



AUDITOR
Audit ■ Tax ■ Accounting

Information for clients

Slovakia
December 2020

Dear clients!

A strange year is coming to an end, a year like we did not expect. Apart from personal or health problems, we are all in a crisis that we have never experienced before. Some of our clients currently have no sales at all and are going through a rather dramatic phase.

Our services are in great demand in these difficult times, and we hear from many clients how important our consulting services and our help are at the moment.

This year was an extreme challenge for our employees, too. Steadily new or changing regulations had to be studied in addition to our day-to-day business, brought closer to our clients and also implemented. And all of this under unfavorable conditions with home office, often poor internet and telephone connections, and complicated communication possibilities, etc.

We should like to take this opportunity to express our sincere thanks to our employees. Thank you for your flexibility, creativity and enthusiasm that makes it possible to provide our services almost without restriction and for the benefit of our clients.

We should also like to thank you, our clients, for whom we have been working for decades.

We wish all of us that normality returns and that 2021 will be a successful and prosperous year.

We wish you a Merry Christmas and a few peaceful and relaxing days.

For the entire AUDITOR SK team



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In November 2020, the National Council of the Slovak Republic approved an amendment to the VAT Act. We would like to inform you about two major changes that will come into force on 1 January 2021 and 1 July 2021, respectively.

VAT refund on bad debts

Following the recent case law of the European Court of Justice, **from 1 January 2021**, the possibility is introduced into the Slovak legislation to adjust the tax base in those cases in which the customer has not fully or partially paid the invoice for the goods or services supplied.

The condition is that the receivable of the supplier has become uncollectible. A receivable is considered uncollectible for this adjustment if, for example:

- it is enforced in the execution proceedings and has not been satisfied within twelve months from the commencement of the execution proceedings,
- the customer (the debtor) is in bankruptcy, and the bankruptcy proceedings were stopped or cancelled due to lack of assets,
- the customer (the debtor), which is a legal entity, ceased to exist without a legal successor,
- the customer (the debtor) died, and the inheritance proceedings were stopped, because this person did not leave any property, or
- twelve months have elapsed since the due date of the receivable, this receivable is not more than EUR 300 including VAT, and the payer proves that he has acted to obtain payment.

However, the supplier may not adjust the tax base in the event of an uncollectible claim if:

- the customer (the debtor) is in the so-called special relationship with the payer (e.g. employees, statutes, partners, etc.), or
- the goods or services have been delivered to the customer (the debtor) after he was declared bankrupt, or
- the supplier knew or should have known or could have known that the customer would not pay him in full or in part for the delivered goods or services.

The adjustment of the tax base and tax shall be made by the supplier in the unpaid amount of remuneration for

the goods or services, no sooner than in the tax return for the tax period when the receivable became uncollectible.

However, the supplier's right to correct the tax base in the event of an uncollectible receivable is limited in time. It expires after three years from the last day of the deadline for filing a tax return for the tax period in which the goods or services were supplied.

The law provides for the interruption of this three-year period, for example:

- during court proceedings, if the supplier has asserted a claim against the customer (the debtor) in execution or bankruptcy proceedings based on the outcome of these court proceedings,
- from the date of commencement of the execution proceedings conducted for recovery of the supplier's claim, until the expiration of twelve months from the date of initiation of the execution proceedings,
- from the date of commencement of the bankruptcy proceedings until the date of suspension or cancellation of the bankruptcy proceedings due to lack of assets

The correction of the tax base and the tax can only be made on the condition, that the supplier will issue a correction document. A correction document does not have to be prepared, if the debtor (customer) was not a taxable person at the time of delivery of the goods or services, or if the debtor has ceased to exist without a legal successor (legal entity) or has died (natural person).

The law also addresses situations where, after the correction of the tax base and tax, any payment would be received in connection with an uncollectible receivable. No matter whether the payment would be received within the execution proceedings, bankruptcy, or from a guarantor or other third party, e.g. due to the assignment of such a claim. In such a case, the supplier is obliged to correct the reduced tax base and tax.



Sale of goods at a distance

The current rules for mail-order sales applied within the European Union represent a high administrative burden for businesses. An entrepreneur who sells goods by mail order to final customers from the other EU Member States and the total value of such goods exceeds the limit of EUR 35,000 in another Member State, or EUR 100,000 in some Member States, is obliged to register in that Member State. Subsequently, he must fulfil all tax and administrative obligations in that Member State (e.g., filing tax returns or other declarations, keeping VAT records, paying tax).

In connection with the European Union's efforts to remove barriers to cross-border trade and reduce the administrative burden on businesses, the application of VAT on mail-order sales has undergone fundamental changes since 1 July 2021:

- The term „distance sale of goods within the European Union“ is introduced to replace the currently used concept of „mail-order“.
- The existing thresholds of EUR 35,000 or EUR 100,000 for mail-order sales are abolished. A single limit of EUR 10,000 has been set for all Member States.
- The basic rule for determining the place of delivery of the distance sale of goods within the European Union is the place where the transport of goods to the customer ends (country of consumption).
- Only those entrepreneurs who do not exceed the value of EUR 10,000 without VAT of the goods delivered in the current or previous calendar year will be able to tax the goods so supplied in the EU Member State where the transport of goods to the customer starts (usually the Member State where the supplier also has their registered seat).
- When selling goods at a distance in the territory of the European Union, it will be possible to apply a specific regulation, the so-called Mini One Stop Shop (MOSS). These special arrangements will allow traders to register only in the Member State of establishment, to file a single tax return for all Member States of consumption and to pay tax only in the Member State of the establishment.

If you are interested in more detailed information, do not hesitate to contact us.

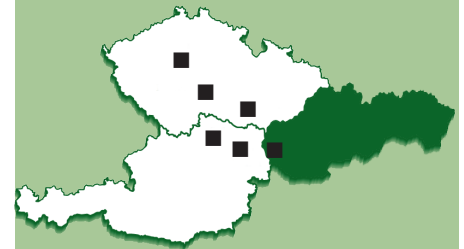
Your AUDITOR team

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