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TAX & AUDIT SERVICES

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MANDAT news

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**Amendment to the Income Tax Act in 2018**

## AMENDMENT TO THE INCOME TAX ACT IN 2018

We would like to draw your attention to an amendment to the Income Tax Act, which is under preparation and which should deal with, among other things, the so-called exit taxation (part 2 – tax implementation).

### Amendment to the Income Tax Act in 2018

The amendment contains specific provisions governing the payment of exit tax resulting from the ATAD Directive. Since unrealized profits are subject to the exit tax, the directive allows to pay the tax in instalments over a period of 5 years, but only if the assets are transferred to a state from where it is actually possible to recover receivables, i.e. if the assets, tax residence or business activities are transferred to a Member State of the European Union or to a state which is a party to the European Economic Area Agreement, or to a state that has concluded an agreement on a mutual assistance when recovering tax receivables with the SR or the European Union, equivalent to the mutual assistance provided for in the Council Directive 2010/24/EU. In other cases, the tax liability corresponding to the exit tax is due by the deadline for submitting the tax return.

The procedure for allowing the payment of the tax liability corresponding to the exit tax in instalments is similar to the procedure where a taxpayer asks for the payment of tax in instalments, i.e. the taxpayer submits a request to the tax administrator asking for an authorization to pay the tax in instalments directly through the tax return. In this case, no analysis of financial and economic situation of the taxpayer shall be submitted. The tax corresponding to the exit tax can be paid over 5 years, starting with the year in which the tax was assessed. The tax administrator shall issue a decision on the authorization to pay the tax in instalments, determining also the amounts of instalments and their due dates; the instalment schedule cannot be set for a shorter period than 5 years. No appeal can be made against the decision on paying the tax in instalments. The time specified in the decision on paying the tax in instalments cannot be prolonged and no default can be forgiven. The tax administrator may also require that the taxpayer provides a security for the tax, but only in cases where a demonstrable and actual risk exists. No security is required if the amount of the tax does not exceed EUR 3,000. When paying the tax in instalments, the taxpayer will also pay interest on the amount of the authorized instalment pursuant to Section 57(5) of the Tax Code. If the taxpayer repeatedly fails to pay the tax by the specified deadline and/or in the amount determined by the tax administrator in the decision authorizing paying of the tax in instalments, the remaining tax amount becomes payable on the original due date of the instalment, and the tax administrator assesses the default interest for the taxpayer pursuant to Section 156 of the Tax Code. At the same time, the tax administrator is obliged to initiate tax execution proceedings.

If, however, a sale of the assets or other transfer of assets (realized profits from assets) subsequently occur, or if the assets, tax residence or activities carried out by a permanent establishment are subsequently transferred to another country where there is no possibility to recover tax receivables, the remaining outstanding tax liability corresponding to the exit tax shall become



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## AMENDMENT TO THE INCOME TAX ACT IN 2018

payable by the end of the month following the month in which these events occurred. The same procedure applies if the taxpayer becomes bankrupt or if the taxpayer is dissolved without liquidation or if the taxpayer does not repay any instalment in due time or in the correct amount as specified in the instalment schedule.

The taxpayer is also obliged to notify the tax administrator of any transfer of assets, tax residence or activities resulting in the termination of the preferential tax regime allowing to pay the tax in instalments by the end of the calendar month following the calendar month in which such events occurred.



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## NOT TO BE MISSED

**Important dates**

Overview of important dates in the October 2017 can be found on our website: <http://www.mandat.sk>

## 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. **MANDAT CONSULTING, k.s.** assumes no liability for any decision taken on the basis of this issue.

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