



# News 2017/02

Accounting Advisory, KPMG in Slovakia  
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## Amendment to the Act on Accounting in October 2017

On 11 October 2017, the National Council of the Slovak Republic passed an amendment to Act No. 431/2002 Coll. on Accounting as amended (hereafter referred to as the "Act on Accounting") by adopting Act No. 275/2017 Coll.

The changes will enter into force on 1 January 2018. The most important of them are listed below.

Please note that in October 2017, the Act on Accounting was also amended by Act No. 264/2017 Coll. of 12 October 2017 amending Act No. 513/1991 Coll. Commercial Code as amended. These changes were discussed in News 2017/01.

Description	Previous legislation	New legislation	Substance of change
Classification of successor accounting entities into size groups	<p>Classification of successor accounting entities into size groups (micro, small, large) is regulated by Article 2 of the Act on Accounting.</p> <p>If a company is wound up without liquidation, i.e., in the case of:</p> <ul style="list-style-type: none"> <li>- merger <math>A + B = A</math>,</li> <li>- amalgamation into a separate accounting entity <math>A + B = C</math>,</li> <li>- demerger <math>A = B + C</math>,</li> </ul> <p>classification of a <b>successor</b> accounting entity is currently <b>specifically</b> regulated only in the case of a <b>newly-incorporated</b> accounting entity (amalgamation into a separate accounting entity, demerger; Article 2 (11)). The case where a successor accounting entity is not newly incorporated, but <b>already exists</b> (merger, demerger as a result of merger), is only regulated by the <b>general</b> provisions of Article 2 (10).</p> <p>According to Article 2 (11), a <b>newly-incorporated</b> accounting entity shall be classified into a size group on the basis of its own decision and shall also remain in this size group in the subsequent accounting period, and shall not proceed according to paragraph 12.</p>	<p>The following sentence has been added at the end of Article 2 (11): If, upon winding up without liquidation, an accounting entity that becomes the legal successor to a legal entity being wound up (hereafter referred to as the "successor accounting entity") <b>is not a newly-incorporated</b> accounting entity, it is required to again reassess its classification into size groups <b>as of the decisive date</b>, taking into account the amount of assets and the average recalculated number of employees taken over from the accounting entity being wound up.</p>	<p>The <b>Explanatory Report</b> says: In the event of a <b>merger or demerger as a result of merger</b>, the successor accounting entity should, <b>following the preparation of an opening balance sheet</b> (= as of the decisive date), reassess the criteria of size, taking into account the amount of assets taken over and the number of employees of the accounting entity being wound up. Based on this assessment, it should carry out the necessary accounting operations at the latest as of the date of preparation of ordinary financial statements in order to be able to correctly prepare its individual financial statements with respect to the relevant size group. This defines the general approach to classification into a size group for a minimum of two successive accounting periods and, by reason of taking over assets and liabilities of the accounting entity being wound up, the <b>successor</b> accounting entity's size group <b>may also be changed earlier</b>.</p> <p>If the successor company is a newly-incorporated company, the approach remains unchanged, which means that, as a <b>newly-incorporated</b> accounting entity, it may decide on its classification into a size group of accounting entities.</p> <p><b>Effective date.</b> According to Article II, these changes will enter into force on 1 January 2018.</p>
Financial statements in the instance of a change in the legal form of an accounting entity	<p>According to Article 16 (5), if the legal form of a <b>company</b> is changed, the accounting books <b>shall not be closed</b>, unless special legislation provides otherwise (there is no reference to any specific legislation, however, Article 41 (7) of the Act No. 595/2003 Coll. on Income Tax as amended provide certain cases in which the financial statements have to be prepared).</p>	<p>An accounting entity that is a <b>legal entity</b> shall also <b>close</b> its accounting books as of the date preceding the date of a change in its legal form to a legal form <b>with a different framework for the chart of accounts</b> (Article 16 (4) (e)).</p> <p>An accounting entity that is a <b>legal entity</b> shall also <b>open</b> its accounting books as of the date of a</p>	<p>The <b>Explanatory Report</b> states that this is intended to remove technical problems related to a change in the legal form of accounting entities primarily in the education sector, which change their legal form from that of a subsidized organization to a nonprofit organization during the course of an accounting period.</p>

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		change in its legal form to a legal form <b>with a different framework for the chart of accounts</b> (Article 16 (1) (d)).	<b>Effective date.</b> According to Article II, these changes will enter into force on 1 January 2018.
Change of reference to legislation containing the definition of a regulated market	Footnote No. 22aa refers to Article 5 (j) of Act No. 594/2003 Coll. on <b>Collective Investments</b> .	Footnote No. 22aa refers to Article 25 of Act No. 429/2002 Z Coll. on the <b>Stock Exchange</b> .	Footnote No. 22aa is contained, for example, in the provisions of Article 17a (3) (a) concerning <b>issuers of securities</b> that were permitted to be traded on a <b>regulated market</b> .  The <b>Explanatory Report</b> states that this is a legislative and technical amendment concerning an update of footnote 22aa resulting from an amendment to legislation regulating the definition of a regulated market.  <b>Effective date.</b> According to Article II, these changes will enter into force on 1 January 2018.
Preparation of individual financial statements according to the IFRS as adopted by the EU	Accounting entities that must or may prepare their individual financial statements according to the IFRS as adopted by the EU <b>instead of</b> Slovak accounting legislation are referred to in: <ul style="list-style-type: none"> <li>- Article 17a (1) and (2) (accounting entities that <b>must</b> do so),</li> <li>- Article 17a (3) (accounting entities that <b>may</b> do so, depending on their own decision).</li> </ul>	Accounting entities that <b>may</b> decide to do so also include (Article 17a (3) (e)): <ul style="list-style-type: none"> <li>- a European company having its registered office in the territory of the Slovak Republic,</li> <li>- a European cooperative society having its registered office in the territory of the Slovak Republic,</li> <li>- a European economic interest grouping having its registered office in the territory of the Slovak Republic,</li> </ul> if, prior to the transfer of their registered office to the territory of the Slovak Republic, they prepared their individual financial statements according to the IFRS as adopted by the EU.	The set of accounting entities that may prepare their individual financial statements according to the IFRS as adopted by the EU has been extended.  The transfer of the registered offices of such accounting entities to the territory of the Slovak Republic is also related to an amendment to the provisions of Article 25 (9) on valuation of assets and liabilities (see below).  <b>Effective date.</b> According to Article II, these changes will enter into force on 1 January 2018.
Title of an annual report if only one	According to Article 22 (16), if an accounting entity is required to prepare an <b>individual</b> annual report and	It has been specified that, if only one annual report is prepared instead of two, it will be titled	A parent accounting entity continues to have the possibility of preparing:

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annual report is prepared	<b>consolidated</b> annual report, information from the individual annual report and information from the consolidated annual report <b>may</b> (= optional) be combined into <b>one</b> annual report.	" <b>consolidated</b> annual report."	<ul style="list-style-type: none"> <li>- two annual reports - individual and consolidated, or</li> <li>- only one annual report, which must contain information that would otherwise be included in an individual and consolidated annual report.</li> </ul> <p>Questions have been raised in practice about how to title a single annual report. Titles such as "Annual Report" or "Individual and Consolidated Annual Report" were usually used. The amendment provides that a single annual report will be titled "<b>Consolidated Annual Report</b>."</p> <p><b>Effective date.</b> According to Article II, these changes will enter into force on 1 January 2018.</p>
Register of financial statements - filing of financial statements and other documents	The provisions of Articles 23 and 23a specify the documents that should be filed in the register of financial statements and who should file them.	It has been added that the <b>successor</b> accounting entity shall file documents referred to in Article 23 (2) in the register <b>for the accounting entity being wound up; until the effective date</b> of amalgamation into a separate accounting entity, merger, or demerger, they may be filed by the accounting entity <b>being wound up</b> .	<p>This is a situation where an accounting entity is wound up without liquidation (merger, amalgamation into a separate accounting entity, demerger) and the <b>successor</b> accounting entity <b>has not yet been incorporated</b>, i.e., the merger, amalgamation into a separate accounting entity, or demerger has not yet become effective (= they have not yet been registered in the Commercial Register).</p> <p>These provisions are also related to the provisions of Article 4 (3), which says that if the <b>successor</b> accounting entity <b>has not yet been incorporated</b>, the legal entity <b>being wound up</b> shall maintain the bookkeeping and prepare financial statements for the successor accounting entity until the effective date of the amalgamation into a separate accounting entity or demerger.</p> <p><b>Effective date.</b> According to Article II, these changes will enter into force on 1 January 2018.</p>

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Register of financial statements - deadline for filing a notification of approval of financial statements	According to Article 23a (4), if financial statements of an accounting entity <b>are not</b> approved within the time limit specified in paragraph 3, the accounting entity shall <b>file</b> the unapproved financial statements in the register; a <b>notification</b> on the date of approval of the financial statements shall be filed in the register subsequently, <b>at the latest within five working days</b> of their approval.	The deadline for filing a notification on the date of approval of the financial statements has been extended from five to <b>fifteen days</b> .	The deadline <b>has been extended from five to fifteen</b> working days of the approval of the financial statements by the relevant body of the accounting entity (in the case of companies, this body is the general meeting).  <b>Effective date.</b> According to Article II, these changes will enter into force on 1 January 2018.
Transfer of the registered offices of accounting entities to the territory of the Slovak Republic	Such situations are not specifically regulated at the present time; general provisions of the Act on valuation of assets and liabilities apply.	<b>Valuation of assets and liabilities</b> at their acquisition cost, conversion cost, or fair value by: - a European company, - a European cooperative society, and - a European economic interest grouping <b>prior to the transfer</b> of their registered office to the territory of the Slovak Republic <b>shall be considered</b> the valuation at their acquisition cost, conversion cost, or fair value <b>also after the transfer</b> of their registered office to the territory of the Slovak Republic.	The <b>Explanatory Report</b> states that, based on the idea of simplifying business activities throughout the EU area and simplifying the transfer of the registered office of a European company, European cooperative society, and European economic interest grouping to the territory of the Slovak Republic, it has been made possible for these entities not to reassess their valuation of assets and liabilities. The valuation of assets and liabilities, including depreciation, amortization, as well as value adjustments, prior to the transfer of the registered office to the Slovak Republic should be considered the initial recognition of assets and liabilities at their acquisition cost, conversion cost, or fair value according to the Act on Accounting.  <b>Effective date.</b> According to Article II, these changes will enter into force on 1 January 2018.
Archiving period for accounting records	According to Article 35 (3), accounting records shall be archived as follows: a) the financial statements, statements of selected data from financial statements according to Articles 17a and 22, and the annual report shall be archived for a period of <b>ten years</b> following the year to which they relate;	The period referred to in (b) and (c) has been <b>extended</b> from five to <b>ten years</b> .	The archiving period for accounting records referred to in (b) and (c) has been made consistent with the archiving period for financial statements, statements of selected data, and an annual report. <b>This period will be the same - ten years.</b>  <b>Effective date.</b> According to Article II, these changes will enter into force on 1 January 2018. According to

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	<p>b) accounting documents, accounting books, lists of accounting books, lists of numerical codes or other symbols and abbreviations used in the accounting books, the schedule of depreciation and amortization, protocols of physical count and confirmation procedures, reconciliation protocols, and the accounting entity's chart of accounts shall be archived for a period of <b>five years</b> following the year to which they relate;</p> <p>c) accounting records carrying information on the accounting methods, which the accounting entity is using to document the form of bookkeeping (Article 31 (2)), shall be archived for a period of <b>five years</b> following the year in which they were last used.</p>		the <b>transitional provisions</b> of Article 39p (1), these provisions shall also apply to the archiving of accounting records whose archiving period began prior to 1 January 2018 and did not expire until 31 December 2017.
Repeatedly committed administrative offense – revocation of a trade license	<p>Administrative offenses and fines for administrative offenses are specified in the provisions of Article 38.</p> <p>The <b>highest</b> fine is imposed for administrative offenses referred to in Article 38 (1) (a) and (n):</p> <ul style="list-style-type: none"> <li>- failure to maintain accounting books according to Article 4 (1) or failure to prepare financial statements according to Article 6 (4),</li> <li>- violation of the provisions of Article 11 (3) - making accounting entries outside the accounting books, making accounting entries on an accounting transaction that has not been carried out, concealing or failing to account for facts subject to accounting,</li> </ul> <p><b>up to 3,000,000 euros</b> (Article 38 (2) (a)).</p>	<p>According to Article 38 (3) and (4):</p> <ul style="list-style-type: none"> <li>- a <b>repeatedly</b> committed administrative offense referred to in paragraph 1 (a) or (n) shall be considered a <b>particularly serious breach</b> of this Act,</li> <li>- for this particularly serious breach of this Act, the tax authority shall impose a fine and <b>may</b> (= optional) file a petition for <b>revocation of the trade license</b>.</li> </ul>	<p>The <b>Explanatory Report</b> states that the establishment of the institution allowing for the possibility of filing a petition for revocation of a trade license has been proposed. The establishment of the aforementioned institution resulted from Resolution of the Government of the Slovak Republic No. 380 of 8 July 2015 regarding the draft update of the Action Plan for the Campaign Against Tax Fraud for 2012-2016. Since this sanction should also have a preventative and educational character, it is not desirable that a petition for revocation of a trade license be filed if an administrative offense is committed for the first time. Therefore, only a repeatedly committed administrative offense should be considered a particularly serious breach of the Act on Accounting. The establishment of the institution of a petition for revocation of a trade license, as another sanction for the violation of the Act on Accounting, is</p>

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			<p>expected to make entities concerned fulfill their obligations more consistently. By reason of the retroactive principle and for the purpose of a clear procedure when administrative offenses proposed to be treated as particularly serious breaches of the Act are committed, these provisions should be applied to administrative offenses committed after 31 December 2017.</p> <p><b>Effective date.</b> According to Article II, these changes will enter into force on 1 January 2018. According to the <b>transitional provisions</b> of Article 39p (2), the provisions of Article 38 (3) and 4 in the wording effective from 1 January 2018 shall be applied to administrative offenses committed after 31 December 2017.</p>

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