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CE Tax&Legal Highlights
August 2017

ALBANIA
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CZECH REPUBLIC
CROATIA
BULGARIA
HUNGARY
CENTRAL EUROPE
LITHUANIA
SLOVENIA
POLAND
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Bulgaria

CbC reporting rules adopted

New rules for MNE groups with a presence in Bulgaria

On 20 July 2017 the National Assembly of Bulgaria adopted amendments to the Tax and Social Security Procedural Code (TSSPC) that implement the rules in the EU directive on the mandatory automatic exchange of information in the field of taxation (country-by-country (CbC) reporting) (EU) 2011/16/EU, as amended by directives 2015/2376 and 2016/881)). The amended TSSPC was promulgated in the state gazette on 4 August 2017.

The CbC reporting directive follows the recommendations of the OECD in the final report issued on Action 13 of the BEPS project and includes the common template agreed to by the countries involved in the project.

The rules are addressed to the multinational enterprise groups (MNE groups), the tax residence for which is in different jurisdictions (in the EU or in third countries), as well as MNE groups subject to tax with respect to a business carried out through a permanent establishment in an jurisdiction other than the jurisdiction of the principal.

According to the adopted amendments, a MNE group is obligated to report the Bulgarian revenue administration (NRA) when the ultimate parent entity is a resident for tax purposes in Bulgaria and the consolidated revenue of the group exceeds BGN 100 million (approx. EUR 51 million) for the fiscal year preceding the reporting fiscal year.

In certain cases, the report must be submitted in Bulgaria even where the ultimate parent is not a Bulgarian tax resident.

Terminology framework of the Directive

Ultimate parent entity

The criteria for identifying an enterprise as an ultimate parent entity are based on its obligation to prepare consolidated financial statements for the group.

Other reporting entities

The law also defines other entities from the MNE group, which under certain conditions, report instead of the ultimate parent entity. Such entities are a surrogate entity and constituent entity. The qualifying conditions for surrogate/constituent entity under the TSSPC coincide with the qualifying conditions under the Directive.
Regardless which is the reporting entity, the reporting threshold should be determined as per the jurisdiction of which the ultimate parent is tax resident of.

Fiscal year

The fiscal year is the period with respect to which the ultimate parent entity of the MNE group prepares its financial statements. To this end, when the ultimate parent entity is a Bulgarian tax resident, the fiscal year coincides with the calendar year.

Scope of the report

The country-by-country report should contain aggregated information for each Member State or other jurisdiction in which the MNE group conducts business activity with respect to:

- the amount of: (i) revenue, (ii) profit (loss) before income tax, (iii) income tax paid, (iv) income tax accrued, (v) registered capital, (vi) accumulated earnings;
- number of employees;
- tangible assets other than cash or cash equivalents;
- data for each constituent entity of the MNE group, indicating: (i) Member State or other jurisdiction of tax residence, (ii) the country / jurisdiction under the legislation of which the constituent entity is organized, when different from the country / jurisdiction of tax residence, and (iii) the nature of the main business activity or activities.

By 31th of October 2017, the Executive Director of the NRA shall issue an order approving the country-by-country report template.

Deadlines

The country-by-country report should be submitted electronically within 12 months of the last day of the reporting fiscal year of the MNE group.
In addition to the filing obligation for each fiscal year, the law also provides for an obligation to notify the administration which entity of the MNE group will submit the CbC report. The notification is also submitted electronically.

First notification

By December 31, 2017, a constituent entity of the MNE group which is a Bulgarian tax resident shall notify the Executive Director of the NRA whether it is an ultimate, surrogate or constituent entity, obligated to submit the CBC report for the fiscal year, beginning on January 1, 2016 or until the end of 2016.

As of January 1, 2018, the notification should be made no later than the last day of the reporting fiscal year of the MNE group. Thus, if the ultimate parent entity of the MNE group is a Bulgarian tax resident, the notification for 2018 should be submitted by December 31, 2018.

First CbC report

The deadline for submission of the first CbC report depends on the reporting entity:

- Ultimate parent / Surrogate parent entity - Fiscal year of the MNE group, covered by the CbC report - fiscal year commencing on January 1, 2016 or until the end of 2016. Deadline for submission of the CbC report - 12 months of the last day of the reporting fiscal year of the MNE group. Deadline for submitting the first CbC report when the ultimate parent entity of the MNE group is a Bulgarian tax resident - by December 31, 2017;

- Constituent entity other than the above two types - Fiscal year of the MNE group, covered by the CbC report - fiscal year commencing on January 1, 2017 or until the end of 2017. Deadline for submission of the CbC report - 12 months of the last day of the reporting fiscal year of the MNE group. Deadline for submitting the first CbC report when the ultimate parent entity of the MNE group is a Bulgarian tax resident - By December 31, 2018.

Penalties

The law provides for significant penalties in case of noncompliance with the CbC reporting obligation, the obligation for notification or in case of provision of incomplete information.

Deloitte Comment

The new rules are adopted in fulfillment of the commitment Bulgaria has as an EU Member State, as well as a party to the OECD Inclusive Framework for implementation of the tax measures under BEPS Action 13. The main objective of the rules is to achieve greater transparency in the field of taxation of multinational companies.

The provision of information will facilitate the Bulgarian revenue administration in gaining more complete and clear picture of the scale of multinational companies based in Bulgaria. The fact that the reporting threshold adopted by Bulgaria is significantly lower than the Directive threshold (BGN 100 million under local law vs BGN 1,466 million under the Directive) is a possible indication of the NRA's interest in transfer pricing issues on transaction, in which such groups are involved.

Although the information in the reports cannot be used independently for assessment of tax liabilities or determination of market prices, we expect that NRA will use collected data upon selection of companies for transfer pricing audits.

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Act of Parliament

Act for the amendment of the Public Offering of Securities Act

The Act aims to transpose the requirements of Directive 2013/50/EU (the "Directive") and the measures for the application of regulations, pertaining to the European Venture Capital Funds, the European Social Entrepreneurship Funds and the European Long-Term Investment Funds. The Act designates the Financial Supervision Commission as the competent authority on the application of these regulations.
Per the requirements of the Directive, the Act introduces changes to the requirements on information disclosure for securities issuers, while the right to choose Member State of origin for third country issuers is explicitly stated. The Act also imposes a requirement on securities issuers to publish semi-annual financial statements and provide an affidavit for good corporate governance in the annual activity report. The overarching goal of the changes is the enhancement of transparency.

Decree of the Council of Ministers

Decree No. 141 of 13 July 2017 for Establishing a New Minimum Salary for the Country

The Decree establishes a new minimum monthly salary for the country in the amount of BGN 460 (approx. EUR 230) and the minimum hourly salary at BGN 2.78 (approx. EUR 1,40), whereas the normal duration of the workday is 8 hours and the workweek consists of 5 workdays. The above quoted monthly salary is applicable for a full work month.

Ordinance of the Bulgarian National Bank

Ordinance for the amendment of Ordinance No. 8 of 2014 on the Capital Buffers of Banks

The Ordinance repeals para. 2 of Article 18 of Ordinance No. 8. In consequence, banks are no longer required to coordinate with the Bulgarian National Bank (the "BNB") the conditions on additional tier 1 instruments under Article 52 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("Regulation 575/2013") and tier 2 instruments under Article 63 of Regulation 575/2013, including their ability to incur losses.

Ordinance of the Bulgarian National Bank

Ordinance for the amendment and supplementation of Ordinance No. 2 of 2006 on the Licenses, Approvals and Permits issued by the Bulgarian National Bank under the Credit Institutions Act

The Ordinance mandates the application of the provisions of Ordinance No. 2

in cases where the BNB takes part in joint decisions with competent authorities of other Member States for the issuance of permits and approvals under Regulation 575/2013.

Further, any required documents and information, which are in a foreign language, must be presented to the BNB with a verified Bulgarian translation and, if officially issued, legalization. In case of discrepancies between the original text and the Bulgarian translation, the data in the latter will be regarded as true.

The Ordinance also grants the Deputy Governor, managing the Banking Supervision Department, the authority, at their own discretion, to require certain private documents, which are material to regulatory compliance, to be submitted with notarized signatures of the persons, who issued them.

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Croatia

Increase of national VAT threshold

The Croatian Tax Authorities have requested European Commission an authorization to apply as of 1 January 2018 an increase of the national VAT threshold to €45,000 (HRK 300,000)

The Croatian Tax Authorities have requested, by letter to the European Commission, an authorization to apply as of 1 January 2018 an increase of the national VAT threshold to €45,000 (HRK 300,000).

The VAT threshold is currently €35,000 (HRK 230,000) and it applies only to the Croatian residents. The threshold is not applicable to non-residents as they are required to VAT register in Croatia before the first supply in Croatia, irrespective of the expected value of the supplies.

Raising the threshold is expected to reduce administrative burden and tax compliance costs for enterprises, as they will be relieved from a number of tax obligations such as filing of VAT returns or keeping VAT records. It is also anticipated that the increase of the threshold will simplify the collection of the tax and reduce the workload for national tax administration. Persons whose turnover does not exceed the threshold will still have the option to be registered for VAT purposes.

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Czech Republic

The SAC issued a ground-breaking judgement on the interpretation of tax non-deductible expenses relating to income

Possibility of reassessing the previously applied treatment in connection with Section 24 (2) (zc) of Act No. 586/1992 Coll., on Income Taxes ("ITA") and consequently Section 23 (4) (e) of the ITA

In late July 2017, the Supreme Administrative Court ("SAD") issued a fundamental judgement as part of the watched legal proceedings relating to Section 24 (2) (zc) of the ITA, in the wording effective through the end of 2014, in the context of the write-off of insured loan receivables on the basis of income from insurance proceeds.

The relevant provision generally established the possibility of treating primarily tax non-deductible costs as tax deductible if directly relating income existed in respect of those costs. It was specifically the assessment of the direct relation of the costs in the form of the write-off of an insured receivable and income in the form of insurance proceeds that was subject to the SAD's judgement. The SAD arrived at a conclusion that the existence of a sufficiently intensive and unmediated logical link between taxable income and costs is of key importance for the tax deductibility of costs that are, in themselves, tax non-deductible under the ITA. The SAD acknowledged the existence of this link in the analysed relation involving the insured loan receivables.

In view of the potential possibility of a relatively wide interpretation of Section 24 (2) (zc) of the ITA, the tax administration has generally approached the provision with a reservation for a number of years, which often also led to a cautious approach of the taxable entities. As a result, the taxable entities often proceeded conservatively in practice, taking into account the restrictive interpretation pursued by the tax administration. Nevertheless, the SAD's judgement triggers the possibility of re-opening historical cases for reassessment and considering the filing of an additional tax return and potentially reducing tax liabilities.

While the judgement applies to the wording of the relevant provision that was in force through the end of 2014, consideration may be given to its possible application in the present in view of the interpretation of the application of the current wording of Section 23 (4) (e) of the ITA which states that income directly relating to tax non-deductible costs is not included in the tax base up to the amount of these tax non-deductible costs and which is often considered, in terms of scope, to be analogous to the provision of Section 24 (2) (zc) in the wording in force through the end of 2014.

Since each case is different, it will likely be necessary to review specific arguments in support of the relation of costs and income on an individual basis. In addition, another judgement of the SAC may be expected in relation to Section 24 (2) (zc) in the wording in force through the end of 2014.

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The Supreme Administrative Court of the Czech Republic Has Ruled on the Amount of the Flat Expense Charge-off for Professional Athletes

On 13 July 2017, the Supreme Administrative Court issued a ruling on the case of the Czech professional footballer David Lafata. The case dealt with the amount of the flat expense charge-off that professional athletes performing their activities based on a trade licence may deduct from their taxable income.

The substance of the dispute was the question as to whether professional athletes engaged in collective sports may perform their activity based on a trade licence and thus charge-off 60% of their fixed flat expenses for tax purposes, or whether such type of activity shall be treated as an independent profession, for which only 40% of flat expenses may be charged off for tax purposes.

The Tax Administration objected that athletes performing collective sports do not perform their activity on a standalone basis and thus do not fully carry the liability, due to which their activity does not comply with the features of trade under the Trade Licensing Act.

However, this interpretation was rejected by the Supreme Administrative Court, which ruled that trade regulations enable athletes to perform their activities based on a trade licence. In addition, in its substantiation the Supreme Administrative Court stated that it is not possible for the Tax Administration to register athletes for VAT purposes performing business activities in line with the Act on Value Added Tax while rejecting to treat athletic activities as trade activities.

Based on its ruling, the Supreme Administrative Court annulled the judgement passed by the Regional Court. As a result, the ruling is generally applicable to all cases of professional athletes engaged in collective sports. Subsequently, the ruling was accepted by the Tax Administration as part of its official comment on the ruling.

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Legislative Amendment to the Act on Country-by-Country Reporting Approved by the Senate

At a recent session of the Senate (dated 16 August 2017), an amendment to the Act on International Cooperation in Tax Administration was approved; implemented in the Czech legal code, this Act is to regulate the so-called country-by-country (CbC) reporting duties. The draft amendment is yet to be signed by the President. The Act will become effective on the day of its publishing in the Collection of Laws

Contrary to general expectations, both the Chamber of Deputies and the Senate managed to consider and approve an amendment to the tax Information exchange act, whereby the so-called country-by-country reporting duty is being implemented to the Czech tax legislation. Filing a CbC Report should be mandatory for multinational groups of entities whose aggregate consolidated income amounts to at least EUR 750 million. The first reported period is the fiscal year 2016.

- Given the delays in the approval process, the deadline for the first compliance with the so-called **notification duty** has been slightly postponed as compared to the originally proposed deadline. The obligation to inform the tax administrator about the ultimate parent entity of a multinational group of companies as well as about the company which will prepare the CbC Report on behalf of the multinational group of companies is set already for **31 October 2017** in the approved amendment (as compared to 31 January 2018 proposed in the last motion). This concerns all reporting periods ending prior to this deadline.

- The deadline to comply with the so-called **reporting duty**, ie the obligation to prepare a Country-by-Country report on behalf of the whole multinational group and submit it to the tax administrator (with regard to Czech parent and surrogate entities), remains to be, in line with the original amendment, 12 months from the end of the taxation period – ie **31 December 2017** for the 2016 reporting period (as compared to the recently suggested 30 April 2018).

The draft amendment is yet to be signed by the President. The act will become effective on the day of its publishing in the Collection of Laws.

The notification shall be made via databox using a form issued by the Ministry of Finance of the Czech Republic. The format and structure of the databox message and further technical information are to be clarified/announced in more detail by the Czech Tax Authorities after the respective law comes officially in force. Please note that any notifications already submitted to the Czech tax authorities prior to the official law issuance would not be considered.

If you want to learn more, we invite you to watch our *webcast* dealing with this topic.

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Including VAT in the Tax Base for Calculating Real Estate Acquisition Tax

The Supreme Administrative Court ("SAC") has issued a long-awaited ruling in which it took the side of taxable entities by deciding that no value added tax ("VAT") is to be included in the tax base for calculating real estate acquisition tax according to the legal guidance valid until November 2016.

The Financial Administration took the opposite view by claiming that VAT should be reflected in the tax base for real estate acquisition tax calculation purposes. The Financial Administration principally referred to the wording of the explanatory memorandum accompanying Senate Ordinance No. 340/2013 Coll., on Real Estate Acquisition Tax ("**Ordinance"**) which expressly stated that VAT should be included in the tax base. Given the possibility of dual interpretation of the relevant provisions of the Ordinance that led to differing conclusions, the SAC applied the "in dubio pro mitius" principle, ie in case of multiple interpretations of a legal regulation it is necessary to give precedence to the interpretation that is to the benefit of a private person with a view to protecting constitutional principles. The SAC thus concurred with the view of the taxable entity by concluding that if the legislator had intended to include VAT in the tax base it had failed to do so in the legislation in a clear and non-ambiguous way.

With regard to the actual real estate acquisition tax concept, the SAC stated that the purpose of the tax is to tax financial income generated by the sale of real estate. VAT that was part of the purchase price cannot be treated as part of such income. Including VAT in the real estate acquisition tax base does not coincide with the purpose of this tax since the transferor would not only tax its gain but also the amount which it collected for the state.

In addition, the SAC has found the Financial Administration's approach to be non-consistent with the tax neutrality principle since the fact that a taxable entity is a VAT payer would result in it being charged with a higher real estate acquisition tax than other comparable entities – VAT non-payers. The SAC did not find any justifiable grounds for such a different treatment.

As a result of this SAC ruling, it is possible to file additional real estate acquisition tax returns in circumstances where the tax return was filed in line with the Ordinance valid until November 2016. If the tax returns were filed under the amended wording of the Ordinance, consideration should be given to filing the additional tax returns since it will be necessary to await the relevant court judgement to confirm the final validity of the stated interpretation applied by the SAC.

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Kosovo

Issue of Public Explanatory Decision on the Application of Reverse Charge for Purchased Services Outside of Kosovo

The Tax Administration has issued the Public Explanatory Decision No. 03/2017 to clarify the tax treatment of VAT for services purchased abroad when the application of reverse charge is required, but was not applied by taxable persons, taking into account decisions of the European Court of Justice.

The basic Law No. 05/L-037 on Value Added Tax, stipulates that the taxable person to whom services are being supplied from abroad by a taxable person who is not established in Kosovo for VAT purposes, is liable to declare and pay the VAT due on those services through the Reverse Charge Mechanism.

The basic Law further foresees the right to deduct input VAT for the taxable person who applies Reverse Charge under Article 38, paragraph 2, where the time limit set for deducting input VAT is the last taxable period (month) of the following calendar year.

In this respect, in its efforts to harmonize Kosovo's VAT legislation and application with the EU VAT Directive, the Tax Administrations has issued Public Explanatory Decision No. 03/2017 with respect to the deductibility of input VAT in cases where taxable persons have failed to apply Reverse Charge as per legislation. Accordingly, the Tax Administration has taken into account decisions of the European Court of Justice in similar cases for this issue.

As per the Public Explanatory Decision, there are two possible scenarios depending on whether the taxable person, who is liable to apply Reverse Charge, has evidenced the purchases on its purchase books or not.

1) If the purchases were registered in the taxable person's VAT books, and if the application of Reverse Charge wouldn't have produced a tax effect (i.e. the person had the full right of deducting input VAT), it follows that the taxable person will have the right to deduct input VAT regardless of the time limit set out in the Law on VAT. Nevertheless, the taxable person may still be subject to administrative penalties for failing to apply Reverse Charge.

2) In case that the purchases were not evidenced on the taxable person's VAT books, in addition to the administrative penalties as specified in the first case scenario, the taxable person's right to deduct input VAT will be limited to the statutory limit as set out by Article 38, paragraph 2 of the Law on VAT, as described above.

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Latvia

Latvia adopted amendments to interest limitation provisions in accordance with the Anti-Tax Avoidance Directive (ATAD) rules

Starting from January 1, 2018 Latvia will apply interest deduction limitation rule based on 30% of taxpayer's earnings before interest, tax, depreciation and amortization (EBITDA) limitation as provided in the ATAD. The rule includes a *de minimis* threshold of EUR 3 million and permit interest expenses of up to EUR 3 million to be deducted, regardless of a taxpayer's EBITDA. The new rule will apply together with existing debt-to-equity ratio.

On Friday, 28 July 2017 amendments to Cabinet of Ministers Regulations on preparations of VAT returns (further - Regulations) were adopted

According to the adopted amendments the threshold for reporting each tax invoice separately in appendixes of VAT return PVN1-I (input VAT on local acquisition) and PVN1-III (output VAT on supplies) has been reduced to EUR 150 excluding VAT (previously EUR 1'430). The reduced threshold is applicable starting from January, 2018 VAT return.

Insight in Amendments of Latvian Commercial Law

Amendments of June 15, 2017 of the Latvian Commercial Law (hereinafter – the Amendments) concern many important aspects of commercial activity, including – company's transactions with its related person; regulation on employee stocks and employee options; increase of joint stock company's share capital, and other aspects. Part of the Amendments have come into force on July 13, 2017; however, part of the Amendments will come into force on January 1, 2018.

Firstly, the Amendments introduce a new definition of "company's related person", which is broader than the previous one, as well as specifies the procedure, how a company can conclude transactions with such related person.

The new definition of "company's related person" includes the following persons – (1) company's shareholder with direct decisive influence; (2) company's members of board and members of council; (3) members of board and members of council of company's shareholder with direct decisive influence; (4) relatives of the persons mentioned in point 1 and point 2 up to the second degree of kinship, the spouse or brother-in-law or sister-in-law up to the first degree of affinity, or a person with whom he/she has a shared household; (4) legal persons, in which the persons mentioned in point 1, 2, 4 have direct decisive influence.

Previously the Commercial Law foresaw different procedure for concluding transactions with different types of company's related persons. However, the Amendments now introduces a common procedure. Namely, transactions, which are concluded with company's related persons outside company's ordinary commercial practise, as well as transitions that do not comply with market rules, have to be approved beforehand.

Such transactions are approved by the company's council or company's shareholders' meeting (if a company does not have a council). Company's board has to provide specific information (such as necessity of the transaction, terms of the transaction and other information specified in law) to the council (or shareholders' meeting) for evaluation of the transition. If a company violates the above-mentioned procedure for concluding transactions with related persons, then such transactions shall be deemed invalid. *(The mentioned Amendments have come into force on July 13, 2017.)*

Secondly, the Amendments introduces a new institute in the Commercial Law - employee options. Henceforward, companies will be able to issue employee options, which will grant rights to company's employees, members of board and members of council to obtain company's stocks. The law does not specify the definition of employee options. However, essentially, such options are rights to purchase company's stocks in the future for a price that has been set in the time of granting the options. Emission of employee options are regulated by provisions of emission of convertible debentures, which is specified in the Commercial law. *(The mentioned Amendments have come into force on July 13, 2017.)*

Thirdly, important provisions regulating employee stocks have been amended. Most importantly, henceforward, employee stocks will be inalienable. Thus, upon termination of the status of an employee, member of a board or status of member of a council, respective employee stocks will be transferred to the company. Furthermore, under the new regulation a company will be able to decide that employee stocks grant also voting rights and other rights, if such provision will be set out in company's articles of association. *(The mentioned Amendments will come into force on January 1, 2018.)*

Lastly, provisions on increase of joint stock company's share capital has been amended. Henceforward, in case of increase of share capital, shareholders' priority rights may be revoked or restricted with a decision of shareholders' meeting. *(The mentioned Amendments have come into force on July 13, 2017.)*

Please, note that the Amendments concern also other aspects that are not mentioned above. For example, the term for submitting application in court to declare shareholders' decision as void; time period for creditors to submit their claims in case of company's liquidation have been amended, as well as other important aspects of commercial activity have been amended.

Significant Amendments in Latvian Labour Law

On July 27, 2017 broad and significant amendments have been adopted in the Latvian Labour Law (hereinafter – the Amendments), which have come into force on August 18, 2017. The most important aspects of the Amendments will be shortly discussed below.

Firstly, regulation on restrictions on competition after termination of employment relationships has been clarified. The Amendments specify that to conclude that there exists sufficient purpose for concluding agreement on the restriction on competition after termination of employment relationships, the amount of confidential information possessed by the employee shall be considered. Amendments specify that compensation for the restriction on competition shall be paid only on monthly bases and shall be paid only after the termination of employment relationships. Additionally, the Amendments introduce non-exhaustive list of existing types of restrictions on competition, including – competing independent economic activity of an employee; working for competing employer or a client.

Secondly, provisions relating to collective agreements have been amended. Amendments concern criteria for a collective agreement to be declared as general agreement – if members of an organisation of employers or an association of organisations of employers employ more than 50 per cent of the employees in a sector or the turnover of their goods or the amount of services is more than 50 per cent (previously 60 per cent) of the turnover of goods or amount of services of a sector, then the respective concluded general agreement shall be binding on all employers of the relevant sector and shall apply to all employees employed by such employers. The above mentioned quantitative criteria will be determined according to Latvian Central Statistical Bureau's data.

Additionally, employer will not be entitled to unilaterally discontinue fulfilling obligations of a concluded collective agreement. Namely, if employer decides to leave a an organisation of employers or if an organization of employers decides to leave an association of organizations of employers, than irrespective of the leave, employer/employer organization will be obliged to fulfil already existing commitment to a collective agreement.

Thirdly, the Amendments clarifies aspects of employee's right to supplementary work. Under the Labour Law employer may restrict employee's right to supplementary work if such restriction can be justified with reasonable and lawful interests of the employer. Previously such restriction applied to employee's right to conclude employment contracts with other employers. However, henceforward, such restriction will also apply to employee's right to be engaged in other types of employment (self-employment, work in civil service etc.). However, the Amendments specify that in case of a dispute, the employer will bear the burden of proof for demonstrating that such restriction is justified with reasonable and lawful interests of the employer.

Fourthly, Amendments introduce an alternative mechanism for compensation of overtime work – paid free time. Employer and employee may agree that overtime work will be compensated by providing paid free time or by paying a premium. Parties shall agree on compensation mechanism at the same time when agreeing on the overtime work.

Lastly, Amendments also clarify regulation of daily time-outs. In general, daily time-outs are not included in working time. However, the Amendments foresee a possibility to agree in employment contract or collective agreement that daily time-outs will be included in working time. Additionally, henceforward, if employment contract prohibits employee to leave the workplace during the daily time-out, then such daily time-out shall be considered as part of working time.

Please, note that the Amendments concern also other aspects that are not mentioned above. For example, the Labour Law has been supplemented with provision that regulates calculation of a rate of hour's remuneration; as well as provisions on supplementary leave, suspension from work and on other aspects.

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Lithuania

The release of the new edition of the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations

On 10 July 2017 the Organisation for Economic Co-operation and Development (hereinafter – OECD) released new edition of the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (hereinafter – the Guidelines), which replaced the 2010 edition of the Guidelines.

Amendments to the Guidelines have been made in order to implement the provisions of Base Erosion and Profit Shifting (hereinafter – BEPS) project. The Guidelines are used by the taxpayers and tax administrators in determining the applicable pricing principles in the controlled transactions.

Main amendments to the Guidelines include:

- Implementation of BEPS project actions 8-10 and 13 to the Guidelines by amending Chapters I, II, V, VI, VII, VIII, IX. New recommendations relate to:
  - Country-by-Country report;
  - Pricing aspects regarding intangibles;
  - Intra-group services;
  - Cost contribution arrangements; and
  - Business restructurings;
  - Amendments to Chapter IV of the Guidelines regarding safe harbours;
  - Other editorial changes.

With respect to the Lithuanian entities and permanent establishments of the foreign entities operating in Lithuania, it should be noted that the Guidelines are applicable to the extent they do not contradict the Order No. 1K-123 of the Minister of Finance of the Republic of Lithuania, providing the Lithuanian transfer pricing documentation rules.

New rules regarding documentation of excise goods and determination of the time of release of the excise goods for consumption have entered into force

On 2 August 2017 State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania (hereinafter - STI under MF) informed that some legislation amendments will enter into force as of 1 November 2017. The amendments relate to:

- Supreme Administrative Court of Lithuania (hereinafter – SACL) ruling regarding determination of the time of release of the excise goods for consumption under suspension from excise duties regime. In that regard amendments on classification of codes of transactions related to excise goods were adopted;
- Rules regarding issuance of excise duty calculation documents and data submission to state tax authorities’ excise duty administration system.

STI under MF clarification on taxation of excise duties on energy products

On 27 July 2017 STI under MF clarified that energy products which are used for purposes other than as motor fuel, heating fuel or fuel additives are exempted from excise duty in accordance with Article 43 (1)(3) of the Lithuanian Law on Excise Duty. The clarification is also valid in cases where the relevant quantities of energy products are used as samples for tests and analysis.

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Poland

City – port dualism or the untapped potential for city development

The "Port Services 2017" report published by Deloitte singles out certain global tendencies in the ports and logistics sector. The majority of them are associated with using innovative technologies and tools to optimize processes, management and ensure data security. Nonetheless, a certain trend referred to in the report, namely unlocking the potential associated with city - port interrelations, seems rather unexpected.

In economic terms, the mutual interconnection between cites and sea ports should be seen as a synergy driver. Cities provide ports with human resources, transportation networks, and demand for goods, whereas ports stimulate urban development by creating jobs and needs for various services (banking, insurance, etc.) Economic factors confirm the favourable interrelation between the two, but cities and ports interact on many more levels as well.

From the viewpoint of spatial arrangements, it is hard to talk about a synergy of cities and ports. As a result of urbanization brought about by rapid spatial development of cities, port-surrounding areas are evolving into focal points and integral parts of cities. Unused land around ports falls into decline quickly, which has an adverse effect on the image of the nearby city and renders its inward development (along the lines of the compact city concept) much more difficult. Central location of the port-owned land that is not intensely used makes it attractive to investors, and its comprehensive and well-thought out spatial development may contribute to social and economic growth of the city by providing it with top-quality public, residential and commercial space. Intensive redesign-related activities in Poland (taking place in the wake of the first Polish law on city remodelling - the Redevelopment Act of October 2015) warrant a conclusion that development of former port-surrounding areas will be among the key challenges to be faced by both cities and the owners of such land.
The Redevelopment Act provides that regeneration activities may be taken exclusively in the areas that are in economic decline, as marked by resolutions adopted by the local Commune Council. Regeneration of port surrounding land is legally viable only if the activities to be carried out in that location contribute to counteracting negative social phenomena (such as insufficient safety standards, unemployment, poverty, low standards of education and decreased participation in public life).

Examples of successful former port land redevelopment are close at hand. Hamburg city authorities redeveloped HafenCity in central Hamburg which had previously functioned as a port. Now HafenCity district is counted among the most modern urban districts in the world and represents an excellent example of sustainability in urban development. The former port fills many roles today - residential, public and office-related, which all are in harmony with one another. HafenCity is the calling card of Hamburg, even though 30 years ago this location was seen as a blemish on the city map.
Redevelopment of former port-surrounding areas will test the strategic and operational maturity of the city, as it requires a comprehensive and integrated approach as well as involvement of many stakeholders. A redevelopment project will succeed if it helps improve the quality of life of city inhabitants. The key is not to divide the former port-surrounding land amongst land development companies that are sure to build housing there

for the select few, but rather to create friendly and inclusive space that will fit perfectly into the fabric of the city, match its atmosphere and character. One should also keep in mind that well-developed space will not only be attractive for city dwellers - it is bound to appeal to tourists and investors too. Striking the right balance between financial gains and social benefits is among the hardest aspects of managing that process.

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Employee Capital Plans (Pracownicze Programy Kapitałowe, PPK) and what you should know about them. Assumptions of the Draft Act amending Employee Pension Schemes

The Ministry of Development and the Ministry of Labour are working on a Draft Act to reform the Polish pension system. According to the latest information from the Ministry of Development, the intended Open Pension Fund (OFE) reforms will take effect beginning from July 2018 rather than from January 2018 as was originally scheduled.

Reasons for delay

Even though the planned reform, which will inter alia introduce the Employee Capital Plans concept, was announced well in advance of its scheduled effective date, the Draft Act has not been published yet.

As explained to PAP last week by deputy prime minister Mateusz Morawiecki, the reforms still require some interministerial discussions. Mateusz Morawiecki points out that the current system is not working properly, but haste to make improvements is ill advised.

Below we provide an overview of the program assumptions. However, one needs to keep in mind that discussions on the Draft Act are still in progress and the solutions described below may be subject to further modifications.

Establishment of Employee Capital Plans (PPKs). PPKs will be compulsory for all companies employing more than 19 employees. The obligation will be introduced gradually and at first, it will cover only companies with more than 250 employees.

Operating PPK. PPKs will be run based on agreements for payment of predefined employees' contributions to an investment fund.

Management of PPK. In the first two years from the scheme inception Polski Fundusz Rozwoju (via PFR TFI S.A.) is by default the financial institution acting as manager of the Employee Capital Plans. Some sources also indicate that PPK will be managed by pension fund companies (PTE – managing OFE), but it is unclear how to select the pension fund company to manage the given PPK.

PPK participants. Automatic enrolment of employees between 19 and 55 years of age, potentially, also individuals providing work based on selected civil law contracts. People over 55 years of age – voluntary participation.

PPK contributions. Financing PPK contributions will be shared by the employees and employer:
(i) the employee's contribution will amount to 2% remuneration with an option of 2.0pp of additional voluntary contribution.
(ii) the employer's share - at 1.5% remuneration with an option of up to 1.0pp of additional voluntary contribution.
According to media reports, the employer's social security contributions (ZUS) could be waived on contributions paid by the employer. In addition, the employer's contribution could also be tax deductible.

Annual subsidy to PPK. The Draft Act provides for a specific amount of annual subsidy. According to current information, the subsidy will equal PLN 120 or 200 per annum, but the terms of subsidy award may be subject to change.

PPK opt-out. Voluntary scheme opt-out by individual employees to be declared within 3 months from PPK inception (according to some unofficial sources it may even be within 1 month). Certain sources also indicate that PPK enrolments will be automatically repeated every 2 years or every year, which implies that the opt-out decision will need to be periodically confirmed. As a rule, the employer cannot decide not to establish a PPK.

Release from the duty to establish PPK. Possibly, the duty to establish PPK is not applicable to companies that had an employee pension scheme (PPE) in place before the effective date of the PPK regime. Based on initial assumptions, in order to enjoy this exemption, the company needs to establish its PPE system at least 6 months in advance.

PPE versus PPK. At present there is not enough data to reliably compare the costs of operating PPEs and PPKs, but according to initial assumptions, threshold contributions to PPK seem lower than PPE contributions.
If instituted, PPK will revolutionize the pension system. Deloitte will monitor the progress of work on the Act to help you prepare for the introduction of the new regime in advance and work out optimum solutions.

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Romania

Additional implementation guidance on CbC reporting

The OECD Guidelines on 18 July released additional guidance on the implementation of the country-by-country (”CbC”) reporting requirement introduced in the BEPS Action 13 final report.

The main guidance refers to:

- **CbC financial data should be presented on an aggregated basis for different group entities in a single jurisdiction. However, there are exceptions from this rule;**
- **Reporting entities are also required to provide an explanatory note on the CbC report if consolidated data is used;**
- **The provisions regarding parent surrogate filing were updated.**

The additional guidance consolidates and expands all of the additional implementation guidance issued by the OECD Guidelines since the release of the Action 13 Report (”Transfer Pricing Documentation and Country-by-Country Reporting”).

To assist jurisdictions with the introduction of consistent domestic rules, the additional guidance addresses two specific issues:

- Whether aggregated or consolidated data for each jurisdiction is to be reported in Table 1 of the CbC report; and
- How to treat an entity owned and/or operated by two or more unrelated multinational enterprise groups (MNE groups).

Aggregate versus consolidated data (new guidance)

The 18 July OECD Guidance addresses whether the CbC financial data should be presented on an aggregated or consolidated basis for different group entities in a single jurisdiction. This issue may be of particular importance in reporting related-party revenue and total revenue.

The additional guidance states that reporting should be done on an aggregate basis. The guidance does provide, however, that jurisdictions may create an exception to this and allow reporting on a consolidated basis, just as long as:

- Consolidated data is reported for each jurisdiction on the CbC report; and
- Consolidation must be used consistently across the years.

Reporting entities are also required to provide an explanatory note on the CbC report if consolidated data is used. Importantly, however, this is applicable only to jurisdictions that have “a system of taxation for corporate groups which includes consolidated reporting for tax purposes, and the consolidation eliminates intra-group transactions at the level of individual line items.”

Entities owned and/or operated by more than one unrelated MNE group (new guidance)

According to the 18 July OECD implementation guidance, if an entity is owned and/or operated by more than one unrelated MNE group, the treatment of that entity for CbC reporting purposes should be determined under the accounting rules applicable to each of the unrelated MNE groups separately.

In addition, if pro rata consolidation is applied to an entity in an MNE group in preparing the group's consolidated financial statements, jurisdictions may allow a pro rata share of the entity's total revenue to be taken into account for the purpose of applying the EUR 750 million threshold. Finally, jurisdictions may also allow an MNE group to include a pro rata share of the entity's financial data in its CbC report, in line with the information included in the MNE group's consolidated financial statements, instead of the full amount of this financial data.

Parent surrogate filing (updated guidance)
When surrogate filing (including parent surrogate filing) is available, it will mean that there are no local filing obligations for the particular MNE in any jurisdiction that otherwise would require local filing in which the MNE has a constituent entity (herein referred to as the local jurisdiction).

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VAT split payment – Draft of Govern Ordinance

Romania intends to apply the VAT split payment from 1 January 2018, according to a draft Government Ordinance, published by the Ministry of Public Finances.
Taxable persons registered for VAT purposes will have to open a separate bank account (the VAT account) to receive the VAT charged to customers and pay the VAT invoiced by suppliers.

You may find below both the main proposals (draft)

- The application of the VAT split payment is optional from 1 October 2017 and mandatory from 1 January 2018;

- Opening of a bank account by taxable persons, including public institutions, registered for VAT purposes at the Treasury or at any bank. The IBAN will include the characters 'TVA'.
- Direct receipt in the VAT account of the VAT invoiced to clients for supplies of goods/services.
- The amounts from the VAT account can be used to pay the VAT invoiced by suppliers and to pay the VAT due to the State Budget.
- The possibility of transferring amounts from VAT accounts to another (current) account by the holder only with the approval of National Agency for Fiscal Administration (ANAF).
- Cash withdrawals from VAT account are prohibited.
- As of 1 January 2018, for debiting and crediting the VAT account, banks must also put in place an automatic / manual mechanism to verify that payments are made only between these accounts.
- Various incentives for taxable persons that choose to join the system until 31 December 2017:
    - Cancellation of late payment penalties related to VAT liabilities, outstanding as of 30 September 2017, subject to certain conditions;
    - A 5% discount to the payment of corporate income tax/microenterprises tax;

- The sanctions:
    - A grace period of 7 working days in which errors can be corrected. If such errors are not corrected within this deadline, a penalty of 0.06% per day of delay will be applied considering the value of the VAT, but for no more than 30 days.
    - After the 30 days deadline, for:
        - Not wiring the VAT amount in the VAT account of the supplier or wrong debiting of the VAT account, a fine of 50% of the VAT amount will be applied, while for
        - Not wiring the VAT amount from the current account the VAT account or the payment of the VAT due from other account than the VAT account, a fine of 10% of the VAT amount will be applied.

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Labor Code: Changes Impacting Employers

Amendments to the Labor Code by Emergency Ordinance no. 53/2017, published on August 7, 2017, have as their primary purpose the fight against undeclared work and mainly target: Define the concept of undeclared work the sanctioning regime introducing new obligations for employers

GEO 53/2017 brings a series of important amendments, as follows:

1. **Defining the concept of undeclared work**

According to the recent amendments, undeclared work represents:

- hiring a person without concluding an individual employment agreement, in written form, on the previous day of the starting date of activity;
- hiring a person without registering the individual employment relationship in the General Registry of Employees, one day before the starting date, at the latest;
- receiving an employee to work during the period when the employee's individual employment agreement is suspended;
- receiving a part time employee to work outside the working schedule established by the part time employment agreement.

Moreover, hiring more than 5 persons without an individual employment agreement is no longer incriminated as a criminal offence.

2. **The sanctioning regime**

The employer may be sanctioned for undeclared work with:

- fine of RON 20,000 for each person that is in any of the situations provided at point (a), (b) and (c) above;
- fine of RON 10,000 in the situation provided at point (d) above.

The employer has the possibility of paying only half of the amount of the fine, provided the payment is made within 48 hours from the date of conclusion of the minutes or, as the case may be, from the date of its communication.

Also, according to the new legal provisions, in case of:

- hiring a person without concluding an individual employment agreement;
- hiring a person without registering the individual employment agreement into the General Registry of Employees, one day before the starting date, at the latest;
- allowing a person to work when their individual employment agreement is suspended,

the labor inspector shall dispose, as a complementary sanction, stopping the employer's activity at the working place where the irregularities are discovered. The activity may be resumed only after paying the fine and proving the remedy of the breach that led to the stopping of the activity. However, this sanction cannot be applied yet, as it requires a specific procedure which will be prepared in the future.

3. **The conclusion of the individual employment agreement in written form is no longer a condition of validity of the employment agreement**
4. **Unpaid professional training leave will constitute length of service**
5. **Introducing new obligations for the employers**

GEO 53/2017 introduces as well new obligations incumbent to the employers, namely:

- keeping a copy of the individual employment agreement at the workplace where employees perform their activity (the sanction for non-compliance is a RON 10,000 fine);
- the individual employment agreement must be concluded prior to the starting date of employment;
- any addendum to the individual employment agreement must be concluded before the occurrence of the amendment (except where such amendments are expressly provided by law or in the collective bargaining agreement);
- keeping records of the hours worked by each employee, on a daily basis, showing the starting and ending hours of the working schedule (the sanction is fine ranging between RON 1,500 – RON 3,000).

Entry into force

The Government Emergency Ordinance no. 53/2017 amending and supplementing of Law no. 53/2003 – the Labor Code is applicable starting with the date of its publication in the Official Gazette, respectively 07.08.2017.

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Serbia

Tax alert - VAT

The Proposal of the new Rulebook on the form, contents, manner of keeping VAT records, and on the form and contents of the VAT calculation breakdown

The new *Rulebook on the form, contents, manner of keeping VAT records, and on the form and contents of the VAT calculation breakdown* (**hereinafter: the Rulebook**) is currently under deliberation by the competent authorities, and its application is planned as of **January 1, 2018.**

Much like its previous version, the current Rulebook prescribes the **form, contents and manner of keeping internal records relevant for determining VAT liabilities**, which will not be submitted with the tax return, as well as the **contents of the VAT calculation breakdown**, which will be submitted on Form POPDV together with the tax return for every tax period.

Amended and expanded internal VAT records

The new Rulebook prescribes the obligation for VAT-payers to provide data relevant for determining the amount of VAT liabilities, through **general** and **specific VAT records.**

Within the **general records,** a VAT-payer is obliged to provide data on:

1) zero-rated supplies of goods and services;
2) VAT exempt supplies of goods and services;
3) VAT-able supplies of goods and services and computed VAT;
4) VAT computed for supplies performed by another entity;
5) special VAT regimes;
6) importation of goods;
7) purchase of goods and services from farmers;
8) purchase of goods and services, except for those supplied by farmers;
9) supplies of goods and services performed abroad as well as supplies that are not subject to VAT.

In case of a VAT-payer that is a foreign entity, the general VAT records refer to supplies performed in Serbia to the foreign entity, supplies made by the foreign entity in Serbia, as well as on importation of goods.

The aforementioned data that the VAT-payer is required to provide refers to information that is, for the most part, already included in the existing ledgers of incoming/outgoing invoices (KUF/KIF), and supporting records, such as:

- number and date of issuance of invoice;
- number and date of issuance of received invoice;
- the amount of consideration, tax base, i.e. the value of goods and services, divided by types of supply;

- information regarding the triggering of the tax liability, tax rate and computed VAT;
- the amount of input VAT that can be deducted;
- the amount of input VAT that cannot be deducted;
- information regarding the tax liability;
- other data of importance for the correct computation and payment of VAT.

Within the **special records,** the VAT-payer is obliged to record more detailed information (e.g. numbers and dates of contracts and certificates of tax exemption, personal data on suppliers of secondary raw materials, etc.) regarding certain types of transactions, such as supplies:

- made to diplomatic missions and international organizations;
- performed on the basis of donation agreements, loan agreements or international agreements which provide for a zero VAT rate;
- of waste materials and services that are directly related to them, which are made to a registered VAT-payer by a person not registered for VAT;
- agricultural and related products and agricultural services, which are made by non-VAT registered farmers;
- related to equipment and facilities for performing business activities (which require recordkeeping regarding their first use, completion of the investment, adjustment of input VAT and the right to deduct input VAT etc.).

Form POPDV

As of the first tax period of 2018 VAT-payers are obliged to compile VAT calculation breakdowns, contained in Form POPDV, for every tax period, which will be filed electronically to the Tax Administration, along with regular and amended tax returns. Form POPDV consists of 11 different overviews.

The following is a more detailed description of the contents of each part of Form POPDV. The amounts are entered without decimals, but the values themselves can be negative.

VAT-payer's data

This part should contain the TIN and the name of the VAT-payer.

1. Data on zero-rated supplies of goods and services

This part should contain data regarding the consideration charged within:

- supplies abroad,
- supplies performed to the AP Kosovo and Metohija,
- the entry of goods into a free zone and supplies made within free zones,
- other zero-rated supplies of goods and services.

This part should also contain data on advance payments made, in part or in full, as well as supplies of goods and services free of charge, that are also zero-rated.

2. VAT exempt supplies of goods and services

This part includes information about the consideration received for supplies such as:

- supplies of money and capital,
- supply of land and services involving the lease of land,
- supplies of buildings,
- other supplies of goods and services that are VAT exempt.

This part should also contain data on advance payments made, in part or in full, as well as supplies of goods and services free of charge, that are also VAT exempt.

3. Taxable supplies of goods and services and computed VAT

This part includes data regarding taxable supplies of goods and services by a VAT-payer and the computed VAT for the following types of supplies:

- supplies of newly constructed buildings or parts thereof, for which the tax debtor is the VAT-payer performing the supply (excluding supplies of mortgaged real estate and supplies of goods within enforced collection proceedings),
- supplies for which the tax debtor is tax debtor performing the supply (excluding supplies listed in the previous item),
- supplies of buildings and parts thereof, for which the tax debtor is not the VAT-payer performing the supply (including supplies of mortgaged real estate and supplies of goods within enforced collection proceedings),
- other supplies of goods and services for the which the tax debtor is not the VAT-payer performing the supply (e.g. supplies of secondary raw materials, electricity and natural gas etc.).

The increase and decrease in the tax base and the amount of computed VAT needs to be separately recorded, as well as information on the supplies made free of charge, advance payments (made in part or in full) and total values of supplies and computed VAT.

3a. Computed VAT for supplies performed by another entity

This part contains data regarding VAT computed by a tax debtor for supplies performed by another entity, including the following:

- transfer of ownership rights on buildings for which the tax debtor is the VAT-payer - the recipient of goods,
- supplies in Serbia performed by a non-resident entity, that is not a VAT-payer,
- all other supplies within which the tax debtor is the VAT-payer – recipient of goods and services (supplies of electricity and natural gas which are purchased for resale from another VAT-payer, supplies of secondary raw materials and services that are directly related to them, etc.).

The increase and decrease in the tax base and the amount of computed VAT needs to be separately recorded, as well as information on the supplies made free of charge, advance payments (made in part or in full) and total values of supplies and computed VAT.

4. Special VAT regimes

This part contains data on supplies subject to special VAT regimes i.e. supplies of services of travel agencies, supplies of second-hand goods, works of art and collectors' items and antiques.

5. Total turnover of goods and services and computed VAT

This part contains data on the total tax base and VAT computed for performed supplies listed in the preceding fields.

6. The importation of goods

This part contains data on the importation of goods put into free circulation in accordance with customs regulations, the value of tax base on importation, subsequent changes in this value, as well as data regarding the importation of goods which are zero-rated. This part also contains data regarding supplies made from AP Kosovo and Metohija.

7. Purchases of goods and services from farmers

This part contains data regarding the value of received goods and services (including the increase and decrease of that value), value of paid goods and services, the value of VAT compensations paid to farmers, as well as the amount of VAT that can be deducted as input VAT.

8. VAT records on purchases of goods and services, other than purchases of goods and services from farmers

This part contains data on all other purchases of goods and services, other than purchases from farmers, i.e. data on:

- purchases of goods and services from VAT-payers in Serbia, for which the tax debtor is the supplier of goods and services (including the first transfer of ownership rights over newly constructed buildings, the procurement of goods and services free of charge, etc.),
- purchases of goods and services from VAT-payers in Serbia, for which the tax debtor is the recipient of goods and services (including the transfer of ownership rights over buildings, the procurement of goods and services free of charge, etc.),
- purchases of goods and services from VAT-payers in Serbia, excluding the previously listed categories, i.e. the transfer of assets as a going concern,
- purchases of goods and services that are subject to VAT, from non-resident entities that are not VAT-payers in Serbia,
- all other purchase of goods and services (which are not subject to VAT).

8a. VAT computed for supplies of goods and services that can be deducted as input VAT and adjustments of input VAT

This part contains data regarding VAT that can be deducted as input VAT, as well as subsequent adjustments of this value, including:

- total computed VAT for supplies of goods and services for which the tax debtor is the VAT-payer - supplier of goods/provider of services, and that can be deducted as input VAT,
- total computed VAT for supplies of goods and services for which the tax debtor is the VAT-payer - recipient of goods/provider of services, and that can be deducted as input VAT,
- the adjustment – increase of input VAT, except when incurred via subsequent VAT base adjustments and when related to the importation of goods,
- the adjustment – decrease of input VAT, except when incurred via subsequent VAT base adjustments,
- total computed VAT for the supply of goods and services that can be deducted as input VAT,

- total computed VAT for the supply of goods and services that can be deducted as input VAT, increased for the amount for which the computed VAT cannot be reduced.

9. The total value of purchased goods and services, including the importation of goods put into free circulation

This part contains the total value of purchased goods and services, including the value of imported goods.

9a. VAT stated in tax return as input tax

This part contains consolidated data on individual types of input VAT, such as:

- VAT paid on import of goods,
- VAT paid to a farmer,
- VAT regarding purchase of goods and services, except for the above listed categories,
- Total VAT stated in the VAT return as input VAT.

10. Tax liability

This part contains data on the final tax liability stated in the VAT return, calculated based on consolidated data on the input tax and computed VAT.

11. Supply of goods and services made abroad and other supplies that are not subject to VAT

This part contains data on:

- supplies of goods and services performed abroad,
- transfer of a going concern, that is not considered to constitute a supply for VAT purposes,
- supplies of goods and services that are not considered to constitute supplies for VAT purposes.

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Slovakia

Draft Amendment to Act No. 595/2003 Coll. on Income Tax, as Amended

A draft amendment to the ITA is undergoing interdepartmental circulation of comments. The draft amendment proposes, inter alia, the following changes:

- A tax exemption of 50% of a consideration for the granting of a right to use or for the use (Article 13a) of a patent or a utility model, design, computer program (software);
- A tax exemption of 50% of the sale of products (Article 13b) whose production involved a partial or full use of a patent, utility model or design; extended definition of a permanent establishment (Article 16 (2));
- Introduction of exit taxation (Article 17f);
- Payment of exit tax in instalments (Article 17g);
- Prevention of tax base erosion (Article 17h);
- Extended definition of other assets for depreciation purposes (Article 22 (6)); and
- Higher potential deduction of R&D expenses (Article 30 (1)).

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

The Ministry of Finance of the Slovak Republic submitted a draft amendment to the Tax Procedure Code, which proposes a number of changes, for interdepartmental circulation of comments.

For example, the amendment amends the tax secrecy obligation and introduces the tax reliability index and other new measures to combat tax evasion.

Updated Global Overview of Transfer Pricing Information

An updated overview of transfer pricing information can be found on Deloitte's website: here.

Deloitte's Transfer Pricing practice has prepared the Global Tax Reset - Transfer Pricing Documentation Summary, which compiles essential country-by-country reporting and documentation information (including master file/local file information, if applicable) for 56 jurisdictions around the world.

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