

Tax & Legal Alert

Slovak Republic • Issue March 2011

Indirect taxes

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*For more information,
please, contact us.*



Contacts:

Todd Bradshaw

Country Managing Partner
E-mail: todd.bradshaw@sk.pwc.com
Tel.: +421 (0)2 59350 600

Andrey Kolchin

Partner
E-mail: andrey.kolchin@sk.pwc.com
Tel.: +421 (0)2 59350 604

Eva Fričová

Senior Tax Manager
E-mail: eva.fricova@sk.pwc.com
Tel.: +421 (0)2 59350 613

Valéria Kadášová

Tax Manager
E-mail: valeria.kadasova@sk.pwc.com
Tel.: +421 (0)2 59350 626

www.pwc.com/sk

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Green paper on future of VAT

On 1 December 2010 in Brussels, the European Commission issued a Green paper on a future simpler, more robust and efficient VAT system. The Green paper is about how the complexity of VAT rules result in administrative burdens for businesses, and how this is making the EU a less attractive place to invest. The mission of the Green paper is to streamline VAT rules to improve the workings of the single market, by maximising revenue collection, tackling the system's susceptibility to fraud and implementing arrangements for taxation at origin. The main target of this paper is to instigate extensive consultations with all involved parties regarding the function of the current system and about the potential changes to it in the future.

Based on the conclusions that are drawn from these consultations, the Commission will present, by the end of 2011, a draft for identifying priority areas in which further action at EU level would be appropriate.

The ministry of Finance ("MoF") has created a special e-mail address (zelena.kniha@mfsr.sk), to which the public can, by 31 March 2011, send their initiatives in respect of the Green Paper. Subsequently the MoF will consider the contribution when drafting an official statement giving the position of the Slovak Republic regarding consultation within this area. If you would like your initiatives to be considered by the Commission within a process of public consultation, your contribution have to be sent directly to the Commission within the public consultation, by no later than 31 May 2011. We will be happy to assist with preparing and sending your contributions in this regard to the Commission.

Contacts:

Dana Ferenčíková

Tax Manager

E-mail:

dana.ferencikova@sk.pwc.com

Tel.: +421 (0)2 59350 621

Zuzana Šátková

/ customs specialist

Senior Consultant

E-mail: zuzana.satkova@sk.pwc.com

Tel.: +421 (0)2 59350 675

Vladimír Bil'

Consultant

E-mail: vladimir.bil@sk.pwc.com

Tel.: +421 (0)2 59350 695

PricewaterhouseCoopers Tax, k.s.

Námestie 1. mája 18

815 32 Bratislava

Tel.: +421 (0)2 59 350 111

Hlavná 108

040 01 Košice

Tel.: +421 (0)55 3215 311

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The right to deduct input VAT

In case C-438/09 (Boguslaw Juliusz Dankowski), the European Court of Justice dealt with whether a VAT payer is entitled to deduct VAT arising from a VAT invoice issued by a trader who is not registered as a VAT payer.

The European Court of Justice ruled that any failure by the service provider to meet the VAT registration obligation means he cannot challenge the right of deduction to which the recipient is entitled under the VAT directive, provided that the relevant invoice contains all information determined by law and the substantive conditions and services will be used for business purposes.



Proposal of the amendment of the VAT Act

The opposition deputies presented to the NR SR their proposal to decrease the standard VAT rate from the current 20% to 19%, and to adopt on an ongoing basis the reduced 6% 6% VAT rate on the sale of agricultural products by farmers.

The proposal intends to change the VAT rates, so they will be the same as prior to 1 January 2011.