



## Information for clients No. 4

Slovakia  
December 2018

### *Dear clients!*

*As usually at the end of the year, we are contacting you to provide you with a brief overview of the past year and our outlook for the new year.*

*Our profession has been undergoing significant changes at these times. Especially in accounting, it is becoming more and more automated. At the same time, tax regulations are increasingly complex and demanding.*

*Our internal software solution offers versatile opportunities which are used by our clients more and more frequently. In addition to paperless accounting, our clients can access their data via the so-called client zone at any time. Thanks to BMD Com., you have even more convenient, uninterrupted access to your company's performance. Please refer to us and ask for more information about the possibilities of using your accounting data.*

*We experienced a stable year in our office. We need to attribute these achievements to our strong leadership by Ing. Jana Sadloňová who was appointed this year. At this point, I would like to offer her my congratulations and wish her continued success.*

*Our cross-border view: In all three countries – Slovakia, the Czech Republic and Austria – our company showed solid growth in 2018. Our six offices employ approximately 140 employees.*

*In Brno, we moved to a new, larger office this year, which we use together with the Austrian honorary consulate under our leadership.*

*Please find enclosed the latest news on tax developments. Despite the entire technological progress, our profession is becoming increasingly demanding, especially in the area of tax consultancy. Complicated legal regulations combined with extensive sanctions require qualified consultancy. With us, you do not have to worry about these developments.*

*We would like to thank all our employees for their work engagement and willingness to constantly learn.*

*But above all else, we would like to express our gratitude to you, our clients. We have been taking care of some of you since our company was formed 19 years ago.*

*On behalf of our entire team, we wish you Merry Christmas and a Happy New Year 2019.*

*Yours sincerely*

*Ing. Natália Šenková LL.M., Ing. Jana Sadloňová,  
Mag. Georg Stöger*



Mag. Natália Šenková, LL.M.  
Managing Partner



Ing. Jana Sadloňová  
Managing Partner



Mag. Georg Stöger  
Managing Partner



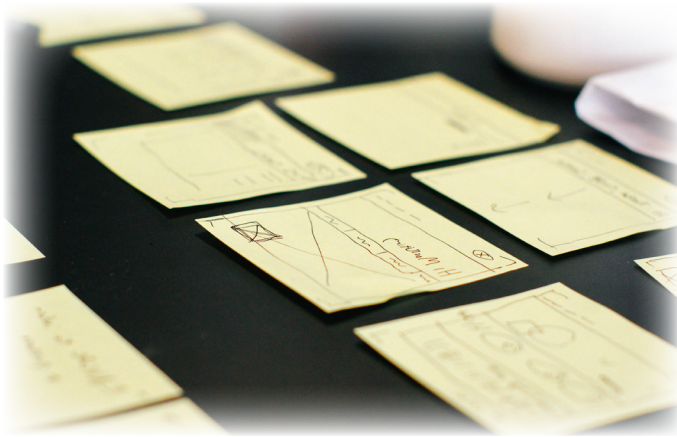
## News on Taxes and Contributions in 2019

*As every year, the National Council of the Slovak Republic adopted amendments to several regulations on taxes, contributions and wages in November and December. Most of them shall take effect from January 1, 2019.*

### Value Added

■ **Accommodation services** will be subject to a reduced VAT rate of 10% from 1 January 2019.

■ **Tax deposit** shall be cancelled. Taxable persons who applied for VAT registration were required in certain cases to put down a tax deposit for a period of 12 months. The aim was to eliminate any VAT arrears for these newly registered entities. With effect from 1 January 2019, the obligation to put down a tax deposit shall be cancelled. The amendments also cancel any decisions on payment of the deposit issued by the tax office until 31 December 2018, for which the period of 12 months has not yet elapsed from such payment. The competent tax office shall return the already paid money deposits no later than 28 February 2019.



■ The amendments change **the definition of turnover** for the purposes of the VAT Act. The definition of turnover valid until 31 December 2018 uses the terms “income” and “revenues”, resulting in unequal conditions for taxable persons who keep books and records in the single-entry system and for those keeping books and records in the double-entry system. These terms are replaced by the term “value

of the goods and services supplied”. Under the new definition, turnover shall not include prepayments received prior to the supply of goods or services. This change of the definition of turnover will affect, for example, compulsory registration for VAT which is based on the turnover achieved or the calculation of the coefficient in the case of application of the proportional deduction of input VAT.

■ The amendment to the VAT Act introduces **new rules on VAT application** to the goods or services which are supplied for **vouchers**. Application of the VAT scheme will depend on whether it is possible to clearly determine the place of the supply of goods or services when issuing the voucher valid for such goods or services, as well as the amount of tax due on such goods or services. It means the Act distinguishes between the so-called single-purpose vouchers and the so-called multi-purpose vouchers. The new legislation is related to the transposition of the European directive and shall apply to the vouchers issued **after 30 September 2019**.

■ As of 1 January 2019, **the right to opt for taxation of the lease of real property shall be limited**. The **lease of real property** is tax-exempt under the VAT Act. Until 31 December 2018, a taxpayer who leased the real property to another taxable person (entrepreneur) could decide that the lease would not be exempt from tax. As of 1 January 2019, the lessor will be required to apply tax exemption regardless of the lessee’s status provided that a flat, family house or an apartment in a residential building is subject to the lease. The aim is to prevent abuse of tax deductions. This change shall only apply to new lease agreements concluded after 31 December 2018, under which the real property was leased to the lessee after 31 December 2018.



■ As of 1 January 2019, **the right to opt for taxation on the handover of a construction which qualifies for exemption** shall be limited. The handover of a construction after 5 years from the final inspection shall be exempt from tax. Until 31 December 2018, a taxpayer could decide that the handover of such property would not be exempt from tax. As of 1 January 2019, a taxpayer may not use the option for taxation when handing over a construction designed for housing, a flat or an apartment in a residential building.

■ The amendment to the Act redefines the conditions for exemption from tax on the handover of a construction or part thereof. The 5-year period from the final inspection shall also apply to this case. But as of 1 January 2019, in the case of older buildings the intended use of which has been changed or that has been substantially renovated, such period shall not be counted (i.e. commence) from the date of the first final inspection, but from the date of the final inspection related to the change of the intended use or the renovation of such construction.

■ The amendments also provide for tax deducted on movable property in connection with the change in the scope of use of movable property for business purposes. Until 31 December 2018, the Act did not contain rules that would enable, after the initial tax deduction, to adjust such deducted tax in the next years if there was a change in the scope of use of movable property for business purposes and for a purpose other than business

## Insurance Tax

*As of 1 January 2019, a new insurance tax shall be introduced.*

### *What is Subject to Tax?*

Insurance in the sectors of non-life insurance which are precisely provided for in the Act are subject to taxation. These are, for example, accident and sickness insurance, property damage insurance, general liability insurance, insurance against various financial losses, or loan or guarantee insurance. This tax shall not apply to compulsory third-party liability insurance (i.e. insurance of liability for damage caused by the operation of a motor vehicle).

The foregoing is subject to the condition that the insurance risk is located in Slovakia. For example, insurance covers real property or assets located in the Slovak Republic, or a means of transport listed in the register maintained in the Slovak Republic, or insurance covers a legal entity based in Slovakia.

### *Person Liable to Tax, Commencement of Tax Liability, Tax Base*

In general, an insurer, i.e. an insurance company, is the person liable to insurance tax.

However, a policyholder, i.e. a person who has taken out an insurance policy with the insurance company may also be an insurance tax payer. These are the cases where an insurance policy is concluded with a **foreign insurance company from a third country** that has no branch in Slovakia. The tax liability shall commence as of the date of payment of the insurance premium. The amount of the premium paid shall be the tax base.



A tax payer may also be a legal entity whom the premium or part thereof paid to a **foreign insurance company from a third country** that has no branch in Slovakia is re-charged to. These are the situations where, for example, the parent company concluded an insurance policy with a non-EU foreign insurance company, and such insurance policy also covers the insurance risks related to its Slovak subsidiary.

If part of costs of premiums is re-invoiced to this Slovak subsidiary, the Slovak subsidiary shall be liable to insurance tax on such re-invoiced costs. The tax liability shall commence as of the 30th day after the end of the calendar month in which the costs were re-charged to the legal entity. The amount of the re-charged costs of insurance shall be the tax base.





## Tax Rate

The tax rate is 8% of the tax base.

## Tax Period, Tax Return and Tax Due Date

A calendar quarter shall be deemed to be a tax period. Any tax payer shall be required to file a tax return by the end of the calendar month following the end of the tax period. The tax is also due within such period.

The tax paid on insurance shall be considered a tax-deductible expense, specifically in the tax period in which it was paid.

## Electronic Cash Register

Another important change consists in **on-line connection** of all **cash registers to the central database of the Financial Administration of the Slovak Republic**. While the connection to the system of the Financial Administration has been so far accessible only in the case of a virtual cash register, under the amended legislation common electronic cash registers will also be obliged to be online connected to such system. The Financial Administration will thus have a real-time overview of all the cash payments received by each entrepreneur, as each cash receipt will be registered in this central system.



Every entrepreneur may access the “e-Kasa” (i.e. e-cash register) system through the Financial Administration’s web portal. Using the personal zone, the entrepreneurs will be able to administer their cash registers and generate overviews of cash receipts recorded in the central database of the Financial Administration.

The connection to the e-Kasa system will be obligatory for all entrepreneurs who have to record their cash receipts through the cash registers as of **1 July 2019**. However, they can begin to gradually connect to this system from **1 April 2019** when the online cash registers start working.

## Annual Settlement of Social Insurance

The amendment to the Social Insurance Act introduces the **annual settlement of social insurance contributions**. Similarly to health insurance companies, the Social Insurance Agency will make the annual settlement of social insurance contributions. Such settlement must always be made by 30 September of the next year, or by 30 October in the case of insured persons who have extended the deadline for filing a tax return, as the case may be. The Social Insurance Agency will make the annual settlement for the first time **in 2023 for the settlement period of 2022**.

## Minimum Wage

The minimum wage for 2019 shall amount to **EUR 520.00 per month**, or **EUR 2.989 per hour**, as the case may be.

## Allowance for Recreation

■ As of 1 January 2019, the amendment to the Labour Code introduces a new institute – an allowance for recreation of employees. The aim is to support tourism in Slovakia.

■ An employer who employs **more than 49 employees** will be obliged to give an allowance for recreation to an employee who has been in employment with the employer for at least 24 months. The allowance is given at the request of the employee, i.e. the employer may not give the allowance to all employees, but only to those who request it.



■ The allowance for recreation shall amount to 55% of the employee's spending on recreation associated with accommodation for at least 2 nights in the Slovak Republic, but also on organised multi-day activities. The allowance is also given for events organised during school holidays in the Slovak Republic for employee's child attending a primary school or one of the first four years of the eight-year grammar school, e.g. summer camps.

■ The maximum amount of the allowance for recreation shall be **EUR 275.00 per calendar year**. If an employee works for reduced working hours, such amount shall decrease in proportion to the reduced working hours.

■ Even an employer who employs **less than 50** employees may give an allowance for recreation to its employee.

■ The employer may give such allowance either in the form of a recreational voucher or by reimbursement of the employee's recreation expenses. In the latter case, the employee is obliged

to provide the employer with proof of such expenses no later than 30 days after the end of the recreation by submitting all the documents. The allowance will be given to the employee on the earliest payday.

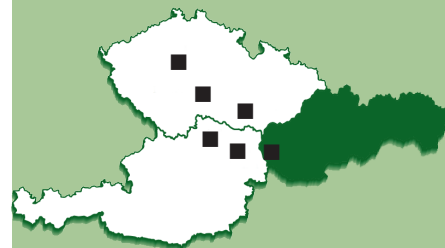
■ An employee may submit an application for a recreation allowance only to one employer in one calendar year.

■ A recreation allowance will be tax-advantaged. In the case of an employee, the allowance will be exempt from payroll tax; with regard to an employer, it will be deemed to be a tax expense.

## AUDITOR in Central Europe

AUDITOR is an audit and tax consulting company with an international focus that has been providing services for 15 years in **audit, tax consulting, personnel and payroll administration, financial accounting and business consulting**.

The company provides complex consultancy in Central European countries via sister companies in the Czech Republic and Austria (using **Stöger & Partner** as a brand name). For solving global consultancy issues, Stöger & Partner is an independent consultancy companies in more than 80 countries of the world.



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