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MANDAT news

The July-August issue includes:
Account keeping and taxation of non-profit accounting entities

ACCOUNT KEEPING AND TAXATION OF NON-PROFIT ACCOUNTING ENTITIES

Non-profit organizations play an irreplaceable role in the society as they offer services and assistance in areas not covered by the market economy and free enterprise. Specifics of these non-profit organizations relate to their multi-source financing and their general beneficial nature.

The basic legislation for account keeping is the Act on Accounting, as amended. If a non-profit organization providing generally beneficial services is not engaged in business activities and its income for the previous accounting period did not reach EUR 200,000, it is eligible to use single-entry accounting. Other accounting entities must follow the Accounting procedures for accounting entities that are not founded or established for business purposes, as amended.

The output from the (single-entry or double-entry) accounting has the form of the financial statements. They present the facts so that any users of the financial statements can use them in decision-making. Financial statements can be filled-in in the PDF format and they are available on www.finance.gov.sk.

Non-profit accounting entities that receive direct financial assistance from the EU are in accordance with the Act on Budgetary Rules for Public Administration obliged to notify the amount and the purpose for which the financial assistance was received, within 30 days of the receipt of the financial assistance. This notification shall be made using a form published in the Financial Bulletin No. 15/2004.

A share of tax paid may be assigned to a recipient and used for purposes which are the subject of its activities. If the sum of the assigned tax exceeds EUR 3,320, the recipient is obliged to disclose the exact use of the received assigned tax in the Commercial Journal (amount and purpose of use of the assigned tax, method of its use and the auditor's opinion, if the recipient's financial statements must be audited), within 16 months from the date of publication of the annual overview of the recipients.

If the sum of the assigned income tax paid by natural and legal persons in the respective calendar year exceeds EUR 33,000, the recipient is obliged to open a special bank account within 30 days of receipt of this amount. For tax purposes, it is important to identify and check the costs and revenues related to the main exempt activity as well as to the taxable (business) activities. Pursuant to the Act on Income Tax, the income (revenues) can be classified as:

a) Taxable income:

- Exempt income (main activity that generates income and that does not constitute business activity)
- Non-exempt income (sale of non-current property, sponsorship, rent, business activities)
- Income subject to withholding tax (interest, income from share certificates, income from the Maintenance, repair and operations fund, etc.)



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b) Income not subject to taxation (donations from natural and legal persons, inheritance, grants from private foundations).

The income tax is calculated only from the part of income subject to income tax (not exempt from income tax).

In connection with the filing of tax returns, there is a possibility to postpone the deadline for filing the tax returns by 3 or 6 months using a notice. As regards the postponement of the deadline by 6 months, it is necessary to keep in mind that in order to be eligible for such a postponement, the taxpayer must have taxable income from sources abroad (i.e. subject to taxation abroad).

According to the Act on Accounting, all non-profit organizations that annually receive more than EUR 35,000 in assigned tax (the so-called 2% assignment) are obliged to have their financial statements for the accounting period in which the funds were used audited by an auditor. In addition to these non-profit organizations, the auditing obligation concerns also any non-profit organizations providing generally beneficial services, if:

- Subsidies from the state budget, from a budget of a state fund or from a municipal budget exceeded the amount of EUR 33,193 in the year for which the annual financial statements are prepared; or
- All income of the non-profit organization exceeds EUR 165,969.

The table below describes the deadlines for the publication of the annual report and the auditor's statement in the Register of financial statements:

	Preparation of the annual report	Publication of the annual report	Audited financial statements
Non-profit organization providing generally beneficial services	31 June	15 July	15 April

We believe that this subject is of interest to you and that we have, at least partly, answered your questions. If you are interested, we can organize a workshop with practical examples to further explain the issue of taxation and account keeping of non-profit organizations.



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NOT TO BE MISSED

Important dates

Overview of important dates in the period from July to August 2016 can be found on our website: <http://www.mandat.sk>



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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, 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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