

# News - 2021/02

**Accounting Advisory / KPMG in Slovakia**

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## Amendment to the Accounting Procedures for Entrepreneurs in December 2020

Decree of the Finance Ministry of the Slovak Republic No. 23054/2002-92 of 16 December 2002 laying down details of the accounting procedures and the framework for the chart of accounts for entrepreneurs maintaining accounts under the system of double entry bookkeeping as amended (hereinafter referred to as the "Accounting Procedures for Entrepreneurs" or "Accounting Procedures") was amended by Decree of the Finance Ministry of the Slovak Republic No. MF/011805/2020-74 of 9 December 2020.

Some of the provisions of this amendment entered into force on 31 December 2020, others on 1 January 2021.

Description	Previous legislation	New legislation	Substance of change
<b>Redistribution of a capital fund from contributions</b> (Article 27b (5) of the Accounting Procedures)	<p>Accounting for a capital fund from contributions (other capital funds) is regulated by Article 27b of the Accounting Procedures, where accounting in the books of a shareholder or partner in the company and accounting in the books of the company are regulated separately.</p> <p>(5) In the books of a shareholder or partner who has paid a contribution, the use of a contribution paid to a capital fund from contributions for redistribution among shareholders or partners shall be recorded on the basis of a decision of the general meeting in the relevant financial investment account and debited to account 378 - <i>Other receivables</i>. The difference between the amount of the contribution paid to a capital fund from contributions from shareholders or partners and the redistributed amount attributable to the shareholder or partner shall be credited to account 668 - <i>Other financial income</i>.</p> <p>(6) In the books of a shareholder or partner who has not paid a contribution to a capital fund from contributions, the use of a contribution paid to a capital fund from contributions for redistribution among shareholders or partners shall be debited to account 378 - <i>Other receivables</i> and credited to account 668 - <i>Other financial income</i>.</p>	<p>The amendment brings about the following changes in accounting in the books of a shareholder or partner in the company:</p> <p>5) In the books of a shareholder or partner <del>who has paid a contribution</del>, the use of a contribution paid to a capital fund from contributions for redistribution among shareholders or partners shall be recorded on the basis of a decision of the general meeting in the relevant financial investment account and debited to account 378 - <i>Other receivables</i>. <b>The difference between the amount of the contribution paid to a capital fund from contributions from shareholders or partners and the redistributed amount attributable to the shareholder or partner shall be credited to account 668 - <i>Other financial income</i></b>. The redistributed amount in excess of the amount in the relevant financial investment account shall be credited to account 668 - <i>Other financial income</i>.</p> <p><b>(6) In the books of a shareholder or partner who has not paid a contribution to a capital fund from contributions, the use of a contribution paid to a capital fund from contributions for redistribution among shareholders or partners shall be debited to account 378 - <i>Other receivables</i> and credited to account 668 - <i>Other financial income</i>.</b></p>	<p>Prior to the amendment, it was distinguished between redistribution of a capital fund from contributions among the shareholders or partners who have paid a contribution to the capital fund from contributions (paragraph 5) and among those who have not (paragraph 6). The former accounted for the redistribution as a reduction of a financial investment (i.e. with no impact on net profit/loss), whereas the latter recognized it as income (i.e. with an impact on net profit/loss).</p> <p>Following the amendment, all of them should account for the above in the same way – as a reduction of a financial investment. Only the part in excess of the financial investment is recognized as income.</p> <p><b>Effective date.</b> According to Article II, these changes entered into force on 31 December 2020.</p>

Description	Previous legislation	New legislation	Substance of change
<b>Calculation of goodwill in the instance of a merger</b> (Article 37 (11) of the Accounting Procedures)	<p>The second sentence of Article 37 (11) of the Accounting Procedures has the following wording:</p> <p>In the instance of a merger, if the accounting entity being wound up holds an ownership interest in the successor accounting entity, goodwill shall be recognized as the difference between the fair value of the ownership interest attributable to the carrying value of assets and liabilities in the successor accounting entity, except for merger according to Article 26 (7).</p>	<p>Following the amendment, the second sentence reads as follows:</p> <p>In the instance of a merger, if the accounting entity being wound up holds an ownership interest in the successor accounting entity, goodwill shall be recognized as the difference between the fair value of the ownership interest attributable to the carrying value of assets and liabilities in the successor accounting entity <b>and the amount of equity of the successor accounting entity attributable to the ownership interest of the accounting entity being wound up in the successor accounting entity</b>, except for merger according to Article 26 (7).</p>	<p>The <b>Explanatory Statement</b> says that this makes the second sentence of Article 37 (11) more specific in legislative terms.</p> <p><b>Effective date.</b> According to Article II, these changes entered into force on 31 December 2020.</p>
<b>VAT related to irrecoverable receivables</b> (Article 52 of the Accounting Procedures)	n/a	<p>In Article 52, new paragraph 11 in the following wording has been inserted after paragraph 10:</p> <p>(11) Account 343 – <i>Value added tax</i> shall be used to account for a decrease in value added tax if the customer has not fully or partially paid for the supply of merchandise or service after the establishment of a tax liability and the receivable related to this supply has become irrecoverable<sup>30n)</sup>, with a corresponding entry in a receivable account. Account 343 – <i>Value added tax</i> shall be used to account for a correction of the deducted value added tax in relation to the irrecoverable receivable<sup>30o)</sup> with a corresponding entry in a liability account.</p>	<p>The <b>Explanatory Statement</b> reads as follows:</p> <p>In the context of an amendment to Act No. 222/2004 Coll. on Value Added Tax being under preparation, which concerns, among other things, a correction of the tax base where consideration for the supply of merchandise or service is not fully or partially paid and the supplier becomes entitled to a correction of the value added tax base if the conditions referred to in Article 25a (2) of the above Act are met, the method of accounting for value added tax has been determined. Based on a value added tax return, the aforementioned fact is reflected in the accounting books of the taxpayer as a reduction</p>

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		<p><sup>30n)</sup> Article 25a of Act No. 222/2004 Coll. as amended by Act No. 344/2020 Coll.</p> <p><sup>30o)</sup> Article 53b of Act No. 222/2004 Coll. as amended by Act No. 344/2020 Coll.</p>	<p>in the tax liability related to value added tax. The above will lead to a decrease in the value of the receivable in the accounting books. Account 343 – <i>Value added tax</i> should also be used to account for the obligation to correct the deducted tax according to Article 53b of the above Act. Based on a correction document received, which should be prepared according to Article 25a (7) and (9) of the amended Act on Value Added Tax, the obligation to return the deducted value added tax to the state budget is established.</p> <p><b>Effective date.</b> According to Article II, these changes entered into force on 1 January 2021.</p>
<b>Subsidies for rent</b> (Article 52a of the Accounting Procedures)	n/a	<p>Paragraph 8 in the following wording has been added to Article 52a:</p> <p>(8) Based on a notification of subsidy approval<sup>32aa)</sup>, the lessee shall debit the allocated subsidy for rent to account 346 – <i>Subsidies from state budget</i> with a corresponding credit entry in account 648 – <i>Other operating income</i> in relation to the substance and timing of rental costs incurred. The amount in which the lessee waived the subsidy for rent for the benefit of the lessor shall be debited to account 321 – <i>Suppliers</i> with a corresponding credit entry in account 346 – <i>Subsidies from state budget</i>. The lessor shall credit the amount in which the lessee waived the subsidy for rent for the benefit of the lessor</p>	<p>The <b>Explanatory Statement</b> reads as follows:</p> <p>Based on Act No. 155/2020 Coll. amending Act No. 71/2013 Coll. on granting subsidies within the competence of the Economy Ministry of the Slovak Republic, the method of accounting for a subsidy for rent in the books of both the lessee and the lessor has been determined, namely in connection with the emergency situation caused by the COVID-19 disease. According to the aforementioned Act, entitlement to a subsidy for rent arises for the lessee, who should record the entitlement to the subsidy as a receivable with a corresponding entry in an income account in relation</p>

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		<p>to the relevant receivable account with a corresponding debit entry in account 315 – <i>Other receivables</i>.</p> <p><sup>32aa)</sup> Article 13c of Act No. 71/2013 Coll. on granting subsidies within the competence of the Economy Ministry of the Slovak Republic as amended by Act No. 155/2020 Coll.</p>	<p>to the substance and timing of rental costs incurred. According to Article 13c of the aforementioned Act, the lessee waives the subsidy for the benefit of the lessor, and the lessor accounts for this fact within its receivable accounts.</p> <p><b>Effective date.</b> According to Article II, these changes entered into force on 31 December 2020.</p>
<b>Account 479 – Other non-current liabilities</b> (Article 61 (12) of the Accounting Procedures)	n/a	<p>The following sentence has been added to Article 61 (12):</p> <p>This account shall be used by a coordination center to account for received funds constituting a financial guarantee according to special legislation.<sup>38aa)</sup></p> <p><sup>38aa)</sup> Article 31a of Act No. 79/2015 Coll. on waste and on amendments to certain laws as amended by Act No. 460/2019 Coll.</p>	<p>The <b>Explanatory Statement</b> reads as follows:</p> <p>Accounting for a financial guarantee in an accounting entity that is a coordination center established according to Act 460/2019 Coll. amending Act No. 79/2015 Coll. on waste has been added, namely in a liability account because these funds serve to secure liabilities.</p> <p><b>Effective date.</b> According to Article II, these changes entered into force on 31 December 2020.</p>



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