



# AUDITOR

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## Information for clients No. 8

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*Dear clients,*

*The year is again coming to an end, and the time has come to take a look at the past year and also briefly the year ahead, 2015.*

*2014 was not an easy year for us. As you certainly know, extensive staff changes were made in our Bratislava office. In addition to the management renewal, some other employees were also replaced with new colleagues. We unfortunately encountered an attempt to set up a competing firm behind our backs, taking away our employees and clients, all under a name very similar to our own business name. Our lawyers are now investigating the extent to which this was criminal conduct. On the other hand, if someone tries to copy our concept, it is confirmation that we are on the right path.*

*This situation unfortunately caused some unrest in our office and, obviously, among our clients. With our new team, Mag. Georg Stöger and Ing. Roman Kontelik as the Executive Directors and Mgr. Ing. Luboš Čandik as the procurator, we have established a good foundation which can withstand future challenges and allows us to offer optimum services to you, our clients. We would especially like to thank all those who have remained loyal to our company in difficult times.*

*There were also positive developments in the past year: Mag. Georg Stöger became the honorary consul of Austria in Brno. As part of this role, his duty is to strengthen and promote business co-operation in the Bratislava – Brno – Vienna triangle. We were thus able to be present at several high-level trilateral meetings and we expect this to bring us new business opportunities.*

*As every year, we would like to take this opportunity to thank our colleagues who ambitiously endeavour to meet the wishes and needs of our clients.*

*You all deserve special appreciation for the excellent co-operation which in some cases has now lasted for more than two decades.*

*On behalf of our whole team, I wish you a merry, blessed Christmas and health, happiness and business prosperity in 2015.*

*Yours faithfully,*

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*On 29 November, 2014 an amendment to the Income Tax Act was published in the Collection of Laws. The majority of provisions shall come into effect on 1 January 2015. The present client information will provide you information only on the most important changes of the income tax act amendment.*

### Overview of most significant changes

For the purpose of **tax depreciation** application, the **maximum limit of EUR 48,000 is introduced for the entry price of personal motor vehicles** in certain cases. The limitation of motor vehicle entry price will be based on testing the sum of annual depreciation of these personal motor vehicles and the tax base.

The law amendment also determines another upper limit based on which the **tax carrying value** in case of selling the personal motor vehicle will be included in the tax based **only up to the amount of income from the sale** of motor vehicle (loss of sales will not be tax deductible).

The amendment **extends the number of tax depreciation groups from the current four to six**. The newly introduced third depreciation group will have an 8-year depreciation period. The newly introduced sixth depreciation group with **40-year** depreciation period will include **administrative buildings, non-production buildings and structures** that until now were depreciated for 20 years.

Depreciation of tangible assets using the **method of accelerated tax depreciation** is limited only to the assets included in the **second and third** depreciation group.

The amendment repeatedly cancels the leasing method of depreciation of tangible **assets obtained in the form of financial leasing (this method until now enabled faster tax depreciation than in case of other asset acquirement)**. The assets obtained hereby will only be depreciated by **linear or accelerated method**.

According to the new rules, it will be **no more possible to apply suspension and suspension change**

**of tax depreciation when performing tax audit and in the additional tax return**. Apart from this, the law amendment sets forth when the taxpayer will have to **compulsorily suspend tax depreciation** (asset not used for achievement of income, calendar year change to economic year and vice versa).

From the new year, the taxpayers will have to use transfer prices and keep **transfer documentation** not only in case of foreign related parties but also in case of **domestic related parties**.

The amendment introduces **rules of thin capitalisation**. From 2015 it will be possible to include **interests (and related expenses) from credits and loans** into tax expenditures, provided by a foreign or domestic related party, **maximally up to the amount of 25% EBITDA** for the respective year. The new rules will also be applied to interests paid based on contracts concluded before 1 January 2015.

The so-called **super deduction of research and development costs** is introduced according to which taxpayers implementing a research and development project may additionally deduct from the tax base 25% of the research and development expenses, 25% of labour costs including insurance premium and contributions for school graduates and 25% of the year-on-year increase of research and development costs.

**Cancelled investments** will no more be included in the tax base in single shot but **evenly during 36 months** starting from the month when the taxpayer posted the cancellation of works and permanent suspension of works. It **shall not apply** if the investment was cancelled **due to damage**.

The circle of costs that may be included into **tax expenditures only after their payment** is extended, **namely marketing and other study** expenses and **market research** expenses. Further it will refer to **expenses on consulting and legal services** and expenses related to the payment of income from sources in the territory of the Slovak Republic paid in favour of taxpayers of non-contracting states. The expenses on obtaining **standards and certificates** will be included in the tax base **evenly** during their validity, maximally **during 36 months**. The rewards for **mediation** after their payment will be in-



cluded in the tax base maximally **up to the amount of 20% of the value of mediated trade**.

**Membership fees resulting from non-mandatory membership**, which currently may be included in the tax base maximally up to the amount of 0.5% from the sum of taxable income, will be included in the tax base maximally up to the amount of 5% **from the tax base**, however, maximally up to the amount of EUR 30,000 annually.

The amendment limits the amount of tax deductible expenses in case of **commissions for debt recovery**. It will be possible to include expenses on commission **only up to the amount of 50% from the recovered debts**.

Unlike the current state, **it will not be possible to include reserves** for uninvoiced deliveries and services in the **tax base**, reserves on compilation, review and publishing of the financial statements and annual report and reserves for tax return compilation.

Taxpayers, whose main business line is not the production of tobacco products or alcoholic drinks **will not be allowed to include expenses on tobacco products and/or alcoholic drinks in the tax base** (except for wine) in the amount of EUR 17, which were up to now tax deductible as promotional items.

According to the new rules **contractual penalties, default fees and interests** in case of the debtor **will not be tax deductible expenses**. On the other hand, however, the **recipient** of such fees will be obliged to **include them in the tax base** as a part of the business result. ■

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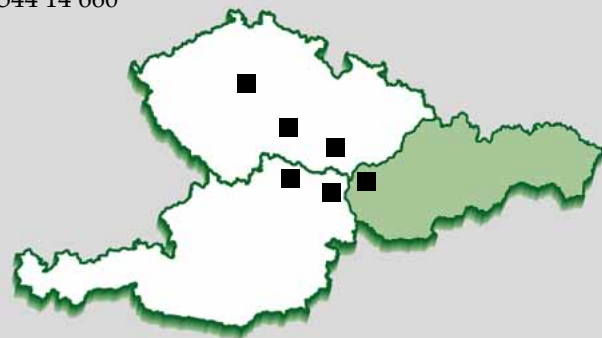
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