

# News - 2022/02

Accounting Advisory / KPMG in Slovakia

November 2022



## Amendment to the Act on Accounting in June 2022 ("Sulík's Hundred 2")

The National Council of the Slovak Republic has approved Act No. 249/2022 Coll. of 16 June 2022 amending certain laws in connection with the improvement of the business environment. This Act is referred to by the media as "Sulíkovo kilečko 2" [Sulík's Hundred 2; refers to 100 measures prepared by the Economy Ministry led by Richard Sulík]. The Act was promulgated in the Collection of Deeds on 12 July 2022. The Act **entered into force on 1 September 2022**.

The Explanatory Statement says that the purpose of the draft law is to reduce the excessive regulatory burden on enterprises and thus increase their motivation to start and develop business, give them a competitive advantage over neighboring countries, and, in the final analysis, improve the position of the Slovak Republic in international business environment rankings.

These changes also affect Act No. 431/2002 Coll. on Accounting, namely the obligation of so-called **large companies to prepare individual financial statements according to the IFRS as adopted by the EU (IFRS/EU)**.

Description	Previous legislation	New legislation	Substance of change
<p><b>Large companies - obligation to prepare individual financial statements according to the IFRS as adopted by the EU has been changed to optional (applies to new large companies only)</b></p> <p>(Article 17a (2) of the Act on Accounting)</p>	<p>(2) Paragraph 1 shall also be followed (= individual financial statements according to the IFRS/EU shall be prepared) by an accounting entity not referred to in paragraph 1 if this accounting entity is a company that meets at least two of the following conditions for at least two successive accounting periods:</p> <p>a) its total assets exceeded 170,000,000 euros; total assets being defined as the amount determined from the balance sheet before adjustments by items specified in Article 26 (3) (= refers to gross assets; not net assets),</p> <p>b) its net turnover exceeded 170,000,000 euros,</p> <p>c) its average recalculated number of employees exceeded 2,000 during the individual accounting period.</p> <p>(3) An accounting entity, except for an accounting entity referred to in paragraph 1 or paragraph 2, may decide to prepare</p>	<p><del>2) Paragraph 1 shall also be followed (= individual financial statements according to the IFRS/EU shall be prepared) by an accounting entity not referred to in paragraph 1 if this</del></p> <p><b>An accounting entity, except for an accounting entity referred to in paragraph 1, may decide to prepare individual financial statements according to special legislation 22a) if this</b></p> <p>accounting entity is a company that meets at least two of the following conditions for at least two successive accounting periods:</p> <p>a) its total assets exceeded 170,000,000 euros; total assets being defined as the amount determined from the balance sheet before adjustments by items specified in Article 26 (3) (= refers to gross assets; not net assets),</p> <p>b) its net turnover exceeded 170,000,000 euros,</p> <p>c) its average recalculated number of employees exceeded 2,000 during the individual accounting period.</p>	<p>The <b>Explanatory Statement</b> reads as follows:</p> <p>Accounting entities that meet the criteria of size defined in Article 17a (2) <b>are currently required</b> to maintain accounting books and prepare financial statements according to the International Financial Reporting Standards (hereafter referred to as "IFRS"). In order to reduce administrative demands on these accounting entities with respect to maintaining accounting books, this obligation has been changed to an <b>option</b> to maintain accounting books and prepare individual financial statements according to the IFRS. However, an accounting entity will be included among public-interest entities according to the Act on Accounting if it meets the criteria of size, regardless of the accounting standards applied.</p> <p>Following the change to the obligation to maintain accounting books according to the IFRS, a transitional provision regulates the <b>option</b> to decide to use the IFRS when preparing financial statements <b>as of 1 January 2023 or later</b>. At the same time, it applies that an accounting entity that <b>was required</b> to prepare financial statements according to the IFRS until <b>31 December 2022 is still</b></p>

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	<p>individual financial statements according to special legislation 22a) if</p> <p>a) it issued securities during an accounting period that were permitted to be traded on a regulated market, 22aa) or</p> <p>b) ...</p> <p>c) ...</p> <p>d) ...</p> <p>e) ...</p> <p>(6) Accounting entities referred to in paragraphs 1 and 2 shall be subject to this Act, unless special legislation 22a) provides otherwise; the same shall apply to accounting entities referred to in paragraph 3 if they decide to prepare individual financial statements according to special legislation. 22a)</p>	<p>(3) An accounting entity, except for an accounting entity referred to in paragraph 1 <del>or paragraph 2</del>, may decide to prepare individual financial statements according to special legislation 22a) if</p> <p>a) it issued securities during an accounting period that were permitted to be traded on a regulated market, 22aa) or</p> <p>b) ...</p> <p>c) ...</p> <p>d) ...</p> <p>e) ...</p> <p><del>(6) Accounting entities referred to in paragraphs 1 and 2 shall be subject to this Act, unless special legislation 22a) provides otherwise; the same shall apply to accounting entities referred to in paragraph 3 if they decide to prepare individual financial statements according to special legislation. 22a)</del></p> <p><b>(6) Accounting entities referred to in paragraphs 1 to 3 shall be subject to this Act, unless special legislation 22a) provides otherwise.</b></p>	<p><b>required</b> to prepare financial statements according to the IFRS.</p> <p>The above is what the Explanatory Report says.</p> <p><b>Effective date.</b> According to Article XVI, this Act shall enter into force on <b>1 September 2022.</b></p> <p><b>Transitional provisions.</b> According to Article 39x, an accounting entity that <b>does not prepare</b> individual financial statements according to special legislation 22a) shall proceed according to Article 17a (2) in the wording effective from 1 September 2022 with respect to preparation of financial statements <b>as of 1 January 2023 at the earliest.</b></p> <p>It follows from the above that large companies that have prepared financial statements according to the IFRS/EU up until now will continue to prepare them according to the IFRS/EU (= obligatory). Only <b>new</b> large companies will have the option (= optional) to decide between Slovak accounting legislation and the IFRS/EU. This means companies that meet the conditions specified in Article 17a (2) for the first time with respect to the accounting period ending on 1 January 2023 or later.</p> <p>It continues to apply that once a company decides to apply the IFRS/EU, it cannot go back to Slovak</p>

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			<p>accounting legislation (Article 17a (5)).</p> <p>The transitional provision of Article 39x does not explicitly state whether an accounting entity – for example, an accounting entity whose accounting period is identical to a calendar year – must decide to apply the IFRS/EU with respect to financial statements for 2023, or whether it may also decide to apply it later. In our opinion, it follows from the wording of this transitional provision that an accounting entity may also decide to apply it later. If it meets the conditions specified in Article 17a (2) for the first time with respect to the calendar year of 2023, it does not have to decide to apply the IFRS/EU. If it meets these conditions with respect to the calendar year of 2024, it may decide to apply the IFRS/EU.</p> <p>In our opinion, this option will apply for the first time to an accounting entity that has so far not been required to prepare individual financial statements according to the IFRS/EU and met the conditions specified in Article 17a (2) for the first time with respect to the calendar year of 2023 (if its accounting period is identical to a calendar year) or with respect to the accounting period ending on 1 January 2023 or later (if its accounting period is not a calendar year, but instead a financial year).</p>

Description	Previous legislation	New legislation	Substance of change
			<p>An accounting entity that meets the conditions specified in Article 17a (2) for the first time as of 31 December 2022 does not yet have the possibility of deciding whether it will prepare financial statements as of 31 December 2022 according to the IFRS/EU or Slovak accounting legislation. It must (= obligatory) prepare financial statements according to the IFRS/EU.</p>
<p><b>Large companies continue to be public-interest entities according to the Act on Accounting</b></p> <p>(Article 2 (14) of the Act on Accounting)</p>	<p>(14) For the purpose of this Act, a <b>public-interest entity</b> shall be defined as an accounting entity that ... ... and an accounting entity referred to in Article 17a (2).</p>	<p>(14) For the purpose of this Act, a <b>public-interest entity</b> shall be defined as an accounting entity that... ... and an accounting <del>entity referred to</del> <b>jednotka uvedená</b> <b>entity that meets the conditions specified in Article 17a (2).</b></p>	<p>As stated above, the <b>Explanatory Statement</b> reads as follows: However, an accounting entity will be included among public-interest entities according to the Act on Accounting if it meets the criteria of size, regardless of the accounting standards applied.</p> <p>This means that a large company – as has been the case up until now – will be considered a public-interest entity according to Article 2 (14) of the Act on Accounting, regardless of whether it will prepare individual financial statements according to Slovak accounting legislation or the IFRS/EU.</p> <p>Please note that <b>public-interest entities</b> are defined in two laws:</p> <ul style="list-style-type: none"> <li>- <b>the Act on Accounting</b> (Article 2 (14) of the Act on Accounting) for accounting purposes, and</li> </ul>

Description	Previous legislation	New legislation	Substance of change
			<p>- <b>Act No. 423/2015 Coll. on Statutory Audit</b> (Article 2 (16) of the Act on Statutory Audit) for the purpose of statutory audit.</p> <p>Large companies are public-interest entities according to the Act on Accounting, but not according to the Act on Statutory Audit; nothing has been changed in this regard. For the purpose of statutory audit, they are not considered public-interest entities, but instead a separate category of accounting entities [Article 2 (15) (f) of the Act on Statutory Audit]; these entities are listed at <a href="http://www.udva.sk">www.udva.sk</a>, and there were 77 of them as of 31 December 2021.</p>



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