IDT ALERT

AMENDMENT TO THE SLOVAK VAT ACT

On 6 December 2022, the Slovak Parliament approved a new amendment to the Slovak VAT Act with several significant amendments.

In the previous edition , we already presented the most significant changes that the amendment should bring, effective from 1 January 2023 (except for some provisions proposed to be effective from 1 January 2024).

Below we outline an overview of the most important legislative changes which may impact you:

Temporary reduced VAT rate of 10%

In order to support tourism and gastro sector, a reduced VAT rate of 10% was temporarily introduced which will be applied in the period from 1 January 2023 to 31 March 2023 for:

- transporting people by cable cars and ski lifts;
- visiting indoor and outdoor sports facilities available for sport;
- entrance fees to artificial swimming pools;
- restaurant and certain catering services meeting the definition under Council Implementing Regulation (EU) No 282/2011.

Obligation to correct deducted VAT in case of unpaid liabilities

The amendment introduces a new obligation of a customer to correct deducted VAT relating to purchased goods or services from the purchase of which input VAT was deducted; if they do not pay for the supply fully or only partially within 100 days of the liability's due date:

The customer will be obliged to correct the deducted VAT in the extent of the unpaid liability **in the tax period in which the 100 days have passed since the due date**. In case part or all the liability is paid in the future, the customer will have the right to deduct the corresponding part of input VAT.

According to transitional provisions, the above will apply also to of goods and services prior to 1 January 2023, if 100 days have elapsed by 1 January 2023. deliveries

Bad debt relief

As we have informed you during the summer period, the current limit of EUR 300 and the period of 12 months from the due date for the creation of an uncollectible receivable is abolished. Instead, the decisive period that will now need to be monitored will be **the expiration of 150 days from the due date of the receivable**. After meeting the time criterion of 150 days from the due date, it will be necessary to monitor further **the amount of the receivable** (whether it is a receivable up to the amount of EUR 1,000 including VAT or over the amount of EU 1,000), since the supplier's obligation to provide respective proof/documentation will depend on the amount of the receivable at hand.

Moreover, attention should be paid to the proposed transitional provisions – in order the claim to be deemed as uncollectable, it will be necessary that the moment of passing of 150 days from the due date of the respective receivable **will occur after 1 January 2023**.

In cases where the 150 days from the due date of the receivable will pass by the end of 2022, the “old” provisions in wording effective until 31 December 2022 should apply.

Cancellation of VAT registration obligation (and introduction of VAT deregistration possibility) of established entities, provided they exceeded the turnover for registration solely from selected VAT- exempt supplies

The amendment introduced an exception from the registration obligation of established persons after exceeding the registration turnover, provided they exceeded the registration turnover solely from supply of goods and services exempted according to Article 37 - 39 (insurance services, supply and rent of immovable property, financial services).

At the same time, the amendment introduces the possibility of cancellation of VAT registration in case the taxable person achieved the registration turnover solely from the above-mentioned selected exempted activities according to Article37-39 of the Slovak VAT Act, even in cases the turnover exceeds the amount of EUR 49 790 in 12 calendar months.

Correction of deducted VAT in the event of theft

The determination of the amount for correction of deducted input VAT in the event of theft of goods is also amended. This will apply for the theft of property with a purchase price of EUR 1,700 or less, with a useful life longer than one year, and which was purchased for a purpose other than sale. In this case, the legal fiction of assessing this non-depreciated property as if it were a depreciable property with a 4-year depreciation period according to the Income Tax Act will be applied.

According to the amended wording, VAT will be returned to the state budget from the residual value of goods in the way as for depreciated assets for the purposes of income tax.

Other changes effective from 1 January 2023

- Late payment interest when importing goods is stipulated;
- The definition of the import of a “small shipment for non-commercial goods” is further described;
- The obligation to submit a nill VAT return is cancelled for foreign persons having the position of the so-called first customer in a triangular transaction;
- The period in which a domestic taxable person who has not fulfilled the obligation to register for VAT (or fulfilled it late) is considered a VAT payer is amended, and at the same time, the period for which an extraordinary VAT return is submitted is also amended;

- In case of a delayed VAT registration, the tax authorities will no longer be obliged to open a “mandatory” VAT audit in cases where input VAT exceeds output VAT reported in extraordinary VAT return. The tax authorities can double-check the amounts reported in the VAT return by other means (e.g. by an appeal or local investigation).

Requirements for payment service providers

Another fundamental element of the proposed amendment is the mandatory implementation of the EU Council Directive 2020/284 of 18 February 2020, amending the Council Directive 2006/112/EC on the common system of value added tax as regards introducing harmonized rules to prevent tax evasion in the area of cross-border e-commerce following the introduction of new rules for taxation of distance sales through the “One-Stop-Shop” simplification.

The amendment introduces reporting obligation to keep records for domestic payment service providers for cross-border payments and their recipients. This change should become effective **from 1 January 2024 onwards**.

If you would like to learn more about a certain topic, do not hesitate to contact the author of the article or your BDO manager.

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