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# NEWSLETTER

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AMENDMENT TO THE INCOME TAX ACT EFFECTIVE FROM 1 JANUARY 2020



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## **AMENDMENT TO THE INCOME TAX ACT EFFECTIVE FROM 1 JANUARY 2020**

The current issue of Mandat News deals in detail with the amendment to the Income Tax Act adopted in the Parliament on 18 September 2019. The amendment becomes effective from 1 January 2020 and brings major changes for both natural persons and legal entities.

### **CHANGE IN THE AMOUNT OF NON-TAXABLE PART OF TAX BASE FOR NATURAL PERSONS**

The non-taxable part of tax base increases from the original value (the minimum subsistence figure multiplied by 19.2) to the minimum subsistence figure multiplied by 21. In practice, it will result in a decrease in tax and a simplified calculation. The new minimum subsistence figure valid from 1 July 2019 to 30 June 2020 will amount to EUR 210.20 for one adult natural person. The new non-taxable part of tax base for 2020 will thus amount to EUR 4,414.20. Non-taxable part of tax base for 2019 amounts to EUR 3,937.35.

### **HOW TO APPLY THE NON-TAXABLE PART OF TAX BASE**

In connection with the amendment, the mechanism of application of the non-taxable part of tax base for natural persons will be supplemented. Previous regulation did not specify the procedure. Under the new regulation, non-taxable part of tax base will be first applied to income from employment and then only the remaining part can be deducted from the tax base resulting from business activities or self-employment.

### **CHANGE IN TAX RATE FOR NATURAL PERSONS AND LEGAL ENTITIES**

Furthermore, the amendment decreases the current tax rate for entrepreneurs (both natural persons and legal entities) as follows:

- Legal entity will apply 15% tax rate to the tax base deducted by a tax loss if its income (revenues) does not exceed EUR 100,000 over the taxation period; otherwise the tax rate of 21% will be applied.
- Natural person (entrepreneur) will apply 15% tax rate to the tax base deducted by a tax loss if his/her income from business activities does not exceed EUR 100,000; the exceeding amount will be taxed on the basis of 19% or 25% tax rate based on whether or not it exceeds the currently applicable minimum subsistence figure multiplied by 176.8.

## ABOUT US

The companies **MANDAT CONSULTING, k.s.** and **MANDAT AUDIT, s.r.o.** were founded in 2004 as tax advisory and auditing companies. Since their establishment, they have been providing small, medium-sized and companies active in Slovakia with services in the field of tax consultancy, audit and accounting. Long-lasting cooperation with foreign advisory companies hand in hand with the competence of Slovakian tax advisors and auditors enables us rendering our service to the clients originated from abroad.

In present time, 41 well trained members of our staff are at the disposal to our clients.

Information provided in this material are only of a cursory nature.

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