Tax&Legal Highlights

Slovakia

Information on the Tax Bonus for a Child Studying Abroad

The Financial Directorate of the Slovak Republic published information on the tax bonus for a child studying abroad.

An employee may claim a child tax bonus from their employer as a tax benefit under Article 33 of Act No. 595/2003 Coll. on Income Tax if the child is dependent, ie the child is continuously preparing for their future occupation by full-time study at a secondary school or university. Continuous preparation of a child for an occupation also means study abroad if the Ministry of Education, Science and Research and Sports of the Slovak Republic (hereinafter the "Ministry of Education") decides that its scope and level is equivalent to study at a school in the Slovak Republic.

An employee may claim a child tax bonus for a student (16 or older) from an employer by signing a "Declaration on the Application of the Non-Taxable Portion per Taxable Person and Tax Bonus", which must be duly documented. In the declaration, the employee must provide information about the child and provide the employer with a confirmation of school attendance valid for the relevant school/academic year. If the child is studying abroad, the employee is required to provide the employer with a decision on the equivalence of the study with study in the Slovak Republic in addition to a study confirmation at the start of the study. Decisions are issued by the Ministry of Education - Centre for the Recognition and Issuance of Education Documents. It is not required to provide the employer with the decision if the child studies at a school listed as an "equivalent" recognised school, which the Ministry of Education publishes annually on its website www.minedu.sk.

If an employee provides a document in a language other than the state language, the employer may ask the employee to provide a translation of the document. If the employer believes the translation is not correct, the employee may be requested to provide an officially certified translation for inspection and may make a copy of the original document.

The Financial Directorate's information gives practical examples of the application of the tax bonus. The tax bonus also covers the holiday period, the Erasmus programme (if equivalent) and students attending multiple schools as part of mobility between universities.

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Adoption of IFRS in the EU

On 31 October 2017, the EU adopted new IFRS 16 Leases and Clarifications to IFRS 15 Revenue from Contracts with Customers. On 3 November 2017, the EU adopted Amendments to IFRS 4 Insurance Contracts: Applying IFRS 9 with IFRS 4. On 6 November 2017, the EU adopted Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses and Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

On 10 November 2017, the European Financial Reporting Advisory Group (EFRAG) updated the report on the IFRS approval status, ie standards, interpretations and amendments.

1. On 31 October 2017, the European Commission approved for use in the EU new IFRS 16 – Leases. This standard provides a comprehensive model for the identification of lease contracts and their recognition in the lessor's and lessee's financial statements. There will be a significant change in the lessee's accounts: the lessee will be required to report almost all leases in the balance sheet. This standard replaces IAS 17 – Leases, IFRIC 4 – Determining Whether an Arrangement Contains a Lease, SIC 15 – Operating Leases – Incentives and SIC 27 – Evaluating the Substance of Transactions in the Legal Form of a Lease. The standard was published in the Official

Journal of the European Union on 9 November 2017. IFRS 16 is effective for annual periods beginning on or after 1 January 2019 and early adoption is permitted. IFRS 16 is to be applied retrospectively.

2. On 31 October 2017, the European Commission approved for use in the EU Clarifications to IFRS 15 – Revenue from Contracts with Customers. The objective is to clarify IFRS 15 requirements regarding the identification of contractual performance obligations, principal vs. agent and licencing. Two extra practical expedients to the transition to IFRS 15 were also provided. The clarifications were published in the Official Journal of the European Union on 9 November 2017. The Clarifications to IFRS 15 are effective for annual periods beginning on or after 1 January 2018 and early adoption is permitted. IFRS 15 is to be applied retrospectively.

3. On 3 November 2017, the European Commission approved for use in the EU Amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 with IFRS 4. The objective is to deal with different effective dates of IFRS 9 – Financial Instruments and IFRS 17 - Insurance Contracts. The amendments were published in the Official Journal of the European Union on 9 November 2017. The Amendments to IFRS 4 are effective for annual periods beginning on or after 1 January 2018.

4. On 6 November 2017, the European Commission approved for use in the EU Amendments to IAS 12 - Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses. The objective is to clarify the recognition of deferred tax assets from unrealised losses on debt instruments (assets) measured at fair value. The amendments were published in the Official Journal of the European Union on 9 November 2017. The Amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2017 and early adoption is permitted. Amendments to IAS 12 are to be applied retrospectively.

On 6 November 2017, the European Commission approved for use in the EU Amendments to IAS 7 - Statement of Cash Flows: Disclosure Initiative. The objective is to improve information provided to users of financial statements about a reporting entity's financing activities. The amendments were published in the Official Journal of the European Union on 9 November 2017. The Amendments to IAS 7 are effective for annual periods beginning on or after 1 January 2017 and early adoption is permitted. Amendments to IAS 7 are to be applied prospectively.

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Amendment to Act No. 563/2009 Coll. on Tax Administration (The Tax Code)

An amendment to the Tax Administration Act which introduces a number of changes was published in the Collection of Laws. The amendment amends the tax secrecy obligation and introduces the tax reliability index and other new measures to combat tax evasion.

The Act has been published in the Collection of Laws and will become effective on 1 January 2018. The most significant changes include: amendment to the tax secrecy obligation, the tax reliability index, introduction of summary protocol and reduced price of a request to issue binding opinions. The full wording of the amendment to the Act is available here.

We addressed the amendment to the Tax Administration Act in detail in Deloitte News July - August 2017 on page 19, which is available on the above link.

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