

# News Flash

October 27, 2021



**Obligation to report business bank accounts to tax authorities in Slovakia**

## Obligation to report business bank accounts to tax authorities in Slovakia

In August 2021, a government bill was submitted to the National Council of the Slovak Republic, which is to amend, among other acts, the VAT Act. This bill is still the subject of discussion. In the field of VAT, the proposed act is to introduce a special notification obligation for new and existing VAT payers with effect from November 15, 2021, for each bank account used for business purposes. If the act will be approved as proposed, **we would like to point out that all VAT payers will have to notify the Financial Directorate of the Slovak Republic of all their own bank accounts used for business by November 30, 2021.** Subsequently, all changes in the used bank accounts will be subject to notification. Failure to notify will be sanctioned.

The purpose of this measure is to publish the list of VAT payers' bank accounts on the website of the Financial Directorate. Payment of the supplier's invoice to a bank account which was not listed at the time of payment may lead to the application of the tax guaranteeing institute. Therefore, please note that **after the introduction of the amendment, customers should pay increased attention to the supplier's bank accounts, to which they will make the payment of invoices.**

Failure to notify may also affect the refund of the excess deduction.

### Reporting obligation

#### ***Who is the subject to the reporting obligation and what are the deadlines for notification?***

**Every taxable person who is registered in the Slovak Republic as a VAT payer will have a reporting obligation.** The obligation will apply to all VAT payers registered on November 15, 2021, as well as to newly registered VAT payers after this date.

Taxable persons who are VAT payers on November 15, 2021 will be obliged to report all accounts they use for business subject to VAT by **November 30, 2021.**

Newly registered VAT payers will be required to comply with the reporting obligation immediately from the date on which they became VAT payers or immediately from the date on which they set up such an account after they have been registered as VAT payers by the tax office. VAT payers will be obliged to notify any subsequent change, addition, or cancellation of notified bank accounts **without delay.**

#### ***What bank accounts will be required to report?***

It will be obligatory to report the numbers of **all own bank accounts (payment, deposit)**, which the VAT payer will use for business that is a subject to tax under the Slovak VAT Act. This obligation applies both to bank accounts held with a domestic payment service provider and to accounts held with foreign payment service providers.

If the VAT payer uses bank accounts for business purposes that belong to another person (e.g. the parent company), he can notify these accounts, but at the same time he is obliged to notify the owner to whom these bank accounts belong. If the VAT payer declares that he uses bank accounts belonging to another person for the purposes of his business, the joint and several liability of the bank account holder with the VAT payer (who declares this "foreign" bank account as "own") is proposed for the payment of tax not paid by the supplier if payment for the delivery of goods or services has been made to this bank account.

Payment service providers, such as e.g., **banks will not have a reporting obligation in relation to the internal accounts** held for this provider for the settlement of payment transactions.

### ***How to fulfil the reporting obligation?***

The notifications will have to be made **electronically on a form, the model of which will be determined and published on the Financial Directorate's website.**

The tax administration shall ensure that the form is pre-filled by them with all known bank account numbers. The VAT payer marks specific bank accounts for the purpose of fulfilling the special reporting obligation or adds other bank account numbers of which the tax administration is unaware (for example not yet reported by payment service providers or bank accounts abroad).

### **Penalties for failure to fulfil obligations**

The tax office will be able to impose a fine of up to EUR 10,000 for non-compliance with the notification obligation (incorrect, false, or incomplete data).

### **Guaranteeing the tax**

The customer will be obliged to guarantee unpaid tax for the Supplier if he has paid the Supplier the consideration (or part thereof) for the supply to a bank account other than the supplier's bank account, which was published on the website of the Financial Directorate on the day of payment.

In order to reduce the guarantee risk for unpaid tax, the customer will be allowed to use a special method of tax payment (*so-called split payment*), which will allow the customer to pay only the tax base to the supplier and pay the tax itself directly to the supplier's personal account, which is administered by tax administration.

### **Refund of excess deduction**

It is proposed to provide that the tax office return the **excess deduction only to one of the bank accounts notified to it by the VAT payer as part of a special notification obligation.** If the VAT payer has not fulfilled this obligation, the tax office will return the excess deduction within ten days from the date of notification of the bank account.

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