

# News Flash

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**COVID-19: An amendment to  
emergency financial measures in  
Slovakia**

## COVID-19: An amendment to emergency financial measures

In the recent days, the Parliament approved several financial measures to mitigate negative economic impacts on taxpayers due to the pandemic.

The measures:

- regulate the tax deductibility of expenses on testing for the detection and prevention of COVID-19 for income tax purposes,
- exempt employee's benefit in kind in connection with COVID-19 testing from taxation,
- liberalize the conditions for applying the tax bonus on a dependent child,
- introduce temporary application of a zero VAT rate to selected protective equipment.

The Tax Code was amended as well, so the Government of the Slovak republic can by means of regulation determine the conditions for waiving the imposition of tax penalties, the so-called tax amnesty.

### Expenses on testing for COVID-19

On February 6, 2021, an amendment to Act no. 67/2020 Coll. on certain emergency measures in the field of finance in connection with the spread of the dangerous contagious human disease COVID-19 published under number 47/2021 Coll. came into effect.

This amendment introduces that the expenses incurred by employers or taxpayers with incomes from business or another self-employed activity **during the pandemic period** for testing the COVID-19 **are considered as tax deductible**.

The tax expenses **also include expenses disbursed on close persons of employees or a taxpayer with incomes from business or another self-employed activity, who live in the same household with them**.

The tax expenses also include **expenses of a taxpayer disbursed on testing natural persons who perform an activity for the taxpayer in the place of his business**. According to the explanatory memorandum, these are persons who are in the company of the taxpayer as part of the testing and who follow the instructions of the business operator according to his assignment and orders. Such persons also include employees of cooperating companies who perform their work physically at the workplace of the service buyer such as, e.g. employees of an external company who perform

logistic, servicing or cleaning activities that are provided in the form of services.

### Exemption of employee's benefit in connection with COVID-19 testing

At the same time, the above-mentioned amendment introduces that in case of providing COVID-19 testing for employees and their relatives, the benefit in kind provided in such way by the employer **during the pandemic period** is not an object to taxation at the level of the employee.

This can also be used retroactively for the tax period of 2020. If the employer has already made an annual settlement for 2020 or issued a certificate of taxable income **for 2020**, he may proceed in accordance with Section 40 of Income Tax Act, i.e. he shall issue a corrective annual settlement of tax advances from income from dependent activity or a corrective certificate of taxable incomes for 2020.

### Liberalized conditions for applying the tax bonus on a dependent child

With the above-mentioned amendment, the conditions for the application of a tax bonus on a dependent child **for 2020** were also amended with effect from February 6, 2021.

The measure is aimed on taxpayers who have incomes from a dependent activity or incomes from business or another self-employed activity,

and who couldn't perform their work due to anti-pandemic measures.

If the taxpayer haven't reached the required minimum amount of taxable incomes from his own performed activity for the purposes of applying of the tax bonus (six times the minimum wage, e.g.  $580 \times 6 = \text{EUR } 3,480$  for 2020), he may also include in up to the amount of these incomes:

- contributions received within active labour market measures and grants from the Ministry of Culture, recorded in the accounting of the taxpayer or recorded in the tax evidence from January 1, 2020 to December 31, 2020,
- pandemic sick-leave and pandemic nursing benefit demonstrably received from January 1, 2020 to December 31, 2020 (in case of employee, not later than January 31, 2021, if it's related to 2020).

The employer is obliged to take this into account when performing the annual settlement of the tax for 2020, if the employee provides him this information no later than on February 15, 2021. If the employer has already performed the annual settlement for 2020, he shall issue a corrective annual settlement of the tax advances from income from a dependent activity.

### Temporary application of a zero VAT rate to selected protective equipment

On February 5, 2021, the Parliament approved in simplified legislative procedure another amendment to Act no. 67/2020 Coll. on certain emergency measures in the field of finance in connection with the spread of the dangerous

contagious human disease COVID-19, in order to **temporarily** exempt the sale of selected protective equipment from VAT.

The amendment will come into effect upon its publication in the Collection of Laws of the Slovak republic.

**Until April 30, 2021**, the zero VAT rate will apply to personal protective equipment intended to ensure better respiratory protection, that are filter face mask of category FFP2 or a filter face mask of category FFP3.

According to the explanatory memorandum, the measure seeks to reduce the price of these goods for the final customer.

### Wider competencies for the government to waive tax penalties

On February 6, 2021, an amendment to the Tax Code published under no. 45/2021 Coll. entered into force. The amendment to the act was approved by the Parliament in a simplified legislative procedure at the end of January this year.

This amendment introduces a new competency for the Government of the Slovak republic which allows to set conditions by regulation for the termination of tax arrears corresponding to the unpaid penalties, as well as the conditions under which the imposition of a penalty can be waived. This will apply to all types of penalties in relation to all taxes.

Such a regulation will also apply to infringements that occurred before the entry into force of this legislation.

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