AUDITOR
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Information for clients No. 3

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Dear client,

As usual at the end of the year, we would like to inform you about new tax-related matters. The legislature was again very creative and took every opportunity to make us busy. Our colleagues participated in intense internal and external training this year, which makes the upcoming year a welcomed challenge.

Our company has been through a relatively stable year. We are increasingly being approached by Slovak clients who wish to invest in Austria. Being familiar with the legal framework in both countries we are obviously the right consulting choice in matters of this kind.

At the end of the year, we would like to thank our employees. Their commitment and persistent willingness to learn has made them the key ingredient in our company's success.

Most importantly, however, I would like to thank you – – our clients. We have worked together with some of you for more than 15 years.

We wish you a Merry Christmas and much happiness, success and prosperity in 2016.

Yours

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Amendments to tax, accounting & labour-law regulations effective from January 1, 2016

In 2015, Parliament passed amendments to the Value Added Tax Act, the Income Tax Act, the Tax Administration Act, the Accounting Act and changes in labour-law regulations. Most of the provisions of the above amendments will come into effect on January 1, 2016 and have been signed by the President. In the present newsletter, we inform you only about the most important legislative changes.

Value added tax

A taxable person who has not reached a turnover of EUR 100,000 in the past year and, simultaneously, has reasonable grounds for assuming that he will not reach the same limit in the present calendar year, **can notify the tax authority** that he has decided to **pay output tax** on the supplied goods or services always **only upon receipt of the payment from the customer**. It means that the liability to pay the output tax will not arise with the taxable supply.

This special regime may not be applied by a VAT payer against whom bankruptcy has been declared or who has entered into liquidation.

A supplier who decides to apply this practice has the duty to indicate this fact on the invoice. The amendment will also affect **customers who are eligible to deduct the input tax on such invoices** on the same date, i.e. the **date of payment of the invoice.**

The **system** of registration for value added tax was unified **for mandatory and voluntary registration in connection with the depositing of tax collateral**.

Under existing legislation, the **tax administrator does not dismiss an application for mandatory registration if the taxable person fails to deposit the collateral** within the deadline determined by the tax administrator. From the upcoming year onwards, **the same will analogously apply also to voluntary registration**. The tax administrator will claim the pending collateral in the same manner as tax arrears.

The amendment further ends the **duty to deposit tax collateral** for a taxable person who only carries out preparatory activities for business.

The concept of **additional deduction of a taxpayer's input VAT after registration** was **broadened**. Whilst, previously, the taxpayer was allowed to deduct value added tax **only on property and unused inventories**, as of 2016 he may deduct input taxes **also on services and all goods acquired before registration**, on the condition that, after registration, he uses them for his own taxable supplies as a taxable person.

The scope of supplies in which the "domestic reverse-charge" between two Slovak VAT payers is applied **was extended** with the supply of **construction work including the supply of a structure or a part thereof and the related supply of goods associated with installation or assembly**.

Furthermore, the amendment extended the **mandatory reverse-charge mechanism** in the supply of goods **by a foreign entity** in case place of supply is in Slovakia. At present, the mandatory reverse-charge mechanism in the supply of goods is applied only when the supply is associated with installation or assembly in Slovakia. **If a foreign entity** from a Member State or a third country supplies **goods to a Slovak taxable person with a place of supply in Slovakia** (except distance selling of goods), the new legislation makes the transaction subject to a mandatory reverse charge.

Income tax

Revenues from capital are no longer subject to the 19% and 25% progressive tax rates but a **single 19% rate**.

Effective from January 1, 2016, foreign profit distributions (dividends) will be subject to taxation in Slovakia to the extent that they are included in tax deductible expenses on the part of the paying foreign entity. Otherwise, profit distributions (dividends) continue not to be subject to taxation.

Tax Administration

It will be possible to file an **additional tax return** also after commencement of a tax audit, within 15 days of the date of its commencement. In this respect, the amount of penalties for filing an additional tax return is decreased as follows:

- **3%** of the tax difference if the taxable person files an additional tax return
- **7%** of the tax difference if the taxable person files an additional tax return within 15 days of the date of commencement of a tax audit
- **10%** of the tax difference ascertained by the tax administrator on the basis of a tax audit

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Under the current legislation, selected **taxpayers** (for example VAT payers) **are obliged to communicate** with tax authorities **exclusively by electronic means**. **Effective from January 1, 2016**, this duty will be bilateral, i.e. the tax authorities will also have the duty to deliver submissions to selected entities exclusively by electronic means into their electronic filing zone on the portal of the financial directorate (www.financnasprava.sk).

Accounting Act

The amendment details the **time limit for disclosure of approved financial statements in the register of financial statements**. The new legislation introduces a duty to disclose approved financial statements, or notification of their approval, in the register of financial statements **not later than one year after the end of the relevant accounting period**.

Minimum wage increase

Effective from January 1, 2016, the amount of **minimum wage** changes from the existing EUR 380 to **EUR 405 per month**.

The minimum wage for an employee remunerated at an **hourly rate** in the 40-hours/week scheme is changed from the existing EUR 2.184 to **EUR 2.328 per hour**.

Change in the maximum assessment base

Effective from January 1, 2016, the **maximum assessment base** for payments of social insurance and health insurance contributions changes from the existing EUR 4,120 to **EUR 4,290 per month**.

Should you have any further questions please do not hesitate to contact us. ■

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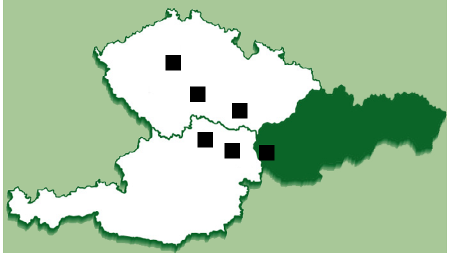
AUDITOR in Central Europe

AUDITOR is an audit and tax consulting company with an international focus that has been providing services for 15 years in **audit, tax consulting, personel** 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 issuies, Stöger & Partner is an independent consultancy companies in more than 80 countries of the world.



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