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News Flash

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**Amendment to the Income Tax Act
valid as of 1.1.2016**

The most important changes introduced by the amendment to the income tax act effective as of 2016

On September 22, 2015 the amendment to the income tax act was approved by National Council of the Slovak Republic. The amendment shall be approved by the President of the Slovak Republic and will enter into force after its publication in the Collection of Laws of the Slovak Republic. The new-introduced changes shall be valid as of 1.1.2016. Read our overview of the most significant changes you should be aware if doing business in Slovakia.

Capital income

A separate tax base to calculate capital income is introduced from 2016. Meaning that capital income will no more form a part of common personal tax base along with income from dependent activities, business, other gainful activity, tenancy, use of work of art or performance, and other income. **Capital income will be taxed separately using a separate tax base and that is a 19 % tax rate** regardless whether such income originates from sources abroad or in the territory of the Slovak Republic.

At present, such income (unless such income is subject to a 19 % withholding tax) form a part of a common tax base and the amount of tax depends on tax base from all taxable income; that is either 19 % or 25 %.

Tax exemption on income gained from transfer of securities

The amendment introduces an exemption on personal income gained from transfer of securities, options and income from derivatives, if this income is generated within the long-term investment savings under the special regulation, including income paid after 15 years from the beginning of the saving – if this is not a part of the business asset of the tax payer.

The tax exemption will also apply to income gained from transfer of securities traded on a regulated market or similar foreign regulated market, if the period between its acquisition and transfer **exceeds 1 year**.

Tax exemption on so-called social help

As of January 1, 2016 a tax exemption on income tax will be applied to so-called social help paid by an employer from the social fund and this in the following case:

- Death of employee's loved one
- Removal of consequences of natural disasters,
- Long-term work disability of an employee.

The tax exemption applies to the **total sum of 2 000 EUR for one taxable period**. Please note that the exemption applies only to payment by 1 employer during one taxable period.

Till the end of 2015 such income is a subject to an income tax.

Tax on food of health care professionals

From 2016, a noncash income from a drug holder in the form of food provided to health care provider at any professional training will be **exempted from personal income tax**, however, **only up to the amount of food set forth for employees in accordance with Act on Travel Allowances**. If food provided exceeds the amount stipulated by the Act, an excessive portion will be a taxable income of a health care provider.

Should a health care provider become entitled to food allowance with its employer under the provisions of Act on Travel Allowances, then the

food provided to a health care provider by a drug holder during professional training is not exempted from tax.

Changed interval of taxation of noncash income of health care providers from a drug holder

From 2016, a **quarterly interval** of tax deduction and, at the same time, notification obligations of health care providers and drug holders is changed **into calendar-year interval**.

The change applies no sooner than noncash payments provided after 31 December 2015.

Appurtenances to receivable

Creation of provision for appurtenances to a receivable will be deemed tax expense if such appurtenances were included in taxable income and more than **1 080 days** elapsed from the due date of the receivable to which such appurtenances are bound.

Write-off of appurtenances to a receivable will be deemed tax expense provided that the above conditions with regard to creation of a provision for appurtenances to a receivable are fulfilled.

In the event of cession of a receivable including appurtenances, tax expense is the amount of appurtenances if it was included in taxable income, up to the amount of income earned from its cessation.

Liabilities past due

Starting from 1 January 2016, a taxpayer whose restructuring plan was confirmed by a court will be entitled to reduce its tax base by the amount of liabilities of which its tax base was previously increased as these liabilities were overdue; this will be done in the taxable period, in which the plan was confirmed.

Similar procedure applies to a taxpayer who is subject to bankruptcy and its tax base will be reduced in the taxable period ending as of the

date preceding the effective date of bankruptcy proceedings.

At the same time, a taxpayer whose restructuring plan was confirmed by a court needs not to increase the tax base of the liabilities described in the restructuring plan.

Technical upgrade of rented real estate

The amendment **cancels the obligation to reduce residual value of technical upgrade** made by a tenant in a rented real estate classified in depreciation class 6 up to the amount of income from sale of such technical upgrade. Similarly, the amendment sets forth that should a tenant make technical upgrade of a rented building where the building is used for several purposes, such technical upgrade will be included by a tenant into the respective depreciation class **according to the purpose of its tenant use**.

These changes apply for the first time to the tax returns submitted after 31 December 2015; that is already to the 2015 taxable period.

Valuation of selected assets

Following the cancelation of the possibility to value assets at replacement cost, effective from 1 January 2016 the Accountancy Act will consider a cost calculated by an Appraiser, and/or cost specified in a resolution on decedent's estate as an entry cost of tangible and intangible property acquired by inheritance or donation, and financial assets acquired for no consideration from 1 January 2016.

Standards and certificates

Effective from 1 January 2015, expenses associated with earning of standards and certificates are included in tax base on a straight-line basis during their validity not more than 36 months starting from the month in which they were paid up. The amendment stipulates

that this rule applies solely **in the event that the cost exceeds EUR 2 400**. Otherwise, expenses are included in tax base as a lump sum.

This applies to the tax returns submitted after 31 December; that is also to the 2015 taxable period.

Expanding persons exempted from tax licence payment

Associations of land owners that perform agricultural activities, and forest and water

management and their annual turnover, at the same time, is **less than EUR 10 000** will be exempted from tax licence payment as well.

Similarly, a taxpayer who submitted a petition for a company's dissolution without liquidation will be exempted from tax licence payment as well save where equity is transferred to a legal representative.

This applies starting from the taxable period, in which such petition was submitted by a taxpayer.

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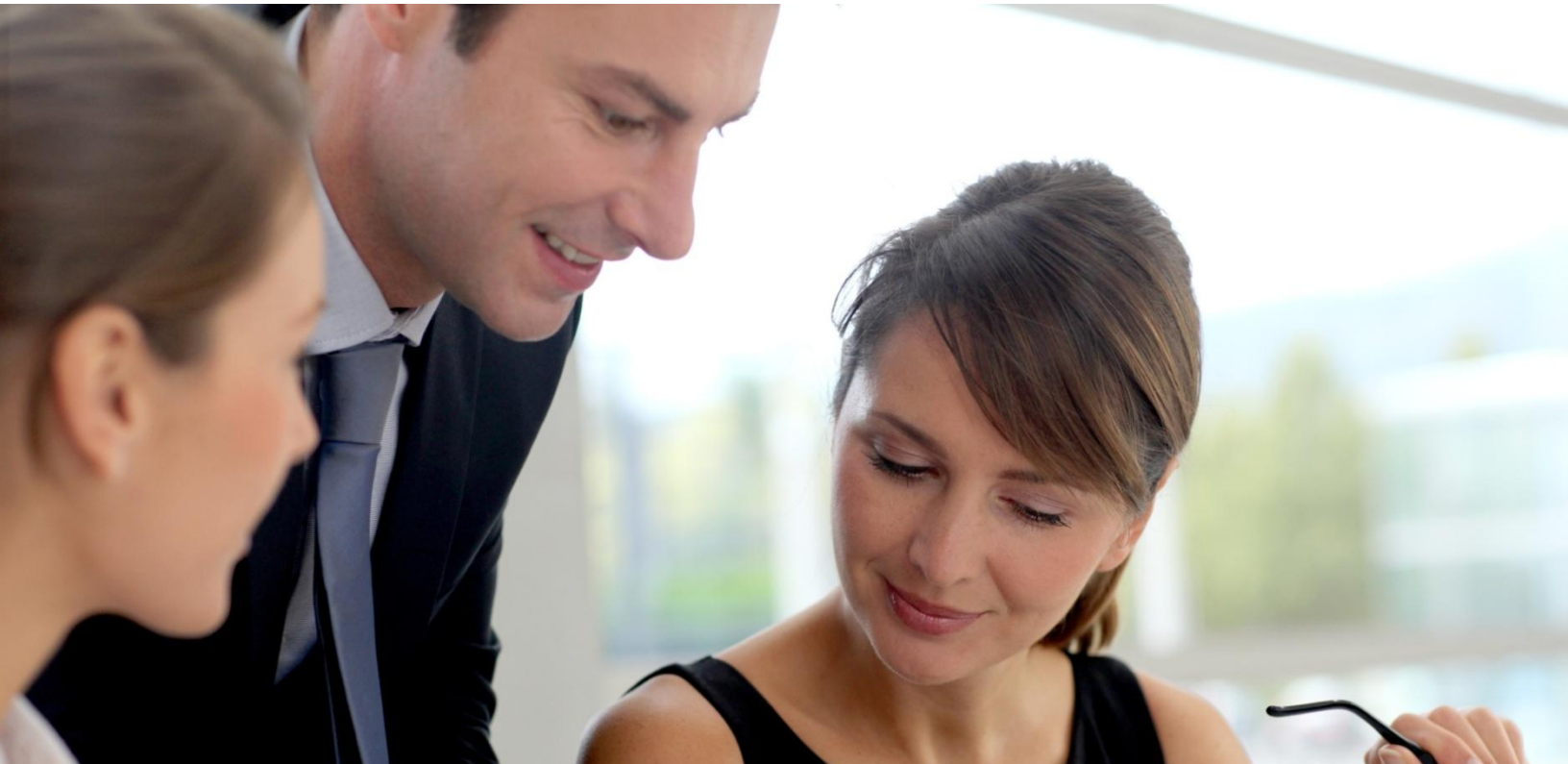
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