

News Flash

November 26, 2021



**Amendment to the Income Tax Act
from January 1, 2022 in Slovakia**

Amendment to the Income Tax Act in Slovakia

On November 12, 2021, an act no. 408/2021 was published in the Collection of laws, which amends several laws in the field of tax legislation. Below, we bring you a summary of the most significant changes in the field of income tax with effect from January 1, 2022.

Transfer pricing - reduction of the fee for advance pricing agreements (APA)

Based on the current wording of the Income Tax Act, a taxpayer may, in the case of determining the transfer price between two controlled entities, request the tax administrator for an APA. In addition to the conditions that the application must contain, the Income Tax Act also stipulates a considerable fee for such APA. For unilateral APA, it amounts to EUR 10,000 and for bilateral APA based on the application of a double tax treaty, it amounts to EUR 30,000.

From January 1, 2022, the statutory payment is **half** for a taxpayer who is considered highly reliable at the time of application based on the evaluation of the tax reliability index. We have informed you about the tax reliability index of taxpayers valid from January 1, 2022 in our [News Flash](#).

The reduced amount of the fee for the APA for highly reliable taxpayers will be applicable only after the first delivery of the notification of the index of tax reliability.

Introduction of an additional deduction for investments with higher added value

The Income Tax Act introduces a new **temporary measure in the form of an additional deduction for investment costs**. The purpose of the new measure is to support investments with higher added value (**Industry 4.0**). Such investments include a production and logistics system consisting of equipment, machinery, ancillary equipment, automation and communication technology, including a computer program (software) for managing production logistics processes in order to optimize the production and logistics process.

For the purposes of this measure, a new annex no. 3a is added to the Income Tax Act, which contains a **list of assets that can be considered a productive investment** for which the investment deduction measure can be used. At the same time, they must be assets put into use during the tax period of the application of the deduction, while they can be both assets acquired through purchase and assets created by own activity.

The company will be able to reduce the tax base by an additional amount determined with reference to the tax depreciation of invested assets, depending on the fulfilment of the conditions defined in the Income Tax Act up to 55% of the tax depreciation.

The use of the institute of additional deduction for investments is conditioned by the creation of the so-called investment plan for 4 years, during which the investment will be realized, keeping records of investments and records of tax depreciation of investments. **The value of the additional deduction is determined in % of the tax depreciation and can increase depending on the reinvested amount.**

Since it is a temporary measure, it can only be used for an **investment plan** that will last in the tax periods **2022 – 2025**.

The total value of the investment must be more than seven times the average annual investment over the last three years and at least EUR 1 million. The average value of the investment must be higher than zero i.e., it cannot be a taxpayer who has not made any investments in the last three tax periods. The most favourable % deduction determined from tax depreciation (50 % or 55 %) can only be applied to large investments with a total value of more than EUR 50 million.

The deduction can be applied during the depreciation period, but no more than 10 consecutive tax periods. The suspension of tax depreciation cannot be used for assets that are subject to additional deduction. The institute of deduction of investment costs cannot be used by the company in a tax period shorter than 12 months.

Additional deductions of investment expenses **can also be used by entrepreneurs** who do not keep double-entry bookkeeping but apply real expenses and keep tax records if the investment has been included in business assets. However, the condition is that they cannot be newly established taxpayers; taxpayers applying the additional deduction of investment costs can do so at the earliest in the fourth tax period after obtaining a business permit, which applies to both legal and natural persons.

In addition to the above limitations, the additional deduction of investment expenditure **may not be** used by a taxpayer who is in liquidation, bankruptcy, restructuring, carries out sale or contribution of an enterprise, sells or disposes assets to which it claims deduction before the end of the depreciation period, applies super-deduction for research and development, or was provided with a subsidy from public sources for investment assets.

Changes in research and development super-deduction

For taxpayers who carry out research and development, the tax advantage of super-deduction of research and development costs from the tax base is **reduced**. From January 1, 2022, a taxpayer who carries out a R&D project and meets all the conditions defined by the legislation may additionally deduct from the tax base the costs related to the R&D project at 100 %, instead of the much more advantageous 200 % that were valid in 2020 – 2021.

In case of companies having a business year, the new rules in the Income Tax Act will apply at the earliest for the tax period beginning after January 1, 2022.

Payroll - Late submission of the overview of withheld tax advances by the employer will be without penalty

The legislation will allow an employer who is a taxpayer and was obliged to provide an overview of withheld and paid advances for income tax from dependent activities for his employees for the past calendar month to submit the overview with a delay. If the employer has not submitted this overview, the tax administrator will accept **the additional fulfilment of this obligation within 5 days after the expiration of the statutory deadline for submitting the overview without imposing a sanction**.

This provision will apply for the first time for the overview for the December 2021 to an employer who is taxpayer and is obliged to submit it by January 31, 2022.

Employer's allowance to employees' meals

In addition to the above-mentioned changes included in the amendment to the Income Tax Act, we would like to draw your attention to the amendment to the Labour Code approved by the Parliament on October 26, 2021, which also amended the taxation of the meal allowance provided to employees.

From January 1, 2022, the tax and levy regime for meal vouchers and the financial contribution for meals will be unified. **Up to the amount of EUR 2.81 i.e., up to 55 % of the current basic amount of the meal allowance, neither meal vouchers nor financial contribution will be subject to taxation in the hands of employees.** So far, the meal voucher has not been taxed in its full value.

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