



## Report on Income Tax Information

The National Council of the Slovak Republic has approved Act No.407/2022 Coll. of 2 November 2021 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 entered into force on 31 December 2022, others on 1 January 2023 and on 22 June 2023, respectively. The amended provisions of the Commercial Code entered into force on 22 June 2023.

The provisions that entered 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 entered 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 on Accounting adds and precisely defines terms related to the purpose of a report on income tax information, namely:

- ultimate parent accounting entity,
- standalone accounting entity,
- affiliated accounting entities,
- foreign entity,
- ultimate foreign parent entity,
- foreign group,
- standalone foreign entity,
- branch of a foreign entity,
- consolidated financial statements of an ultimate foreign parent entity,
- consolidated revenue of an ultimate foreign parent entity,
- revenue of a standalone foreign entity.

## 1. Obligation to DRAW UP a report

### 1.1. Ultimate parent entity and standalone accounting entity

#### According to Article 21a:

- an ultimate parent entity where its consolidated revenue, as presented in its consolidated financial statements prepared according to the IFRS/EU, exceeded for each of two consecutive accounting periods a total of EUR 750 million;
- a standalone accounting entity where for each of two consecutive accounting periods, its:
  - revenue, as presented in its individual financial statements prepared according to the IFRS/EU, exceeded a total of EUR 750 million; or
  - net turnover, as presented in its individual financial statements, unless it prepares individual financial statements according to the IFRS/EU, exceeded a total of EUR 750 million [Article 21a (1)].

An ultimate parent accounting entity and a standalone accounting entity are **required to draw up the report** as regards **the latter** of the two accounting periods referred to above [Article 21a (2)].

#### ***The obligation to draw up the report shall cease if:***

for each of the two accounting periods subsequent to the accounting period for which the obligation to draw up the report arises,

- the consolidated revenue of an ultimate parent accounting entity and
- the revenue/net turnover of a standalone accounting entity

**does not exceed** a total of EUR 750 million [Article 21a (3)].

#### ***An ultimate parent accounting entity and a standalone accounting entity do not have to draw up the report if [Article 21a (4)]:***

- these accounting entities, including their affiliated accounting entities and branches located outside the territory of the Slovak Republic, are residents for tax purposes solely in the Slovak Republic; or
- the 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.

#### ***Obligation to file the report [Article 21a (5)]***

If the aforementioned accounting entities are required to draw up a report on income tax information, they are also required to file the report in the **Register of Financial Statements** and in the **Collection of Deeds of the Commercial Register**.

The report shall be filed in the Register in an electronic format to be determined by the Finance Ministry by means of a decree, **at the latest within one year from the end of the accounting period** for which the report is drawn up [Article 23a (11)].

## 2. Obligation to FILE a report concerning the ultimate foreign parent entity or a standalone foreign entity

### 2.1. Large subsidiary accounting entity

#### According to Article 21b:

- If a large subsidiary accounting entity that is a company
  - has an ultimate foreign parent entity whose
    - consolidated revenue exceeded for each of two consecutive accounting periods a total of o EUR 750 million or
    - an equivalent amount in the currency of the state that is not a member state (after being converted according to the foreign exchange reference rate of the European Central Bank as of 21 December 2021 and rounded off to the nearest thousand, referred to as an equivalent amount),

it is required to file a **report concerning its ultimate foreign parent entity** as regards the **latter** of those two accounting periods in the **Register of Financial Statements** in accordance with Article 23a (11) and in the **Collection of Deeds of the Commercial Register** [Article 21b (1)].

If a large subsidiary accounting entity does not obtain from its ultimate foreign parent entity all the information required for filing the report, it shall draw up and file a report where it shall include all information in its possession and, at the same time, declare that its ultimate foreign parent entity did not make the necessary information available [Article 21b (3)].

**!** **ATTENTION:** The obligation to file the report also applies to a company that is a **micro-subsidiary accounting entity** or **small subsidiary accounting entity** if this accounting entity carries out activities solely for the purpose of circumventing this obligation [Article 21b (4)].

#### ***The obligation to file the report shall cease:***

- if the consolidated revenue of the ultimate foreign parent entity **does not exceed** EUR 750 million for each of the two accounting periods subsequent to the accounting period for which the obligation to draw up the report arises [Article 21b (2)].

#### According to Article 21d:

#### ***Exemption for a large subsidiary accounting entity from the obligation to file a report concerning its ultimate foreign parent entity:***

- If this report is made accessible to the public, free of charge and in an electronic format which is machine-readable, on the website of its ultimate foreign parent entity in at least one of the official languages of the European Union no later than 12 months after the end of the accounting period for which the report is drawn up and one of the following conditions is met:
  - the report is drawn up and filed in accordance with this Act and identifies the legal name and the registered office of a single large subsidiary accounting entity that has fulfilled the obligation to file this report, as required according to Article 21b; or
  - the report is drawn up and published in accordance with a legally binding act of the European Union and identifies the legal name and the registered office of the single subsidiary entity that has published this report [Article 21d (1)].

## 2.2. Branch of a foreign entity

### According to Article 21c:

- A branch of a foreign entity shall file a report concerning its ultimate foreign parent entity or standalone foreign entity in the **Register of Financial Statements** and in the **Collection of Deeds of the Commercial Register** if:
  - its net turnover exceeds for each of two consecutive accounting periods a total of EUR 8 million and the following conditions are met:
    - a) the foreign entity by which the branch was incorporated is:
      - an affiliated foreign entity, and the consolidated revenue of its ultimate foreign parent entity exceeded for each of two consecutive accounting periods a total of EUR 750 million or an equivalent amount; or
      - a standalone foreign entity whose revenue exceeded for each of two consecutive accounting periods a total of EUR 750 million or an equivalent amount; and
    - b) the ultimate foreign parent entity [referred to in Article 21c (1) (a) (1)] does not have:
      - a large subsidiary accounting entity referred to in Article 21b (1); and
      - a subsidiary entity which is a subsidiary legal entity having its registered office in a member state other than the Slovak Republic and which has a legal form comparable to the legal form of a company meeting the criteria of size for medium-sized or large undertakings according to a legally binding act of the European Union [Article 21c (1)].

If the branch does not obtain from its ultimate foreign parent entity or standalone foreign entity all the information required for filing the report, it shall draw up and file a report where it shall include all information in its possession and, at the same time, declare that its ultimate foreign parent entity or standalone foreign entity did not make the necessary information available [Article 21b, Article 21 c (3)].

**! ATTENTION:** The obligation to file the report also applies to a branch whose net turnover does not exceed for each of two consecutive accounting periods a total of EUR 8 million if this accounting entity carries out activities solely for the purpose of circumventing this obligation [Article 21c (4)].

### ***The obligation to file the report shall cease:***

- if for each of the two accounting periods subsequent to the accounting period for which the obligation to file the report arises:
  - the net turnover of the branch does not exceed a total of EUR 8 million; or
  - the consolidated revenue of the ultimate foreign parent entity or standalone foreign entity according to Article 21c (1) (a) does not exceed a total of EUR 750 million or an equivalent amount [Article 21c (2)].

### According to Article 21d:

#### **Exemption for a branch from the obligation to file a report concerning its ultimate foreign parent entity or standalone foreign entity:**

- If this report is made accessible to the public, free of charge and in an electronic format which is machine-readable, on the website of its ultimate foreign parent entity or its standalone foreign entity in at least one of the official languages of the European Union no later than 12 months after the end of the accounting period for which the report is drawn up and one of the following conditions is met:
  - the report is drawn up and filed in accordance with this Act and identifies the designation and

the location address of a single branch that has fulfilled the obligation to file this report, as required according to Article 21c; or

- the report is drawn up and published in accordance with a legally binding act of the European Union and identifies the designation and the address of the place of business of a single branch that has published this report, and this branch is located in the territory of a member state other than the Slovak Republic and its founder meets the conditions referred to in Article 21c (1) [Article 21d (2)].

### 3. Report publication

The report shall be published by means of filing in the Register of Financial Statements (hereafter referred to as the „Register“). The report shall be filed in the Register according to Articles 23 to 23c.

The obligation of an accounting entity to file the report in the **Collection of Deeds of the Commercial Register** [according to Article 21a (5), Article 21b (1) or Article 21c (1)] **shall be considered fulfilled by filing the report in the Register** according to Article 23a (11) [Article 21d (3)].

According to the amended wording of **Article 23a (11)**, an accounting entity that is required to file a report according to Articles 21a to 21c in the Register is required to file it in the Register in an electronic format to be determined by the Finance Ministry by means of a decree, **at the latest within one year from the end of the accounting period** for which the report is drawn up.

An accounting entity that is required to file the report in the Register of Financial Statements and in the Collection of Deeds of the Commercial Register (according to Article 21a, Article 21b or Article 21c) shall also publish this report on **its website** and in the same electronic format, to the same extent, in the same language, and within the same time limit as filed in the Register according to Article 23a (11).

The report must be published in this manner for a minimum of **five consecutive years** after the end of the accounting period for which the report has been drawn up [Article 21e (1) and (2)].

An accounting entity referred to in Articles 21a to 21c shall **not be subject** to the obligation to file the report if it publishes on its website a reference to the website of the Register in which the report is filed and made accessible to the public free of charge and if it indicates that it has been exempted from the publication obligation.

The reference and information must be published in this manner for a minimum of **five consecutive years** after the end of the accounting period for which the report has been drawn up [Article 21e (3)].

### 4. Auditor's obligation

At the same time, **Article 19 of the Act on Accounting** has been amended, introducing a new obligation to include information relating to a report on income tax information in an auditor's report.

According to the new paragraph 4 of Article 19, **in an auditor's report on financial statements** of a company that is required to have its financial statements audited by an auditor according to paragraph 1 (a), (b) or (d) – meeting the criteria of size, an issuer of securities, financial statements according to the IFRS/EU – or according to Article 22 (2) – consolidated financial statements, an auditor shall also state whether:

- for the accounting period preceding the accounting period for which the financial statements under audit were prepared, the accounting entity was required to file a report according to Article 21a and Article 21b, i.e. the ultimate parent accounting entity and a standalone accounting entity and a large subsidiary accounting entity;
- these accounting entities filed the report in accordance with Article 23a (11) [Article 19 (4)].

According to the transitional provisions referred to in Article 39za (1), the provisions of Article 19 (4) in the wording effective from 22 June 2023 **shall be used for the first time** with respect to an auditor's report on financial statements prepared for an **accounting period beginning on 22 June 2025**.

## 5. Responsibility of an accounting entity

For the purpose of filing and publishing the report by a large subsidiary accounting entity or a branch of a foreign entity, these accounting entities shall be responsible for ensuring, to the best of their ability, that the report is consistent with this Act (Article 21f).

## 6. Archiving

A report on income tax information shall be archived for five years following the year to which it relates [Article 35 (3) (b)].

## 7. Content of the report on income tax information

The Act on Accounting does not stipulate the content of the report on income tax information [Article 21a (6)]. The particulars of the report are stipulated in Decree of the Finance Ministry of the Slovak Republic No. MF/006455/2023-74 of 14 June 2023 on a Report on Income Tax Information.

The Decree entered into force on 22 June 2023 and **shall be used for the first time** with respect to a report filed in the Register for the **accounting period beginning on 22 June 2024**.

The report on income tax information shall include information relating to all the activities of:

- the standalone accounting entity or standalone foreign entity;
- the ultimate parent accounting entity, including those of all affiliated accounting entities consolidated in its consolidated financial statements;
- the ultimate foreign parent entity, including those of all affiliated accounting entities consolidated in its consolidated financial statements

in respect of the same accounting period for which the report is drawn up.

The Decree also contains definitions such as tax jurisdiction, revenue and its calculation, retained earnings, and tax due (Article 2).

### Overview of mandatory information that must be included in the report (Article 3)

- the legal name or designation of:
  - the ultimate parent accounting entity or the standalone accounting entity; or
  - the ultimate foreign parent entity or the standalone foreign entity;
- the accounting period in respect of which the report is drawn up;
- the currency in which the amounts are presented in the report;
- a list of all subsidiary accounting entities consolidated in the consolidated financial statements of the ultimate parent accounting entity or a list of all subsidiary accounting entities and subsidiary entities consolidated in the consolidated financial statements of the ultimate foreign parent entity in respect of the accounting period for which the report is drawn up, which have their registered offices as referred to in the Decree;
- a brief description of the activities of the ultimate parent accounting entity, the standalone accounting entity, the ultimate foreign parent entity, or the standalone foreign entity;
- the number of employees recalculated on a full-week equivalent basis;
- the amount of revenues, including transactions with related parties;
- the amount of profit or loss before income tax;

- the amount of income tax due, except for deferred taxes and provisions for uncertain tax liabilities;
- the amount of income tax paid on a cash basis (income tax paid during the accounting period, including the amount of withholding tax paid);
- the amount of retained earnings.

### Overview of optional information that may be included in the report

- Explanations for any material discrepancies between the amounts of income tax due and income tax paid [Article 3 (5)];
- Information on the number of employees, revenues, profit before tax, tax due and paid, and retained earnings according to special legislation (Appendix No. 1 to Act No. 442/2012 Coll. on International Assistance and Cooperation in Tax Administration as amended by Act No. 43/2017 Coll.). If the report includes this information, this fact needs to be stated in the report [Article 4 (1)].

### Overview of information that shall not be disclosed in the report (Article 6)

- information to be disclosed according to Articles 2 and 3 or Article 4 (1) of the Decree does not have to be disclosed where its disclosure would be seriously prejudicial to the business activities of the accounting entity or other entity to which the report relates; this shall not apply to information pertaining to tax jurisdictions according to Article 5 (1) (b) and (c) of the Decree;
- an explanation of why information has not been disclosed in the report;

- **ATTENTION:** Information that has not been disclosed in the report **shall be disclosed in a later report** within no more than **five years** from the end of the accounting period to which the undisclosed information relates.

### Other information

Amounts presented in the report shall only be presented in the monetary units of the currency in which the financial statements of:

- the ultimate parent accounting entity or the standalone accounting entity are filed in the Register if the report is prepared according to Article 21a (1) of the Act on Accounting;
- the ultimate foreign parent entity or the standalone foreign entity are disclosed in accordance with the legislation of the state in which these entities were established if the report is filed according to Article 21b (1) or Article 21c (1) of the Act on Accounting;
- a large accounting entity or a branch of a foreign entity are filed in the Register if the report is prepared according to Article 21b (3) or Article 21c (3) of the Act on Accounting [Article 3 (6)].

If the report is filed according to Article 21b (1) or Article 21c (1) of the Act on Accounting, it shall also include information referred to in Article 21d (1) (a) or (2) (a) of the Act on Accounting [Article 3 (7)].

Information on an accounting entity must be presented:

- separately for each member state;
- separately for each tax jurisdiction on the EU list of non-cooperative jurisdictions for tax purposes, separately for each tax jurisdiction on the EU list of cooperative jurisdictions for tax purposes; and
- on an aggregated basis for tax jurisdictions not listed above (Article 5).

The Ministry has also imposed the obligation to file the report in the Register in an **electronic format that is machine-readable** (Article 7).



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