

Fresh tax, legal and economic information

NEWSLETTER

2/2022

AMENDMENT TO THE INCOME TAX ACT



We are a member of HLB International, the global advisory and accounting network

AMENDMENT TO THE INCOME TAX ACT.

Dear client,

during the last week of August, there was an amendment to the Income Tax Act approved in the parliament. In the current Newsletter, we would like to draw your attention to the most significant changes in the area of the income tax.

Effective from **1/1/2023**, the method of determining the economic ties between close persons (e.g., husband/wife) is specified. Furthermore, the legislator clarified the definition of a controlled transaction when a dependent activity is not considered as a controlled transaction.

In this context, following the example from other countries, a “safe harbour” rule is being introduced, which exempts taxpayers from the need to document the valuation method and conditions in controlled transactions. The safe harbour includes controlled transactions from which taxable income earned or tax expense deducted is not exceeding **EUR 10,000** or **EUR 50,000** in the case of the loan principal.

Furthermore, the procedure for calculating the difference by which the prices or conditions in controlled transactions differ from the prices or conditions that would be used between independent persons, is specified. This procedure shall be in accordance with the OECD Transfer Pricing Guidelines

From 2023, the rules for determining the tax base in the case of existence of a permanent establishment have also been clarified, as in the case where a non-resident taxpayer does not have a permanent establishment, but the income earned within the territory of the country is also taxable in the country according to international law. When determining the tax base of a permanent establishment, it is also recommended to respect the procedure in accordance with the OECD Transfer Pricing Guidelines.

At the same time, the tax administrator’s procedure is specified in cases, where the prices in controlled transactions do not correspond to the arm’s length principle.

From the new year, the Ministry of Finance of the Slovak Republic can also issue a decision in Advance pricing agreement for more than 5 tax periods, and at the same time, taxpayers can also submit the transfer documentation in a foreign language.

The Income Tax Act will be amended with the possibility of legal write-off of the receivable in the case, if the receivable has ceased to exist as a result of forgiveness during preventive restructuring. Also, the creation of adjustments to receivables against the debtor in preventive restructuring will be a tax-deductible expense.

The last significant news effective from **1/1/2023**, is a change in the procedure of taxpayer's registration, where the tax administrator will register the taxpayer ex officio on the basis of data from publicly available registers. The tax administrator will announce such fact on the website of the Financial Directorate of the Slovak Republic.

Effective from **1/1/2024**, a rule is introduced to limit the tax deductibility of net interest costs if their amount exceeds EUR 3,000,000. The aforementioned rule is the result of the transposition of the ATAD directive, the aim of which is to prevent the artificial erosion of corporate tax bases through debt financing. The tax base will be increased by interest, that exceeds 30% of the tax EBITDA indicator. At the same time, the tax administrator allows the transfer of unused interest to future tax periods.

In case of any questions, please do not hesitate to contact us via the following e-mails:

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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, 57 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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Please contact us, should you require additional information.



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