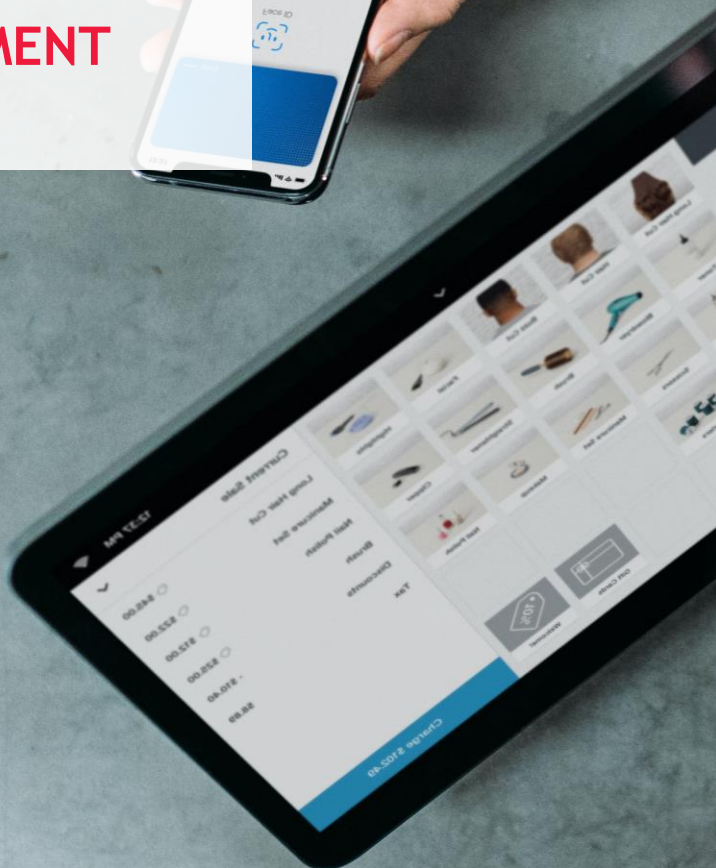


UPCOMING CHANGES

BROUGHT BY THE AMENDMENT OF THE SLOVAK VAT ACT



The adjusted revised wording of the draft amendment to the Slovak VAT Act after evaluation of several fundamental comments raised within the comment procedure was submitted to the National Council of the Slovak republic, where the amendment is currently undergoing its second reading.

In the current edition, we present 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):

Requirements for payment service providers

- ▶ The most 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 recent introduction of new rules for taxation of distance sales through the “One-Stop-Shop” simplification.
- ▶ The amendment introduces obligation to keep records for domestic payment service providers for cross-border payments and their recipients. Domestic payment service providers will be required to keep separate electronic records of received cross-border payments in case the number of cross-border payments to the same recipient exceeds the number of 25 cross-border payments. Subsequently, records will be sent by each EU Member State to the Central Electronic Payment Information System, where they will be cross-checked and evaluated. The notification obligation will be fulfilled by domestic payment service providers via electronic means established in accordance with the Implementing Regulation of the EU Commission.
- ▶ This change should become effective from 1 January 2024 onwards.

Obligation to correct input VAT in case of unpaid liabilities

- ▶ After evaluating comments raised by the professional public within the commentary procedure, several amendments were made to the proposed wording. The period after which the customer will be obliged to correct the input VAT related to the supply for which they did not pay fully or partially was extended from 90 days to 100 days after the due date. The customer will thus 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.

Bad debt relief

- ▶ In line with the amended wording, 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 EUR 1,000), since the supplier's obligation to provide respective proof/documentation will depend on the amount of the receivable at hand.
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- ▶ Moreover, attention should be paid to the proposed transitional provisions - according to the new wording of the law, 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 (the moment of passing of 150 days from the due date occurs after 31 December 2022).
- ▶ 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 proposes 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 Article 37-39 of the Slovak VAT Act, even in cases the turnover exceeds the amount of EUR 49 790 in 12 calendar months.

We will keep you informed about the next steps within the legislative process. 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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