

Proposed Amendment to the Slovak Value Added Tax Act

The Amendment to the Slovak Value Added Tax Act should become effective **from 1 January 2011**.

The Amendment is currently undergoing the legislative procedure during which further modifications can still be adopted. We summarize the main important changes which the Amendment introduces:

01 Change of the VAT rates

01/01 Increase of the standard VAT rate from 19% to 20%

Standard VAT rate of 19% is to be increased to 20%. The increase in the VAT rate is only of temporary nature and the 19% VAT rate should be reintroduced in the calendar year following the year in which the fiscal deficit of the Slovak Government is below 3%.

Amendment also stipulates transitional provisions to a new VAT rate. According to these provisions, transactions should be subject to the VAT rate valid on the day of tax point (the day when the VAT liability arose). In case of prepaid supplies, where the tax liability from the advance payment arose prior to the change in VAT rate but the delivery is finalized after the change, the advance payment should be taxed under the "old" VAT rate, while the remaining value of the supply should be taxed under the new rate.

01/02 Abolishment of the 6% VAT rate

The reduced VAT rate of 6% which applied to a limited extent of product stated in the Annex No. 7A of the VAT Act is to be abolished.

02 Change in determination of the tax point in case of service and goods supplied recurrently or partially

The wording effective prior to 1 January 2010 is to be reintroduced again. This means that the tax point of services and goods supplied recurrently or partially should be the last day of the period to which the payment relates, at the latest. In accordance with the current legislation, the tax point in case of recurrent or partial services or goods arises on the last day of the period to which the payment for the recurrent or partial supply, which prevents the tax payer from opting for an earlier tax point.

03 Change in determination of place of supply of cultural, artistic, sporting, scientific, educational, entertainment or similar services

Place of supply of cultural, artistic, sporting, scientific, educational, entertainment or similar services including the ancillary services supplied to a taxable person is to be the place where the customer is established.

Place of supply of services with respect to admission to cultural, artistic, sporting, scientific, educational, entertainment or similar events (such as exhibitions or fairs) and of ancillary services related to the admission, supplied to a taxable person, is the place where those events actually take place.

04 Deduction of input VAT related to the purchase of immovable property to be used both for business and non-business purposes

The Amendment introduces new rules for deduction of input VAT incurred on purchase of immovable property intended to be used both for business and non-business purposes. Input VAT related to such an immovable property will be deductible only up to the portion of the use of the property for business purposes. If the use of the immovable property changes in the calendar year, the adjustment of the deducted input VAT will be applicable.

The above change will be applicable to immovable property acquired after 1 January 2011.

Feel free to contact us for any further clarifications:

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