

Accounting Advisory / KPMG in Slovakia December 2022



#### Amendment to the Act on Accounting in December 2022

The National Council of the Slovak Republic has approved Act No. 407/2022 Coll. of 8 November 2022 amending Act No. 431/2002 Coll. on Accounting as amended and amending Act No. 513/1991 Coll. Commercial Code as amended.

Some provisions of the Act on Accounting will enter into force as early as 31 December 2022, others on 1 January 2023 and on 22 June 2023, respectively. The amended provisions of the Commercial Code will enter into force on 22 June 2023.

The most important changes resulting from the amendment to the Act on Accounting are discussed in the NEWS below.

### Accounting Advisory / KPMG in Slovakia

### December 2022

#### Provisions that will enter into force on 31 December 2022

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### Accounting Advisory / KPMG in Slovakia

#### December 2022

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public-interest entities [Article 20 (9) of the Act on Accounting]whose average recalculated number of employees exceeds 500 during the accounting period shall also include in its annual report non- financial information on the accounting entity's development, performance, position and impact of its activity on environmental, social and employee matters, information on anti- corruption and bribery matters (hereafter referred to as the "area of corporate social responsibility"), primarily including the following:whose average recalculated number of employees exceeds 500 during the accounting period shall also include in its annual report non- financial information on the accounting entity's development, performance, position and employee matters, information on anti- corruption and bribery matters (hereafter referred to as the "area of corporate social responsibility"), primarily including the following:whose average recalculated number of employees exceeds 500 during the accounting period shall also include in its annual report non- financial information on the accounting entity's development, performance, position and employee matters information on anti- corruption and bribery matters (hereafter referred to as the "area of corporate social responsibility"), primarily including the following:Kapter matters (hereafter reformance, position and employee matters information on respect for human rights, and information on respect for human rights, and <b< th=""><th>Accounting</th><th>required to submit to the general meeting an explanatory report on the content of the annual report referred to in</th><th>state are required to submit to the general meeting an explanatory report on the content of the annual report referred to in paragraph</th><th>According to Article III, these changes will enter into force on <b>31</b> <b>December 2022</b>. According to the <b>transitional provisions</b> <b>of Article 39y</b>, the provisions in the wording effective from 31 December 2022 shall be used for the first time with respect to the preparation of an annual report <b>for accounting</b> <b>periods ending on 31</b></th></b<>	Accounting	required to submit to the general meeting an explanatory report on the content of the annual report referred to in	state are required to submit to the general meeting an explanatory report on the content of the annual report referred to in paragraph	According to Article III, these changes will enter into force on <b>31</b> <b>December 2022</b> . According to the <b>transitional provisions</b> <b>of Article 39y</b> , the provisions in the wording effective from 31 December 2022 shall be used for the first time with respect to the preparation of an annual report <b>for accounting</b> <b>periods ending on 31</b>
a) a brief description of the business model;meets one of the following conditions as of the balance sheet date and for theinformation on anti- corruption and bribery matters, the criteria o size under which a	public-interest entities [Article 20 (9) of the Act on	<ul> <li>whose average</li> <li>recalculated number of</li> <li>employees exceeds 500</li> <li>during the accounting</li> <li>period shall also include</li> <li>in its annual report non-</li> <li>financial information on</li> <li>the accounting entity's</li> <li>development,</li> <li>performance, position</li> <li>and impact of its activity</li> <li>on environmental, social</li> <li>and employee matters,</li> <li>information on respect</li> <li>for human rights, and</li> <li>information on anti-</li> <li>corruption and bribery</li> <li>matters (hereafter</li> <li>referred to as the "area</li> <li>of corporate social</li> <li>responsibility"), primarily</li> <li>including the following:</li> <li>a) a brief description of</li> <li>the business model;</li> <li>b) a description and the</li> <li>outcome of the</li> <li>policies pursued by</li> <li>the accounting entity</li> <li>in the area of</li> </ul>	<ul> <li>whose average</li> <li>recalculated number of</li> <li>employees exceeds 500</li> <li>during the accounting</li> <li>period shall also include</li> <li>in its annual report non-</li> <li>financial information on</li> <li>the accounting entity's</li> <li>development,</li> <li>performance, position</li> <li>and impact of its activity</li> <li>on environmental, social</li> <li>and employee matters,</li> <li>information on respect</li> <li>for human rights, and</li> <li>information on anti-</li> <li>corruption and bribery</li> <li>matters (hereafter</li> <li>referred to as the "area</li> <li>of corporate social</li> <li>responsibility") if, at the</li> <li>same time, it also</li> <li>meets one of the</li> <li>following conditions as</li> <li>of the balance sheet</li> <li>date and for the</li> <li>preceding accounting</li> <li>period:</li> </ul>	Explanatory Report: Based on Directive 2014/95/EU in the wording of later amendments, which regulates the obligation of public-interest entities having a number of employees in excess of 500 to also disclose in their annual reports non-financial information on the accounting entity's development, performance, position and impact of its activity on environmental, social and employee matters, information on respect for human rights, and information on anti- corruption and bribery matters, the criteria of size under which a public-interest entity is required to fulfill this obligation have

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### Accounting Advisory / KPMG in Slovakia

Description	Dravieve legislation	Newleyislation	Outotones of shores
Description	Previous legislation including the applied	New legislation total assets being	Substance of change Effective date.
	due diligence	defined for this	According to Article III,
	procedures;	purpose as the	these changes will enter
	c) a description of the	amount determined	into force on <b>31</b>
	principal risks related	from the balance	December 2022.
	to the accounting	sheet after	
	entity's impact on the	adjustments by	According to the
	area of corporate	items specified in	transitional provisions
	social responsibility	Article 26 (3);	of Article 39y, the
	resulting from the		provisions in the wording
	accounting entity's	b) its <b>net turnover</b>	effective from 31
	operations, which is	exceeded	December 2022 shall be
	likely to cause	40,000,000 euros.	used for the first time
	adverse impacts		with respect to the
	and, where		preparation of an annual
	appropriate, a description of its		report for accounting
	business		periods ending on 31 December 2022.
	relationships,		
	products or services		
	provided by the		
	accounting entity,		
	and a description of		
	how the accounting		
	entity manages		
	those risks;		
	d) material non-		
	financial information		
	on the accounting		
	entity's activities		
	broken down by individual activities;		
	e) a reference to		
	information on		
	amounts reported in		
	the financial		
	statements and an		
	explanation of these		
	amounts with		
	respect to their		
	impacts on the area		
	of corporate social		
	responsibility where		
	appropriate.		
		l	

### Accounting Advisory / KPMG in Slovakia

Description	Previous legislation	New legislation	Substance of change
Duties of public-interest entities [Article 20 (10) of the Act on Accounting]	N/A	New paragraph 10 has been added to Article 20, where information required to be disclosed in an annual report prepared by public- interest entities according to the amended wording of Article 20 (9) has been transferred from the original Article 20 (9).	This legislative amendment follows up on the changes to Article 20 (9). Effective date. According to Article III, these changes will enter into force on 31 December 2022. According to the transitional provisions of Article 39y, the provisions in the wording effective from 31 December 2022 shall be used for the first time with respect to the preparation of an annual report for accounting periods ending on 31 December 2022.

### Accounting Advisory / KPMG in Slovakia

#### December 2022

#### Provisions that will enter into force on 1 January 2023

Description	Previous legislation	New legislation	Substance of change
Definition of	An active market is a	An active market is a	The text has been made
active market [Article 27 (5)	market in which:	market in which:	more specific in response to the needs arising from
(b) of the Act on Accounting)	<ul> <li>a) assets are traded according to types of assets with similar properties under similar conditions;</li> <li>b) persons are usually willing to buy or sell;</li> <li>c) information on prices is publicly available.</li> </ul>	<ul> <li>a) assets are traded according to types of assets with similar properties under similar conditions;</li> <li>b) persons are usually willing to buy or sell for a price offered in that market;</li> <li>c) information on prices is publicly available.</li> </ul>	practical application. Effective date. According to Article III, these changes will enter into force on 1 January 2023.
Reconciliation procedures [Article 29 (3) of the Act on Accounting)	An accounting entity may perform reconciliation procedures regarding tangible assets other than inventory and other than cash on hand for a period other than the period specified in paragraph 2, but this period must not exceed four years. An accounting entity must perform reconciliation procedures with respect to cash on hand as of the balance sheet date.	An accounting entity may perform reconciliation procedures regarding tangible assets other than inventory and other than cash on hand for a period other than the period specified in paragraph 2, but this period must not exceed four years, except for an accounting entity that is a state budget- funded organization, organization subsidized by the state, state fund, municipality, higher territorial unit, and a state budget-funded organization established by them, which shall perform reconciliation procedures within the time limit specified in paragraph 2. An accounting entity must perform reconciliation procedures with respect to cash on hand as of the balance sheet date	According to the Explanatory Report: Based on the recommendations arising from practical application and the results of audits of consolidated financial statements of central administration, it has been proposed that public sector accounting entities (state budget-funded organizations subsidized by the state, state funds, municipalities, higher territorial unites, and state budget-funded organizations and subsidized organizations established by them) increase the periodicity of reconciliation procedures regarding non-current tangible assets in order to better protect the assets of the state, municipalities, and higher territorial units and to improve the quality of data in financial statements.
		the balance sheet date.	Effective date. According to Article III, these changes will enter into force on <b>1 January 2023</b> .

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### Accounting Advisory / KPMG in Slovakia

Description	Durations is visible to a		Outstands of shares
Description	Previous legislation	New legislation	Substance of change
Accounting	For the purpose of	For the purpose of	According to the
records [Article	auditing financial	auditing financial	Explanatory Report:
31 (8) of the	statements by an auditor	statements by an auditor	
Act on	(Article 19), publication	(Article 19), publication	The provision concerning
Accounting)	(Article 23d), and for the	(Article 23d), and for the	the request by the tax
	needs of the tax	needs of the tax	authority for the
	authority (Article 38), an	authority (Article 38), an	submission of accounting
	accounting entity is	accounting entity is	records of an accounting
	required, following a	required, following a	entity has been amended
	request from the tax	request from the tax	and, in accordance with
	authority or authorized	authority or authorized	Article 38 (8) of the Act,
	persons, to enable them	persons, to enable them	the time limit will be
	to acquaint themselves	to acquaint themselves	subject to the provisions
	with the content of the	with the content of the	of Articles 27 to 29 of Act
	accounting records	accounting records	No. 563/2009 Coll. on
	specified by them. The	specified by them. The	Administration of Taxes
	accounting entity is	tax authority shall ask	(Rules of Tax Procedure)
	required to submit the	the accounting entity	and on Amendments to
	specified accounting	to submit its	Certain Laws as
	records in the form in	accounting records	amended.
	which they are kept and	within the time	
	archived. An accounting	limit29ic) set by the	
	entity using the system	tax authority and	Effective date. According
	of double entry	inform the accounting	to Article III, these
	bookkeeping, which	entity of the	changes will enter into
	maintains its accounting	consequences of the	force on <b>1 January 2023</b> .
	books using software, is	failure to submit	······································
	required to allow the tax	accounting records.	
	authority or authorized	The accounting entity is	
	persons to access its	required to submit the	
	accounting software and	specified accounting	
	present the accounting	records in the form in	
	records supporting the	which they are kept and	
	identification of the	archived. An accounting	
	accounts in which the	entity using the system	
	accounting transactions	of double entry	
	are recorded in the	bookkeeping, which	
	accounting entity. The	maintains its accounting	
	accounting entity shall	books using software, is	
	have these obligations	required to allow the tax	
	during the period during	authority or authorized	
	which it is required to	persons to access its	
	maintain or archive	accounting software and	
	accounting records.	present the accounting	
		records supporting the	
		identification of the	
		accounts in which the	
		accounting transactions	
		are recorded in the	
		accounting entity. The	
		accounting entity shall	
		have these obligations	
		during the period during	
		which it is required to	
		maintain or archive	
		accounting records.	

### Accounting Advisory / KPMG in Slovakia

Description	Previous legislation	New legislation	Substance of change
Administrative offenses [Article 38 (1) (k) of the Act on Accounting]	An accounting entity commits an administrative offense if it: k) violates the provisions of Articles 31 to 33;	An accounting entity commits an administrative offense if it: k) violates the provisions of Articles 31 to 33 or fails to comply with the request referred to in Article 31 (8) within the specified time limit or to the specified extent;	A sanction for the failure to submit accounting records at the request of the tax authority has been proposed. Effective date. According to Article III, these changes will enter into force on 1 January 2023. According to the transitional provisions of Article 39z, the provisions in the wording effective from 1 January 2023 shall be used for the first time with respect to administrative offenses committed after 31 December 2022.
Administrative offenses [Article 38 (2) (e) of the Act on Accounting]	The tax authority shall impose a fine for an administrative offense e) referred to in paragraph 1 (c), from 100 euros to 10,000 euros, if the total amount of assets cannot be established or the accounting entity does not present any assets;	The tax authority shall impose a fine for an administrative offense e) referred to in paragraphs 1 (c) <b>and (k)</b> from 100 euros to 10,000 euros, if the total amount of assets cannot be established or the accounting entity does not present any assets;	A sanction for the failure to submit accounting records at the request of the tax authority has been proposed. Effective date. According to Article III, these changes will enter into force on 1 January 2023. According to the transitional provisions of Article 39z, the provisions in the wording effective from 1 January 2023 shall be used for the first time with respect to administrative offenses committed after 31 December 2022.

#### Accounting Advisory / KPMG in Slovakia

#### Provisions that will enter into force on 22 June 2023

#### **Report on Income Tax Information**

The provisions that will enter into force on 22 June 2023 concern the rules on disclosure of income tax information.

New articles - Article 21, Article 21a, Article 21b, Article 21c, Article 21d, Article 21e, and Article 21f - have been added to the Act on Accounting, and certain related provisions have been amended for this purpose.

The Act on Accounting has been amended in response to the obligation to implement Directive (EU) 2021/2101 of the European Parliament and of the Council as regards disclosure of income tax information and introduces the obligation for selected accounting entities to prepare a report on income tax information. The purpose is to increase transparency, enhance public scrutiny of the activities of multinational companies, and asses their contribution to the welfare of society.

In relation to the transposition of Article 48 of European Directive (EU) 2021/2101 of 24 November 2021 as regards disclosure of income tax information by certain undertakings and branches, the Act on Accounting incorporates provisions related to data reported by multinational undertakings and information concerning third-country tax jurisdictions. These **provisions will enter into force on 22 June 2023** and will be used for the first time with respect to filing a **report on income tax information** for an accounting period beginning on 22 June 2024 at the earliest.

The amended Act adds and precisely **defines terms** related to the purpose of a report on income tax information, namely an ultimate parent accounting entity, standalone accounting entity, foreign entity, branch of a foreign entity, consolidated financial statements of a foreign entity, and revenue of a foreign entity.

In addition, the Act sets the **obligation to prepare** a report on income tax information for the following accounting entities:

- (i) an ultimate parent entity if its consolidated revenue presented in its consolidated financial statements prepared according to the IFRS/EU exceeds EUR 750 million for each of two consecutive accounting periods;
- (ii) a standalone accounting entity if, for each of two consecutive accounting periods:
  - its revenue presented in its individual financial statements prepared according to the IFRS/EU exceeds EUR 750 million; or
  - its **net turnover** presented in its individual financial statements that are not prepared according to the IFRS/EU **exceeds EUR 750 million**;
- (iii) a **large company** that has a foreign ultimate parent accounting entity meeting the defined criteria of size;
- (iv) a **branch of a foreign entity** if income tax information concerns its foreign ultimate parent accounting entity or a foreign standalone accounting entity that meet the set criteria of size.

If the obligation to prepare a report on income tax information arises for the aforementioned accounting entities, they are also **required to file the report in the Register and the Collection of Deeds** of the Commercial Register.

The new **obligation does not apply to accounting entities** that are tax residents solely in the Slovak Republic, including their affiliated accounting entities and branches outside the territory of the Slovak Republic, **or** if accounting entities disclose an annual report, in accordance with Article 37 (6) of Act No. 483/2001 Coll. as amended (Act on Banks), that encompasses information on all of their activities or on all the activities of all the affiliated accounting entities included in the consolidated financial statements of the ultimate parent accounting entity. **Exemption from the obligation to file a report concerning a large company and branch of a foreign entity** applies to a report that is made accessible free of charge and in an electronic format on the website of its foreign ultimate parent accounting entity in at least one of the official languages of the EU, provided that the conditions stipulated by law are met.

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The Act also introduces a new **obligation to indicate in an auditor's report on financial statements** whether the accounting entity has the obligation to prepare and file a report on income tax information. This provision will be used for the first time in an auditor's report prepared for an accounting period beginning on 22 June 2025 at the earliest.

However, the **content of a report on income tax information** remains an open question, as this part of the Directive has not been transposed. Information regarding the format and particulars will be stipulated by the Finance Ministry of the Slovak Republic by means of a decree.





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