

# Tax & Legal Alert

Learn about the latest changes in  
Slovak legislation

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## Changes in tax and customs administration in 2012 and 2013

The National Council of the Slovak Republic approved, during its September sitting, an amendment of the Act on tax procedure, and also adopted two new acts governing the structure and operations of the current tax and customs administration from 2012 onwards. We informed you about the State's intention to reform tax administration in previous issues of Tax & Legal Alert.

On the basis of the acts adopted so far, tax administration and customs administration will gradually merge in two phases.

In the first phase, which begins on 1 January 2012, the Tax Directorate and the Customs Directorate will cease to exist separately but instead will merge into the Financial Directorate of the Slovak Republic. The Financial Directorate will be seated in Bratislava. In 2012 the Customs Criminal Office will also be abolished and replaced with the Criminal Office of Financial Administration. The establishment of a new advanced organisation of the financial administration based in Banská Bystrica, called Competence Centre of Financial Operations, is also envisaged

In the second phase, which will be launched on 1 January 2013 and based on the passed acts, the tax offices and customs offices will cease to exist. These will merge into financial offices. Under the new organisational structure of tax administration the following organisational units of the relevant financial authorities will be established: branches of financial offices, financial offices' stations and financial offices' contact points.

Further information concerning the changes in tax administration and procedural tax legislation will be brought in future issues of Tax & Legal Alert.

For more information, please contact **Tomáš Vavrák**.

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## **New Act on Accounting**

The Ministry of Finance of the Slovak Republic has introduced a draft act, which amends the Act No. 431/2002 Coll. on Accounting as amended, and it amends other acts also. The proposed act introduces these main changes:

- establishing of the register of financial statements as a centralised storage location of financial statements, and expanding the definition of completeness to meet the obligation to deposit financial statements;
- the harmonisation of the provisions relating to accounting during liquidation and bankruptcy, which represents - from an accounting point of view - one accounting period for the accounting entity;
- abolishing the need for the signatures of the person responsible for accounting and the person responsible for the preparation of financial statements. Appointment of the responsible persons is within the competence of the entity;
  - change of determination of the time of the obligation to prepare consolidated financial statements;
- the specification of the procedure for purchasing foreign currency and conversion of foreign currency to the euro on currency derivatives. It also establishes a procedure for the decrease in valuation of foreign currency in cash transactions by using the method of weighted average or FIFO;
- changing a method of imposing fines for the breach of rules stated in the Accountancy Act. Fines will be imposed for administrative delicts defined by law and will depend on the size of the entity. The maximum penalty should be limited.

The draft of the act is in the process of being approved by the Slovak government, as the interdepartmental commenting procedure has been completed. The proposed Act will become effective from 1 January 2012, except for some provisions relating mainly to the register of financial statements that will become effective from 1 January 2013.

For more information, please contact Soňa Krnáčová.



## **Health Insurance Companies Act Amendment**

As of 1 August 2011, the amendment of the Act No. 581/2004 Coll. on the Health Insurance Companies, Surveillance over the Health Care and on Amendments and Supplements to Certain Acts, came into effect. This amendment also modifies the Act No. 595/2003 Coll. (Income Tax Act).

The amendment modifies the conditions under which revenues from public health insurance can be tax exempt. In addition, health insurance companies are no longer allowed to write-off a receivable as tax deductible if 100% provision could have been created. However, the health insurance companies are allowed to create bad debt provisions under the same conditions as other tax payers.

The Slovak Ministry of Health guideline No. 161/2006 Coll., which covered the rules for the creation of technical reserves and provisions, was abolished by this amendment. In this respect, the tax deductibility of technical reserves is limited to the amount for which they were accounted.

Further, the amendment introduces several rules and changes in respect of the insurance portfolio, profit creation as well as control procedures of health insurance companies towards health care providers.

For more information, please contact Dagmar Haklová.



## *Tax inspection delays – older judicial decision of the Constitutional Court*

We also bring to your attention one older ruling of the Constitutional Court of the Slovak Republic. The Constitutional Court has handed down the decision on the violation of constitutional rights of a tax subject by a tax administrator during an inspection of excess deduction of VAT

The tax subject filed a complaint with the Constitutional Court, claiming that the tax authority was inactive during the inspection of the excess deduction of a VAT claim and therefore caused unnecessary delays in the procedure. According to the ruling, the tax subject requested a refund of the excess deduction of VAT. The tax authority did not agree and opened a tax inspection. The tax administrator had not complied with the legal deadline for issuing a decision, and also did not immediately request a superior authority to extend this period. Approximately six months after the start of the inspection, the tax administrator suspended the procedure due to an unresolved preliminary question. A final decision was not issued - not even at the time of Constitutional Court legal proceedings that were held three years after the tax subject filed the claim for the excess deduction of VAT.

According to the finding of the Constitutional Court, fundamental right for issuing a decision without unnecessary delays was violated. The Constitutional Court investigated the individual circumstances of the procedure and took into consideration the behaviour of the participants in the procedure, the process rules that govern the practice of public authorities and the practice of government authorities.

The Constitutional Court also ruled that the fundamental right of the tax subject to judicial protection was violated. Tax payers in general do not have the right for judicial protection against a decision on suspension of the procedure. The Constitutional Court, however, believes that the judicial protection against the inactivity of a tax authority should be provided – even if this inactivity was caused by a decision against which there is no appeal in front of general court available.

For more information, please contact [Tomáš Vavrák](#).



## *Current affairs in PwC*

### *Planned tax seminars*

Registration will be available via [www.pwc.com/sk/seminar](http://www.pwc.com/sk/seminar) three week before a seminar.

Tax Administration Act:

- 8 November in cooperation with the German Chamber of Commerce.
- 15 November in cooperation with the AmCham.

Tax payers in active defense:

- 22 November in cooperation with the Austrian Chamber of Commerce.

'In which country taxes should be paid and in which social security contributions?':

- 29 November, PwC seminar.

### *Corporate Responsibility Report for 2011 Financial Year*

Corporate responsibility is not only about charitable works, but mostly about doing business responsibly

Corporate responsibility involves not only charity but also, and particularly, that business issues are handled with responsibility and in compliance with codes of conduct, environmental responsibility, transparent communication and a genuine interest in employees. Our business has an impact on many stakeholders, and we believe it is important to consider carefully how every action we take affects those around us.

We in PwC believe that our obligation as business leaders is to leave the world better than we found it. CR is about every organisation's responsibility to the community in which it operates, and only a CR strategy embedded in the business strategy can really work. Learn more about our CR approach. [Download our Corporate Responsibility report for 2011 financial year.](#)

### *Paying Taxes - the compliance burden*

Understanding the impact of different government tax administration practices on the tax compliance burden for business

As part of the Paying Taxes project, tax experts from 183 economies were asked to answer a series of questions relating to their local tax administration system and how it is implemented. The study covers a range of aspects of tax administration – from the complexity of tax rules, to the paperwork needed, the approach of tax authorities and what happens in a tax audit. The results clearly show that different approaches used by governments can play a key role in lowering or raising the tax compliance burden for business. To find out more about the study key findings, please [visit our Paying Taxes website.](#)

### *European financial regulation updates*

Weekly updates on the key regulatory topics facing financial services organisations in Europe

Since May 2011, PwC has been publishing weekly updates on the key regulatory topics facing financial services organisations in Europe. Keep up to date on the latest developments by subscribing to email alerts, or via the RSS available at [European financial regulation updates webpage.](#)