AUDITOR
Audit ▪ Tax ▪ Accounting

Information for clients No. 9 December 2012

Dear Client!

Despite the tumultuous times, AUDITOR had a stable year. We held on to our personnel as well as turnover and market position and so we are satisfied with the market situation.

This also relates to the quality of our services. In order for us to be able to continue to guarantee this level of quality, this year we invested in training for our employees. In addition to internal and external training for all employees, leading employees also participated in training programs within the scope of the annual UHY conference in Chicago.

Our website received a new look this year. In addition to our company presentation, it also has current professional information. A fundamental share of this project can be attributed to our new marketing department.

Looking abroad, we can say that we held on to our market position in the Czech Republic and Austria as well. Our specialists continue to be at your service in Bratislava, Vienna and Prague, to gladly answer any questions regarding local as well as international tax law or social security questions.

Thank you all for the many Christmas wishes that we have received from you. This year as well we did not send out any Christmas cards, and instead donated the amount earmarked for this to one regional and one national charity organization.

Finally, I'd also like to thank our employees for their dedication and involvement. Most of all, however, my thanks goes out to you, our clients, many of whom we have worked for as advisors for several decades.

We wish you a happy and blessed Christmas, along with a satisfying and successful 2013.

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In 2013, tax rates for natural persons and legal entities will increase, deadlines for submitting tax returns will change and health insurance contributions from dividends will increase. At the same time, the ban on cash payments exceeding 5,000 EUR (or 15,000 EUR) will be introduced.

Income Taxes

On 4 December 2012, the National Council of the Slovak Republic adopted Amendment to the Act on Income Tax, which should **come into effect on 1 January 2013** and brings the following changes:

Changes in deadline for submitting tax returns for 2012

Concerning tax returns for 2012, the present day possibility of most Slovak entities to extend the deadline for submitting tax returns (by three or six months) by a written notification submitted by tax payer to the tax office will be significantly reduced. **The possibility to extend the deadline for submitting tax returns**, by no more than three month will be possible **only by entities, which have income originating from abroad** (does not apply to entities in bankruptcy and in liquidation proceedings). Such entities will also be allowed to request the tax office to extend the period extended by them by three more months. Entities without income from abroad cannot have the term for submitting tax return extended. These entities must submit their tax returns no later than three months after the end of the taxation period. The possibility to request for extension of the term will remain to be available for entities in bankruptcy or liquidation proceedings.

This provision will apply to all tax returns whose deadline for submitting will expire in 2013 (i. e. also to entities whose financial year will end no later than on 30 September 2013).

Increase of tax rates applicable as of 2013

Corporate income tax rate will increase, from present day 19 **to 23%**. Tax payers, whose financial year has started in 2012 and will end in 2013, will divide the taxable profit proportionally; they will apply 19% rate to the part for 2012 and 23% rate for the remaining part.

Progressive taxation is going to be introduced **for natural persons**. Besides existing 19% rate, a **second rate of personal income tax will be introduced in the amount of 25%**, which will apply to income or **tax base exceeding 176.8 multiple** of the amount of applicable amount of the subsistence minimum (for 2013 – for yearly tax base exceeding app. 34,402 EUR).

The tax rate of 19% will continue to apply to income subject to withdrawal tax, for natural persons as well as for legal entities.

Temporarily lower taxation of dividends for periods before 2003 (incl.)

The dividends and shares of the profit of entities (e. g. Ltd.) earned and distributed to Slovak tax resident **before 2003 (incl.)**, are currently taxed at 19%. In case that such **„old“ dividends and profit shares are distributed in 2013**, the decision about their distribution is made in 2013 also, they **will be subject to a lower tax rate of 15%**. Slovak tax entities, which distribute such dividends (profit shares), will have to pay withholding tax upon the distribution. There will be no tax levied, if dividends (shares on profit) are distributed to a parent company with the registered office in the EU, or received from a subsidiary with the registered office in the EU, given the receiving company holds at least a 10% stake in the company making the distribution.

Lover lump sum expenses of sole proprietors from 2013

The possibility to claim the lump sum expenses at 40% remains applicable for natural persons-entrepreneurs, who are not registered for VAT. However, **the top limit** of lump sum was set **at a maximum of**

5,040 EUR per year. Given the business was started or ended during the year, there will be a limit fixed at 420 EUR monthly for each month in which the business was conducted. Besides the lump sum expenditures, the actually paid obligatory insurance fees and contributions may be deducted the same way as hitherto.

Rents without lump sum expenses from 2013

Starting in 2013, **it will not be possible to apply lump sum expenses in the amount of 40% to income from rental of real property**; natural persons will only be able to apply actual expenses to such income.

Changes in payment of tax prepayments

The limit will increase for payment of tax prepayments for natural persons – entrepreneurs, from current limit of 1,659.70 EUR **to the new limit of EUR 2,500** EUR. This will apply to only **to the new prepayments period commencing in 2013**, which will start for most natural persons on 1 April 2013. Until the end of the old prepayments period, commenced in 2012, sole proprietors will pay prepayments calculated in accordance with the act valid until the end of 2012 (including application of the single 19% rate).

Changes in the non-taxable amount for spouses

As of 2013, when one of the spouses is voluntarily unemployed, the other spouse will not be able to deduct the non-taxable amount from his/her tax base. According to the new rules, they will only be able to apply the non-taxable amount for spouses living with them in shared household only if the spouse is taking care of children up to the age of three or six years while receiving parental allowance for the children or if such spouse receives allowance for nursing or is registered as job applicant at the labour office.

The amendment to the Income Tax Act has not been signed by the President and has not been published in the Collection of Laws yet.

Health Insurance

On 29 November 2012, the National Council of the Slovak Republic adopted Amendment to the Act on Health Insurance, which should come **into effect on 1 January 2013** and introduces the following changes:

Increase of insurance contributions from dividends from 2013

As of **1 January 2013, the health insurance rate for dividends and shares in profit will increase**, from present day 10% (5% for heavily disabled person) **to 14%**.

At the same time, **a separate maximum base for calculation of premiums** will be introduced for such dividends (shares in profit), **which is limited to the amount of 120 multiple** of the average monthly salary (currently at around 94,320 EUR). Until now, income from dividends, together with other income, formed a part of a single base for calculation of premiums, which was limited to the amount of 36 multiple of the average monthly salary.

Dividends originating before 2011 are not subject to health insurance contributions, dividends for 2011 are subject to 10% rate of health insurance (the same applies to shares of profit as well as shares in liquidation balance and settlement shares).

The obligation to pay health insurance from dividends (shares of profit) only applies to natural persons who are subject to mandatory health insurance in Slovakia; i. e. usually not to foreign shareholders.

Payment of prepayments for insurance from dividends from 2013

In 2013, prepayments will be introduced for insurance premiums from dividends. Until now, no prepayments have been paid. Health insurance contributions from dividends have been paid only in the yearly settlement of health insurance (e. g., for 2012, it will be no earlier than in September 2013, when the health insurance companies prepare the yearly settlement). The prepayments for insurance premiums from dividends will be calculated and paid by dividend payer, no later than on the 8th day of the month following the months when dividends are paid. Dividend payer must, in the same time period, notify the health insurance companies of the amount of dividends paid. The amount of prepayments will be calculated applying the 14 % rate on the amount of dividends paid in the calendar month, no more than 120 multiple of the monthly average salary (94,320 EUR in 2013).

The amendment to the Health Insurance Act has not been signed by the President and has not been published in the Collection of Laws yet.

Limitation of Cash Payments

On 29 November 2012, the National Council of the Slovak Republic adopted **a brand new Act on Limitation of Cash Payments** banning making certain cash payments. With the effect as of **1 January 2013, cash payments exceeding 5,000 EUR will be banned**. For payments made between **natural persons – not entrepreneurs**, cash payments **exceeding 15,000 EUR** will be banned.

Payments made in foreign exchange will be converted to euros using specified exchange rate.

The amount of cash payment that is divided into several separate payments will be deemed to be the sum of such payments if such payments arise under a single legal relation.

The act stipulates certain exceptions, which will be relived from the limitation on cash payments; however, they do not apply to usual business cases.

Any breach of the ban under that law **by natural persons– not entrepreneurs** will be deemed an offence that can be subject to a fine of **up to 10,000 EUR** to the party handing over as well as to the recipient of the cash above the specified limit. **In the case of natural persons – entrepreneurs**, such breach will be deemed an administrative delinquency that can be subject to imposition of **a fine of up to 150,000 EUR**.

This Act has not been signed by the President and has not been published in the Collection of Laws yet.

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For more than 10 years on the Slovak market.

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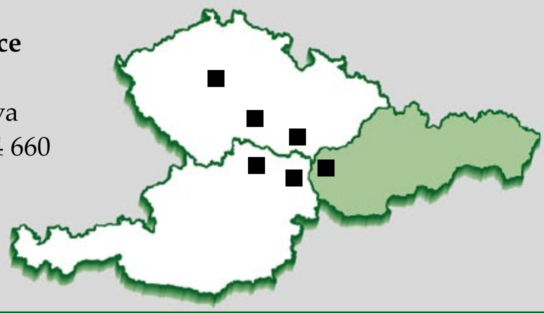

More information at www.auditor.eu.

AUDITOR is an auditing and tax consulting company with an international focus that has been providing services for more than 10 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, AUDITOR is an independent member in UHY International, a network of independent consultancy companies in more than 80 countries of the world.