

CHANGES IN SLOVAK LEGISLATION IN 2017

DEAR CLIENTS,
PLEASE FIND BELOW A BRIEF DESCRIPTION OF MAJOR CHANGES ADOPTED IN SLOVAK ACCOUNTING AND TAX LEGISLATION WITH THE EFFECT FROM 2017

ENACTED AMENDMENTS:

INCREASE IN THE AMOUNT OF MEALS ALLOWANCE EFFECTIVE FROM 1 DECEMBER 2016:

Effective from 1 December 2016, i.e., with effect for 2017, the minimum acceptable value of meal vouchers will be EUR 3.38. The change in the amount of meals allowance for local business trips will result in a change in maximum contribution by the employer. Effective from 1 December 2016, i.e., with effect for 2017, the maximum amount that employers will be allowed to pay as a contribution to employee catering will be EUR 2.48, which is 55% of EUR 4.50.

Effective from 1 December 2016, i.e., with effect for 2017, self-employed persons will be entitled to claim in tax expenses maximum EUR 4.50 of meals allowance per day worked.

The new meals allowance applicable to business trips are:

- EUR 4.50 if the business trip takes 5 - 12 hours,
- EUR 6.70 if the business trip takes more than 12 hours and less than or equal to 18 hours,
- EUR 10.30 if the business trip takes more than 18 hours.

AMENDMENT OF THE VALUE ADDED TAX ACT:

- Obligation of tax authority to pay interest. The entitlement to receiving an interest on a retained VAT refund arises on the first day after the lapse of six months from the expiration of the initial due date for payment of the VAT refund.
- Transfer of tax liability upon delivery of construction works and merchandise including installation and assembly; the key point of the amendment is that if a supplier makes an invoice excluding VAT and the invoice bears the notice "Transfer of tax liability", then the tax liability is transferred to the customer irrespective of the actual situation.
- Postponed application of VAT reverse charge on purchases of goods from countries outside the EU – this means postponement of effect of the already adopted amendment to the VAT Act. VAT will further be assessed by the customs office.

AMENDMENTS TO THE INCOME TAX ACT

- The corporate income tax rate dropped from 22% to 21%.
- Change in taxation of dividends: individuals from the Slovak Republic and EU countries will be taxed at 7%; contributions to health insurance companies (14%) have been cancelled; dividends for legal entities from the Slovak Republic and EU countries remain exempt from tax, dividends for individuals and legal entities from countries having no double taxation avoidance agreement signed with the Slovak Republic will be taxed at 35%.
- The special levy on regulated industries remains unchanged.
- Changes in the amount of lump sum expenses claimed by individuals – increase from 40% to 60%, up to amount of EUR 20,000.
- Amendment to definition of eligibility of expenses for leases of movable assets, real estate and assets subject to copyright. The Act has been amended to include also leases of intangible assets (after paid) and leases low-value tangible and intangible assets (if additional expenses are claimed in relation to the

assets, detailed records thereof shall be kept). The amount of the rent includes depreciation, insurance premium, cost of energies, and all these expenses are recognised only after paid; and for their eligibility as tax deductible expenses, on the lessor's side the total amount of the expenses is compared to depreciation allowances.

- Changes in vehicle registration fees refer to car dealers and manufacturers; if title to a motor vehicle is not transferred within 15 days after the lapse of one year, then the administrative fee (EUR 33) is increased to EUR 210.
- Amendments to transfer pricing documentation (extension of the definition of related parties, amended definition of controlled transactions).

ELECTRONIC REGISTRATION MAILBOXES

Effective from 1 January 2017, state authorities will communicate with legal entities exclusively through electronic registration mailboxes. Individuals and sole traders can communicate with state authorities via electronic mailboxes on a voluntary basis. Additionally, the electronic mailboxes will be available for sending various documents (filing reports) to state authorities. Slovak entities can authorise other person, foreign entities can authorise a Slovak national.

ACT ON CORPORATE CRIMINAL LIABILITY

Direct criminal liability of statutory representatives has been enacted effective from 1 July 2016. A statutory representative shall mean:

- a statutory body or a member of a statutory body,
- a person performing control or supervisory activities within the legal entity, including when the person is not related to the legal entity,
- other person, exercising a controlling influence over management of the legal entity (so called shadow managers), or
- a person acting within its competence vested in the person by the legal entity.

CRIMINAL ACTS INCLUDE, FOR EXAMPLE:

- certain criminal acts against property
- tax criminal acts
- criminal act related to narcotics, intoxicating agents and precursors
- criminal acts of human trafficking
- criminal acts related to environment and waste management
- criminal acts of corruption
- unauthorised employment and other criminal acts.

Under this amendment, legal entities can be subject to the following protective measures:

- foreclosure of cash,
- foreclosure of property.

ÚČTOVNÁ A PORADENSKÁ KANCELÁRIA s. r. o

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