

News Flash

October, 2018



**Amendments to Slovak VAT law
from 1 January 2019 approved by
government**

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On September 26, 2018, the government discussed and approved a draft of a law which significantly amends the VAT law. The changes are proposed to become effective as from 1 January 2019. The draft law will be further discussed by the parliament. Subsequently, we will inform you about the final outcome. To become a law, the proposed changes must be approved by the parliament, signed by the president and published in the Collection of Laws.

The most significant proposed changes are summarized below:

Harmonization of the rules regarding the treatment of vouchers

To implement the Council Directive 2016/1065, new rules are being introduced in connection with the supply of goods and services in case the vouchers are used for redemption. The term „**voucher**“, for that purpose, means an instrument with an obligation to accept it as counter-value or partly a counter-value for a supply of goods or services, where the goods or services to be supplied or the identities of their potential suppliers are either indicated on the instrument itself or in related documentation, including the instrument's terms and conditions of usage.

In the case of **single-purpose vouchers** where **the supplying place of goods or services to which the voucher relates, and the VAT due on those goods or services, are known at the time of the voucher's issuing**, each transfer of such vouchers by a taxable person acting in his own name shall be regarded as the supply of goods or services to which the voucher relates. The actual handing-over of the goods or the actual provision of the services in return for a single-purpose voucher should not be regarded as an independent transaction for VAT purposes.

When a single-purpose voucher is transferred by a taxable person acting in his own name and who is other than the supplier of goods or services, the transfer by the voucher's issuer shall be regarded as the supply of goods or services to which the voucher relates made by the voucher issuer; in this case, at the time of

the actual handing-over of goods or actual provision of services by the supplier to the customer, the supplier shall be deemed to have made to the taxable person the supply of goods or services related to the voucher (i.e. voucher issuer).

In the case of **multi-purpose vouchers** where the VAT treatment attributable to the underlying supply of goods or services is not clear upon voucher's issuing, the subject to VAT shall be the actual handing-over of goods or actual provision of services by the supplier in return for a multi-purpose voucher.

Supply and leasing of immovable property

Regarding the transactions with the immovable property, more significant changes are proposed and cover mainly the following:

- **The taxpayer who supplies the immovable property**, which is determined for **dwelling** (e.g. flat, house), **will not be allowed to decide for the taxation of the supply**, if the conditions for exemptions are otherwise fulfilled. The aim of the limitation is to prevent the abuse of input tax deduction.
- For the same reason also, **the right to opt for the taxation of the immovable property's leasing, which is determined for dwelling, will be restricted**. Regardless the status of the recipient (leaseholder), the taxpayer will always be obliged to apply the tax exemption of such leasing if the subject of the leasing is determined for dwelling.

- **The subject to taxation** will not only be the supply of the new immovable property (i.e. the supply made within the five years from the first approval of the building based on which the building was approved for the use for the first time) but **also the supply of the older immovable property where the purpose of its use was changed**, provided that the total costs of the construction works reached at least 40% of the value of the property before the construction works started and also the **supply of the immovable property after reconstruction**, provided that the total costs of the construction works reached at least **40%** of the value of the property before the construction works started. Tax exemption for such property will be applicable after five years from the first approval of the building related to the change of purpose of its usage or to the construction works.

Financial leasing

For the reason that „financial leasing“, which is considered to be a **supply of goods** according to the Art.14(2)(b) of the Council Directive 2006/112/EC, should be interpreted uniformly in the EU member states, the current rules based on which the tax regime shall follow the tax regime of other EU member state should be abolished.

Digital services for non-taxable persons (MOSS scheme) and turnover limit

The place of telecommunication services, radio and television broadcasting services' supply and electronically supplied services supplied to a non-taxable person is the place where such person has its residence.

For the reason of the administrative duties' elimination for occasional providers, there will be given an **option to determine the place of supply of such services to be in the member state where the provider has its seat**,

provided that the specific turnover threshold of 10 000 EUR will not be exceeded.

Domestic reverse charge mechanism upon supplies of agricultural products and products from metal

For the reason of the problems in practice, the domestic reverse charge mechanism that currently applies to the supply of agricultural products and products from metal **should not apply when the simplified invoice is issued.**

New definition of „turnover“ for VAT registration purposes

In the current definition of the „turnover“, the terms „*proceeds*“ and „*income*“ are used, what causes unequal conditions for the taxable persons who have the double-entry bookkeeping system and those who have single-entry (cash) bookkeeping system.

These terms should be replaced by the collocation „**value of the supplied goods and services**“, which means that the turnover will include the real value of supplied goods and services that actually represents the consideration at the moment of their supply, in accordance with the Section 22(1) of the VAT Act. Received „advance payment“, which represent the part of the value of the goods or services, will be included into the turnover for that calendar month, in which the goods or services are supplied.

Invoicing

Also the foreign persons who are not established within the EU will be obliged to issue their invoices in accordance with the Slovak VAT Act when the place of supplying the goods or services is within the territory of Slovakia.

Interest free collateral upon VAT registration should be abolished

According to the explanatory report to the draft law, the rule on interest free collateral upon VAT registration that was introduced in 2012 and purpose of which was to eliminate the negative consequences in the form of underpayments on VAT caused by the newly registered taxpayers, is no longer needed for the efficient fight against the tax frauds. Therefore, this rule should be abolished. Decisions to lodge the tax guarantee issued by the end of the year 2018, where the period of 12 months have not passed yet, should be cancelled *ex lege*.

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