

Amendments to Slovak legislation and other topics

Welcome to our March issue of Tax & Legal News. In this issue we have prepared information for you on the following topics:

- Extension of deadline for filing the tax return,
- Changes in the personal income tax returns form,
- New measures of the EU to combat tax evasion.

We wish you pleasant reading.



Extension of deadline for filing tax returns

According to the Slovak Income Tax Act, the taxpayer (a legal entity as well as an individual) may extend the deadline for filing the tax return by a maximum of an additional 3 calendar months based on the announcement filed with the respective Slovak Tax Authorities within the statutory filing deadline (or by an additional 6 calendar months, if he has taxable foreign sourced income).

In the announcement on the extension of filing deadline the taxpayer should specify the new filing deadline representing the end of a calendar month, in which

the tax return will be filed and if applicable, the information that his total income also comprises of taxable foreign sourced income.

The tax resulting from the respective tax return is then due within the new extended filing deadline.

In view of the above, the corporate income taxpayer having the calendar year as a taxable period who wish to extend its deadline for filing the tax return must file such announcement no later than on 31 March 2015.

In the case of a taxpayer in bankruptcy proceedings or liquidation, the filing deadline may be extended by a maximum of an additional 3 calendar months on

the basis of a decision issued by the Slovak Tax Authorities based on the request submitted by such taxpayer no later than 15 days prior to the statutory filing deadline. The decision issued by the Slovak tax authorities is considered final in this case and no appeal may be filed against it.

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Changes in the personal income tax return forms

Further to the approaching statutory deadline for the filing of income tax returns, we would like to summarize the changes in the forms of tax returns for individuals for the year 2014 in line with the Act No. 595/2003 Coll. on Income Tax (further only "act"). As the intended single form for personal income tax returns did not come into effect, the individuals shall continue to use one of the two types of tax returns according to the range of their incomes, i.e.:

- Type A – individuals with only employment income
- Type B – individuals with (also) other types of income (rental income, capital income, etc.)

Change in the form	Row/Page	
	Type A	Type B
The date of birth shall be completed only for a taxpayer who has neither a birth number nor a Tax Identification Number (<i>Type B</i>) assigned [before this item was completed by a taxpayer without a permanent residence in the Slovak Republic]	r. 02	r. 02
The fax number has been omitted, , only an e-mail address shall be stated	r. 26	r. 28
<p>Income according to Section 6</p> <p>Under table No. 1 – an overview of income and expenses according to Section 6 of the act – the following was added:</p> <ul style="list-style-type: none"> - determination for a taxpayer with income according to Section 6 (3) that he/she applies provable expenses according to Section 6 (11), i.e. he/she keeps evidence in line with the Act - the number of months during with the expenses were applied as % from income, if the taxpayer commenced or ended his entrepreneurship activities or receiving income from use of work and an artistic performance during the year - determination for applying or termination of applying of a specific method for inclusion of foreign exchange differences <p>Table No. 1c was left out (the dates are completed in table 1a)</p>	x	p. 3
<p>Income according to Section 7</p> <p>Original row 9 was deleted in table No. 2 – concerning the revenue (income) from bonds and treasury bills received in the period from 1 July to 31 December 2013 (<i>the relating row was deleted also from the Enclosure of the type B form</i>)</p>	x	p. 5
<p>Deduction of Tax Loss – respective rows added</p> <p>As of 2014, the taxpayer is allowed to deduct a tax loss equally during a maximum of 4 following tax periods (i.e. in the years 2010 – 2013)</p> <p>In 2014, the taxpayer is allowed to apply the tax loss from 2009</p>	x	<p>r. 60 - 63</p> <p>r. 59</p>
A new tax allowance for provably paid contributions of a taxpayer to supplementary pension savings schemes – respective row added	r. 40	r. 77
The row for tax from profit shares (dividends) subject to taxation according to Section 51d of the Act after applying the exemption and credit of tax paid abroad was deleted from the tax return form	x	p. 9
Type B contains only one enclosure composed directly in the tax return form – a row for revenues according to Section 6 (1) and (2) of the act was added to the Enclosure, together with determining that the taxpayer uses double-entry bookkeeping	x	Enclosure
The Enclosure 2 was left out of the tax return form	x	original Enclosure 2

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New measures of the EU to combat tax evasion

Recently the European Commission presented a package of tax transparency measures as part of its agenda to tackle corporate tax avoidance and harmful tax competition in the EU. A key element of this Package is a proposal to introduce the automatic exchange of information between Member States on their tax rulings.

Boosting transparency and cooperation is considered to be vital in the battle against aggressive tax planning and abusive tax practices.

The crucial component is a proposal to improve cooperation between the EU member states. Currently, member states share little information about tax rulings. It is at the discretion of the member state to decide whether a tax ruling might be relevant for another EU member state. As a result member states are often unaware of cross border tax rulings issued elsewhere in the EU which may impact on their own tax basis.

The automatic exchange of rulings should take place every three months and all impacted member states must be informed. The other member states would also have the right to request more detailed information. The information should include the name of the tax payer, a summary of the issues addressed in the tax ruling, a summary of the criteria used to determine an advance pricing arrangement, identification of the member states most likely to be effected and identification of any other tax payer likely to be effected. It would mean that the Slovak tax authorities would get access to all rulings made within the EU and would be able to assess the consequences of the ruling, especially when a ruling deals with intra-group arrangements which include the involvement of Slovak entities.

Purely domestic rulings would be exempt as these do not have any consequences for the internal market or other EU member states. It is said that all rulings issued since 2005 should be subject to this measure. It is now anticipated that 2016 should be the year in which implementation of the proposal/initiative starts.

This proposal goes further than what is currently discussed within the OECD BEPS project (Base Erosion and Profit Shifting). Under BEPS countries are currently considering the spontaneous exchange of information on tax rulings that provide for preferential tax treatment. However, it would be much more limited of scope. Further, unlike the requirements

under EU law, OECD measures are not legally binding.

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In one sentence

- The Slovak Financial Directorate issued Information on the amounts necessary for the computation of tax liability of individuals (i.e. of personal income tax liability) for the year 2015 ("Information"). A tabular overview of the respective amounts is stated in the attachment to this Information. The Information shows inter alia the amount which should be used for the calculation of the maximum tax allowance relating to provably paid voluntary contributions to old-age pension saving scheme. The Information can be accessed via the following link:
https://www.financnasprava.sk/img/pfsedit/Dokumenty_PFS/Pr_ofesionalna_zona/Dane/Novinky_z_legislativy/2015/priame_dane/2015.03.10_FO_na_rok_2015.pdf
- The Slovak Financial Directorate released the following guidelines
 - Questions and answers on virtual cash register
https://www.financnasprava.sk/img/pfsedit/Dokumenty_PFS/Infoservis/Aktualne_informacie/erp/2015/2015_03_25_1_Otazky_a_odpovede_VRP.pdf
 - Information on the tax base adjustment of a tax payer depreciating vehicle with an acquisition value of EUR 48,000 and higher since 1 January 2015
https://www.financnasprava.sk/img/pfsedit/Dokumenty_PFS/Infoservis/Aktualne_informacie/dp/2015/2015_03_09_Uprav_a_ZD_pri_osobnych_automobiloch.pdf

- The Global Forum on Transparency and Exchange of Information for Tax Purposes published on 16 March 2015 issued 9 new peer review reports; with the release of the latest batch of reviews, the Global Forum has now completed 183 peer reviews and assigned compliance ratings to 76 jurisdictions that have undergone Phase 2 reviews. Compliance ratings for Phase 1 as well as Phase 2 can be found here:
<http://www.oecd.org/tax/transparency/GFRatings.pdf>
- The Finance Ministry submitted a Program in Support for Start-ups for interdepartmental comments.
<https://lt.justice.gov.sk/Material/MaterialWorkflow.aspx?instEID=-1&matEID=8085&langEID=1>

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