

7/2017

mandat
TAX & AUDIT SERVICES

Fresh tax, legal and economic information



MANDAT news

In this issue includes:
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 cross-border acquisitions of companies.

Amendment to the Income Tax Act in 2018

The amendment deals with the field of acquisitions, mergers or divestitures of companies or cooperatives, where the tax regime can be applied only in fair values.

The possibility of applying original values for a legal successor of a taxpayer dissolved without liquidation applies only to the situations, where:

(1) The taxpayer dissolved without liquidation is a taxpayer with its registered seat in the territory of the Slovak Republic, while at the same time

(2) Its legal successor is a taxpayer established in a Member State of the European Union but only if the assets and liabilities of the taxpayer dissolved without liquidation remain part of the permanent establishment of the legal successor in the territory of the Slovak Republic and the legislation of the Member State of the successor in title does not allow to take over the assets and liabilities of the taxpayer dissolved without liquidation in fair values.

If the legal successor is a taxpayer established abroad and the conditions stipulated by the law are not fulfilled, the procedure under Section 17c shall be applied, i.e. the taxpayer is obliged to apply the fair values.

If the legal successor is a taxpayer established in the Slovak Republic, for whom a permanent establishment is thereby established outside the Slovak Republic, the Slovak taxpayer may use the original values of the taxpayer dissolved without liquidation when calculating the tax base of its permanent establishment, but only if the legislation of the state of the taxpayer dissolved without liquidation resident abroad does not allow to take over the assets and liabilities of the taxpayer dissolved without liquidation in fair values.

At the same time, a new paragraph is added, which stipulates that if by virtue of the acquisition, merger or divestiture of companies or cooperatives a permanent establishment in the territory of the Slovak Republic is acquired by the legal successor and subsequently the assets or activities from that permanent establishment are transferred abroad, outside the Slovak Republic, such transfer shall be subject to the exit tax under Section 17f.

At the same time, another new paragraph is added, according to which the original values cannot be used if the main purpose or one of the main reasons for the acquisition, merger or divestiture of companies or cooperatives was a **tax reduction or a tax evasion**.



Robert Jex

e-mail: robert.jex@mandat.sk
Tel.: +421 2 571042-13

AMENDMENT TO THE INCOME TAX ACT IN 2018

According to the transitional provision, the limitation of the use of original costs for cross-border acquisitions, mergers or divestitures of companies or cooperatives shall apply to situations where the decisive day falls into the tax period commencing **on 1 January 2018 or later**, i.e. if the decisive day is 1 January 2018, the taxpayer dissolved without liquidation should already apply the provisions in force from 1 January 2018.



Martin Šiagi

e-mail: martin.siagi@mandat.sk
Tel.: +421 2 571042-14

NOT TO BE MISSED

Important dates

Overview of important dates in the November 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.

Should you wish to add other person to be receiving **MANDAT news**, please contact: **news@mandat.sk**

Please contact us, should you require additional information.

