Tax&Legal Highlights

Slovakia

Interdepartmental Circulation of Comments on the Amendment to Act No. 222/2004 Coll. on VAT, as amended (hereinafter the "VAT Act")

In connection with the 2017 Plan of Legislative Tasks of the Government of the Slovak Republic, an interdepartmental circulation of comments was undertaken from 15 May 2017 to 2 June 2017 on the draft amendment to the VAT Act, which is to enter into effect on 1 January 2018.

On 2 June 2017, an interdepartmental circulation of comments was completed on the draft amendment to the VAT Act, which is to enter into effect on 1 January 2018. The most important proposed changes include:

- **Extension of the application of special tax treatment of the markup on the provision of tourism services** to cases where the services are received by entrepreneurs who purchase a package of tourism services for their business purposes.
- **Partial VAT refund** based on information in the VAT transactions statement before tax audit to identify the eligibility to the VAT refund, where the tax authority would focus on disputed invoices.

- **Abolition of a limit – tax base on an invoice of EUR 5 000** for selected agricultural crops and metals where tax reverse charge mechanism is applied to the recipient in accordance with Article 69 (12) of the VAT Act.
- **The obligation to adjust deducted VAT** for utility structures or structures other than buildings if the purpose of the structure changes within the 20-year period laid down for the deductible tax adjustment.

Possibility to issue a summary invoice for lease and supply of electricity, gas, water and heat for a period of 12 calendar months, even if the recipient is a foreign taxable person.

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OECD Multilateral Convention and BEPS Initiative

Ministers from 76 countries signed a multilateral convention to reduce tax avoidance and update the existing network of bilateral tax treaties.

As noted in February 2017 Deloitte News in a section on OECD's multilateral instruments, on 7 June 2017, ministers from 76 countries signed or declared the will to sign a multilateral convention to reduce tax avoidance and update the existing network of bilateral tax treaties. The new convention will also strengthen dispute settlement provisions, thereby reducing double taxation and increasing tax certainly.

Click the following link for the full wording of the convention.

The signing of the multilateral convention is an important milestone in the international tax agenda dealing with the tax base erosion and profit shifting (BEPS) by multinational corporations. The new convention is the first multilateral treaty of its kind and allows jurisdictions to transpose the project's results into their existing networks of bilateral tax treaties. It was created by inclusive negotiations covering over 100 countries and jurisdictions.

The project enables governments to eliminate weaknesses in the existing international rules that allowed corporate profits to "disappear" or be artificially shifted to countries with low or no tax burden where businesses have little or no economic activity. The lost revenues from such activities are conservatively estimated at USD 100-240 billion per year, accounting for 4-10% of worldwide corporate income tax.

Almost 100 countries and jurisdictions are currently working to incorporate the BEPS measures into their national legislation and bilateral tax treaties. A large number of bilateral treaties make updates of the bilateral treaty network burdensome and time-consuming.

The BEPS package provides 15 measures that will help governments address the issues of tax base erosion and profit shifting. Countries will have tools to tax profits where profit-generating economic activities are carried out and where value is generated. These tools also provide businesses with greater certainty by reducing disputes regarding the application of international tax rules and by standardising compliance requirements.

Click the following link for a detailed overview of the progress of implementation of the BEPS measures in each country. One of the major BEPS measures is Action Plan 13 – Country by Country Report (CbCR). According to the OECD recommendations, the first reports and notifications should cover the 2016 financial year. As the deadlines for the CbCR implementation may vary by jurisdiction, we provide you with a regular summary of notification obligations associated with the BEPS 13 measure in each country.

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2017 – 2018 Action Plan to Tackle Tax Fraud

The Government of the Slovak Republic approved the 2017 – 2018 Action Plan to Tackle Tax Fraud on 26 April 2017. The document contains 21 new measures aimed at eliminating new forms of tax fraud.

The Government of the Slovak Republic approved the 2017 – 2018 Action Plan to Tackle Tax Fraud on 26 April 2017. The document prepared by the Ministry of Finance, Ministry of Justice and Ministry of Interior contains 21 new measures aimed at eliminating new forms of tax fraud. The selected measures are listed below:

- **Preventing unfair practices, unfair liquidation of companies** – the current legal regulation of mergers, amalgamations and demergers of companies allows legal entities to avoid liability to their creditors by transferring liabilities to another legal entity in a simple manner. In this way, legal entities attempt to avoid their liabilities to the tax authority. A solution could be an obligation to submit a tax authority's consent to the relevant registration court in a manner similar to that defined for a change of persons in a company.

- **Possibility of partial VAT before tax audit** – based on the outputs of the analysis of VAT transactions statements, a taxpayer may be provided with a partial VAT refund before tax audit by the tax authority, which makes tax audits more efficient.

- **Change in what constitutes the crime of obstruction of tax administration** - the objective is to increase liability of taxable persons for the accuracy of the information reported in tax returns, statements and reports, and to extend the range of responsible persons.

- **Extension of the period to perform tax proceedings to 10 years -** the legislator justifies this by eliminating potential abuse of time limits to evade tax.

- **Simplification of the tax assessment proceedings** – shorter tax assessment proceedings, elimination of delays in tax proceedings by the taxable person and definition of the period for tax assessment proceedings. The measure aims to prevent artificial prolongation of tax assessment proceedings by taxable persons.

Extension of agent use - an extension of agent use whereby a person other than a member of the Police may be an agent in the most serious forms of tax crimes.

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