secondary Adjustments) when adjusting prices between related parties.
- See: [link](#) for more information about the transfer pricing profile of the Slovak Republic.

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