

News - 2022/03

Accounting Advisory / KPMG in Slovakia
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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.

Provisions that will enter into force on 31 December 2022

Description	Previous legislation	New legislation	Substance of change
<p>Information duties of issuers of securities [Article 20 (7) of the Act on Accounting]</p>	<p>An accounting entity that has issued securities that were admitted to trading on a regulated market is required to disclose the following information in its annual report:</p> <p>a) the structure of share capital, including information on securities that are not admitted to trading on a regulated market in any member state</p> <p>b) ...</p>	<p>If an accounting entity has issued securities and at least some of them are admitted to trading on a regulated market of a member state and are the subjects of a takeover bid, the accounting entity is also required to disclose the following information in its annual report</p> <p>a) the structure of share capital, including information on securities that were not are not admitted to trading on a regulated market in any member state, with an indication of the classes of shares and, for each class of shares, a description of the rights and obligations attaching to it and the percentage of total share capital that it represents,</p> <p>b) ...</p>	<p>According to the Explanatory Report: In accordance with Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids (Official Journal of the European Union L 142, 30 April 2004; Special edition of the Official Journal of the European Union 17/ 2) in the wording of later amendments, it has been specified that the obligations to disclose information in an annual report only apply to accounting entities that have issued securities that are admitted to trading on a regulated market of a member state and are the subjects of a takeover bid.</p> <p>Effective date. According to Article III, these changes will enter into force on 31 December 2022.</p> <p>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.</p>

Description	Previous legislation	New legislation	Substance of change
<p>Duties of members of the Board of Directors [Article 20 (8) of the Act on Accounting]</p>	<p>Members of the board of directors of an accounting entity that has issued securities that were admitted to trading on a regulated market of a member state are required to submit to the general meeting an explanatory report on the content of the annual report referred to in paragraphs 6 and 7.</p>	<p>Members of the board of directors of an accounting entity that has issued securities that were are admitted to trading on a regulated market of a member state are required to submit to the general meeting an explanatory report on the content of the annual report referred to in paragraph 6 and 7.</p>	<p>In relation to the amendment to Article 20 (7), the content of an explanatory report has been made more specific, as well.</p> <p>Effective date. According to Article III, these changes will enter into force on 31 December 2022.</p> <p>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.</p>
<p>Duties of public-interest entities [Article 20 (9) of the Act on Accounting]</p>	<p>A public-interest entity 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 respect for human rights, and information on anti-corruption and bribery matters (hereafter referred to as the "area of corporate social responsibility"), primarily including the following:</p> <ul style="list-style-type: none"> a) a brief description of the business model; b) a description and the outcome of the policies pursued by the accounting entity in the area of corporate social responsibility, 	<p>A public-interest entity 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 respect for human rights, and information on anti-corruption and bribery matters (hereafter referred to as the "area of corporate social responsibility") if, at the same time, it also meets one of the following conditions as of the balance sheet date and for the preceding accounting period:</p> <ul style="list-style-type: none"> a) its total assets exceeded 20,000,000 euros, 	<p>According to the Explanatory Report:</p> <p>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 been added.</p>

Description	Previous legislation	New legislation	Substance of change
	<p>including the applied due diligence procedures;</p> <p>c) a description of the principal risks related to the accounting entity's impact on the area of corporate social responsibility resulting from the accounting entity's operations, which is likely to cause adverse impacts and, where appropriate, a description of its business relationships, products or services provided by the accounting entity, and a description of how the accounting entity manages those risks;</p> <p>d) material non-financial information on the accounting entity's activities broken down by individual activities;</p> <p>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.</p>	<p>total assets being defined for this purpose as the amount determined from the balance sheet after adjustments by items specified in Article 26 (3);</p> <p>b) its net turnover exceeded 40,000,000 euros.</p>	<p>Effective date. According to Article III, these changes will enter into force on 31 December 2022.</p> <p>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.</p>

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).	<p>This legislative amendment follows up on the changes to Article 20 (9).</p> <p>Effective date. According to Article III, these changes will enter into force on 31 December 2022.</p> <p>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.</p>

Provisions that will enter into force on 1 January 2023

Description	Previous legislation	New legislation	Substance of change
<p>Definition of active market [Article 27 (5) (b) of the Act on Accounting]</p>	<p>An active market is a market in which:</p> <ul style="list-style-type: none"> a) assets are traded according to types of assets with similar properties under similar conditions; b) persons are usually willing to buy or sell; c) information on prices is publicly available. 	<p>An active market is a market in which:</p> <ul style="list-style-type: none"> a) assets are traded according to types of assets with similar properties under similar conditions; b) persons are usually willing to buy or sell for a price offered in that market; c) information on prices is publicly available. 	<p>The text has been made more specific in response to the needs arising from practical application.</p> <p>Effective date. According to Article III, these changes will enter into force on 1 January 2023.</p>
<p>Reconciliation procedures [Article 29 (3) of the Act on Accounting]</p>	<p>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.</p>	<p>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 and subsidized 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.</p>	<p>According to the Explanatory Report:</p> <p>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, 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.</p> <p>Effective date. According to Article III, these changes will enter into force on 1 January 2023.</p>

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

Description	Previous legislation	New legislation	Substance of change
Administrative offenses [Article 38 (1) (k) of the Act on Accounting]	<p>An accounting entity commits an administrative offense if it:</p> <p>k) violates the provisions of Articles 31 to 33;</p>	<p>An accounting entity commits an administrative offense if it:</p> <p>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;</p>	<p>A sanction for the failure to submit accounting records at the request of the tax authority has been proposed.</p> <p>Effective date. According to Article III, these changes will enter into force on 1 January 2023.</p> <p>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.</p>
Administrative offenses [Article 38 (2) (e) of the Act on Accounting]	<p>The tax authority shall impose a fine for an administrative offense</p> <p>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;</p>	<p>The tax authority shall impose a fine for an administrative offense</p> <p>e) referred to in paragraphs 1 (c) and (k) 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;</p>	<p>A sanction for the failure to submit accounting records at the request of the tax authority has been proposed.</p> <p>Effective date. According to Article III, these changes will enter into force on 1 January 2023.</p> <p>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.</p>

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 assess 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 or a foreign standalone accounting entity in at least one of the official languages of the EU, provided that the conditions stipulated by law are met.

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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