Tax Agenda Slovakia

October 2023

Building a better working world

No.	Fact	Action		
1	**Draft legislation on minimum tax** The Ministry of Finance has released draft legislation concerning Pillar II, a topic that has been gaining increasing attention. This draft bill transposes the provisions of Council Directive 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation of multinational business groups and large national groups in the EU. The draft law intends for the income of Slovak subsidiaries, the effective tax rate of which falls below 15%, to be taxed through a top-up tax in the Slovak Republic. The proposed effective date is 31 December 2023. See more.	Assess whether your business should be affected by the top-up tax and monitor the legislative procedure.		☐
2	**Cancelation of the CFC rules for individuals** The Amendment to the Income Tax Act enacted the cancelation of the CFC (Controlled Foreign Company) rules for individuals. The Amendment became effective from 1 August 2023, while the taxes paid by individuals by then due to the application of the CFC rules are considered as tax overpayments. See more.	Assess the changes in the business activity.		☐

Oct Nov Dec Jan

Use text boxes above the timeline to plan your actions for coming months

Compliance Risk management Cash-flow and ETR impact

No.	Fact	Action
3	**Tax exemption of capital gains for individuals** The shareholders can achieve tax exemption of gains from the sale of selected securities (e.g., stocks) not traded on the stock exchange after the 3-years holding period (for securities traded on the stock exchange, 1-year holding period applies). Gains from the sale of shares in limited liability companies are also tax exempt after the 3-years holding period. See more.	Assess the timing of the sale of securities and shares in limited liabilities companies.
4	**Amendment to the VAT Act – Leasing** As of 1 July 2024, the Amendment to the VAT Act will change the current VAT treatment of the handover of goods based on leasing (or other similar) contracts that do not clearly state that the transfer of ownership to these goods will occur upon payment of the last installment at the latest. See more.	Leasing companies in particular should thoroughly analyze the terms and conditions of leasing contracts, based on which they hand over the object of the lease to the lessee and reevaluate the applied VAT regime.
5	**Amendment to the VAT Act – Reverse charge on import of goods** The Amendment of the VAT Act also proposes reverse-charge on import VAT should be applicable when releasing goods into free circulation or temporary admission with partial relief from import duty. If the Amendments is approved, this change would bring a cash flow advantage for businesses as import VAT deduction could be claimed in the same VAT period as that in which the VAT liability arose. See more.	Assess the potential impact of the change in the VAT compliance and monitor the legislative procedure.
6	**Amendment to the VAT Act – Special scheme for small enterprises** Following the transposition of the Small Enterprises Directive, the Amendment to the VAT Act introduces a new system of VAT exemption in the EU territory for domestic and foreign small enterprises, which will take effect from 1 January 2025. In this context, the Amendment introduces as thresholds annual turnovers of EUR 50,000 in Slovakia and EUR 100,000 in the EU. See more.	Assess the potential impact of changes to small enterprises and monitor the legislative procedure.
7	**News of changes in social security coverage for cross-border telework** Within the social security area Slovakia has become one of the first signatory countries to implement the EU Multilateral Framework Agreement for Telework, which enters into force on 1 July 2023. In a nutshell, the employees of a Slovak employer may work from home in another signatory country for less than 50% of work time (compared to the standard limit of 25%) based on the approved exception, while still being covered by the Slovak social security system. See more.	Assess the potential impact of the changes in social security coverage for cross-border telework.
8	**Relaxed conditions for the investment aid** Established investors can now apply for investment aid when expanding their Slovak business with new conditions. See more.	Consider the option to apply for investment aid.

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9	**Legislative update on Carbon Border Adjustment Mechanism** The European Commission has published its proposed Implementing Regulation introducing the Carbon Border Adjustment Mechanism (CBAM).The Implementing Regulation largely deals with reporting obligations in the transitional period and the methodology of calculating emissions embedded in imported products. Companies affected by CBAM should prepare, without further delay, for the new duties which comes into effect on 1 October 2023. See more.	Assess the potential impact of the Carbon Border Adjustment Mechanism.
10	**Proving the beneficial owner of the income** The Financial Directorate published the Information on the method of proving the beneficial owner of the income for WHT purposes. This Information classifies transactions into different risk categories and prescribes different documentation obligations.	Assess the risk category of the transaction before the payment and prepare prescribed documents.
11	**Expected changes to the Slovak list of non-cooperative jurisdictions** British Virgin Islands, Costa Rica, Marshall Islands, and Russia were added to the EU list of non-cooperative jurisdictions for tax purposes, which will result in their exclusion from the approved list kept by the Slovak Ministry of Finance. Transactions with these jurisdictions will be subject to 35% WHT in Slovakia and potentially reportable under DAC6.	Assess whether the changes apply to the business activity performed. If so, assess the potential tax impact of dealing with excluded countries. Monitor further changes to the approved list.
12	**Transformation of commercial companies and cooperatives** Law on the transformation of companies (transposing EU Directive 2019/2121) was approved recently. This law introduces new forms of transformation of companies missing from the Slovak legislation, such as spin-offs. The law will be effective as of 1 March 2024.	Assess how changes to the rules for the transformation of companies may potentially impact planned business transformations.
13	**Public country-by-country reporting** Entities that are part of the group with a consolidated turnover over EUR750m will be required to prepare a new report with specific information on Group income tax obligations, description of activities and financial information of entities within the Group, etc. This report will be filed together with financial statements and will be publicly available. The first report will be prepared for accounting periods beginning after 22 June 2024.	Assess whether the company meets the requirements for public country-by-country reporting. If so, prepare for gathering new data that is to be disclosed in the report.
14	**Changes to the limitations on deductibility of interest expenses** New limitations on the deductibility of interest expenses are applicable also for debt received from non-related parties. The new rules will affect entities with net interest costs above EUR 3m. Previous limitations for related-party debt will remain in force. The changes will be effective as of 1 January 2024. See more.	Assess the impact of changes to deductibility of interest expenses.

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16	**Expansion of the special levy in regulated industries** An amendment of the Act on the special levy is in progress. If the current wording is approved, the amendment will increase the levy rate and expand the scope of regulated entities to those that carry out activities based on a permit issued by the National Bank of Slovakia, such as securities traders, etc.	Assess whether the changes apply to the business activity performed. If so, prepare for the impact of the increased levy.
17	**Windfall tax** The solidarity contribution (i.e., windfall tax) is applicable for subjects that generate at least 75% of their turnover from economic activities in the oil, natural gas, coal, and refinery sector. The solidarity contribution rate is 55% of the tax base for corporate income tax purposes.	Assess whether the changes apply to the business activity performed. If so, prepare for the impact of the new tax.
18	**New levy in the energy sector** The new levy rates on the excess income of electricity producers, increasing these taxpayers' taxes were introduced. The rate is 90% from excess income, which is defined as a difference between market income and a ceiling for the market income defined by law.	Assess whether the changes apply to the business activity performed.
19	**Proposal for an EU Council Directive laying down rules to prevent the misuse of shell entities for tax purposes** Legal entities without minimal substance and economic activity would not be eligible for benefits from double tax treaties, "parent-subsidiary" Directive, "interest-royalty" Directive, etc. The transposition should be effective from 1 January 2024.	Assess the minimum substance requirements.
20	**Guidance on the application of Double Tax Treaties** The Ministry of Finance released the first draft of the upcoming guidance on the application of Double Tax Treaties. It will incorporate the obligation to prove the recipient's tax residence and beneficial ownership of the income as a condition for application of reduced withholding tax.	Taxpayers should prepare evidence on tax residence and beneficial ownership of payments such as licenses and interest paid to entities outside of Slovakia. The proof should be available at the latest by the date of payment.
21	**Transfer pricing audits** Tax authorities are focusing on companies that incurred losses, or their profit decreased by a significant margin to examine whether they uphold their transfer pricing (TP) policies.	Ensure that the company has TP documentation available that can substantiate losses or decreases in profit.

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22	**Reduced fee for a binding opinion** The fee for the binding opinion from tax authorities was reduced to EUR1,000 (from EUR30,000). Significant reduction opened up possibility for further assurance when planning significant transactions. See more.	If contemplating significant transactions, taxpayers should consider asking the tax authorities for a binding opinion.
23	**Real time invoicing** A public version of the bill on real-time invoice reporting (B2B and B2C) which should be effective from 1 January 2024 is not yet available. The Ministry of Finance has declared that it would like to give to the taxpayers at least 12 months for preparation, which, given the state of the legislative process and planned transposition of the upcoming Directive "VAT in digital age", may mean postponing the effectiveness of the law until 2025. Real time invoicing will impose the obligation on Slovak businesses to send invoice data to the Slovak Financial Administration, before the invoice can be issued. This obligation was extended to all businesses and not only for VAT payers. See more.	Reporting should be through the state-certified communication component, likely to be part of the taxpayer's ERP system. Taxpayers should reserve their IT providers' capacities to implement a solution compatible with their ERP which can be in operation by January 2025 (actual timing of legislation to be monitored).
24	**Disclosure reporting** Based on DAC6, disclosing information on a reportable cross-border arrangement (MDR) to the tax authorities has become an obligation in Slovakia. Information on reportable arrangements executed as of 1 January 2021 must be disclosed within 30 days of the arrangement being ready for implementation or the first step in the implementation being made. See more.	Identify MDR obligations in Slovakia. Report if required.
25	**Criminal liability** There are strong indications that only simple payment of outstanding taxes will no longer extinguish criminal liability of statutory representatives who have committed criminal tax offences.	Put adequate tax procedures in place and collect evidence confirming that statutory representatives are making every reasonable effort to facilitate that the company is paying the correct amount of tax.

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