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News Flash

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**Legislative changes in the area of
VAT effective from 2023 and 2024
in Slovakia**



Changes in the area of VAT from 2023 and 2024

On December 6, 2022 the Slovak Parliament approved **an amendment to the Value Added Tax (VAT) Act** with effectiveness **from January 1, 2023**, which brings legislative changes regarding **temporary reduction of VAT** rate for hospitality services, ski lifts and aquaparks, **the correction of the deducted tax** in the case of unpaid liabilities, **correction of tax base** in the case of uncollectible receivables, correction of tax base in the case of theft goods defined by law and changes in mandatory **VAT registration** after exceeding the turnover of EUR 49,790.

The primary goal of the amendment to the VAT Act **was the area of purchasing goods and services through e-shops** or digital platforms, which are currently experiencing great growth. This legislative change will be effective as from January 1, 2024.

In order for the legislative changes to enter into force, they must be signed by the President of the Slovak Republic and published in the Collection of Laws of the Slovak Republic, too. Below we bring you an overview of the most important legislative changes which may impact you.

Temporary reduced VAT rate on hospitality services, ski lifts and aquaparks

Reduced VAT rate from 20% to 10% will apply on transport of persons by cable cars, ski lifts, access to indoor and outdoor sports facilities for the purpose of sport, admission to artificial swimming pools and for restaurant and hospitality services for the period **from January 1, 2023 until March 31, 2023**.

Notification obligation for payment service providers

The transposition of Council Directive (EU) 2020/284 **introduces a notification obligation for payment service providers** with effect from January 1, 2024 in order **to combat tax avoidance** in the field of cross-border e-commerce, as well as to check the correctness of the amount of tax declared. **Domestic payment service providers will be required to keep records of payees and cross-border payments** in connection with the payment services they provide for each calendar quarter, and at the same time to make these records available to the Financial Directorate of the Slovak Republic. These records will then be sent by each member state to the Central European Payment System (so-called CESOP), where they will then be cross-checked and evaluated.

Correction of deducted tax in case of non-payment of the liability

The customer (**VAT payer**) **is obliged to return the VAT** deducted from the purchased goods and services, in the price of which VAT was applied, **if he has not fully or partially paid the supplier within 100 days** from the due date of the liability (instead of the original 90 days). The deadline for refunding the tax deducted from the unpaid liability is thus extended by 10 days.

If the customer does not receive a corrective invoice from supplier by the end of calendar month following the calendar month in which the corrective invoice was sent, such corrective invoice is deemed to be delivered to the customer on the last day of the following calendar month.

Correction of the tax base in case of uncollectible receivables

For the purposes of the definition of the **uncollectible receivable**, the possibility to request a correction for the uncollectible receivable with **a low value of EUR 300** that was overdue more than 12 months, is cancelled. Instead, the supplier will monitor whether the receivable is overdue more than 150 days. After fulfilling the time test, it is further monitored whether:

- **the receivable is up to EUR 1,000** – in order to assess the receivable as unenforceable, the supplier will have to prove that he has performed any action aimed at obtaining payment of the receivable;
- **the receivable is over EUR 1,000** – the supplier will have to prove that he is demanding payment of the receivable through a lawsuit in court or that the claim is being recovered in enforcement proceedings.

Following the above, the **receivable will become unenforceable** according to the new rule if the moment of meeting the time test of 150 days after the maturity of the receivable occurs after January 1, 2023. If the moment of fulfilment of the **time test of 150 days** after the maturity of the receivable occurs before the end of 2022, the original rules effective as of December 31, 2022 will apply.

The provision is also supplemented with conditions under which the supplier must return the requested VAT, i.e. carry out correction of the reduced tax base, and only if exhaustively defined facts occur – the VAT payer withdraws the receivable in whole or in part, there is a cessation of court proceedings due to reasons on the part of the supplier, or the court does not fully or partially grant the supplier's claimed receivable.

Refund of deducted VAT in case of theft

If the property stolen from the taxpayer was purchased for a purpose other than resale with a purchase price of **EUR 1,700 and less** and a useful life of more than 1 year, **he is obliged to return a proportional part of the deducted VAT** corresponding to the residual value, as if the property had been depreciated for 4 years.

VAT registration after exceeding the turnover

Domestic taxable persons who perform only exempted activities such as financial, insurance services, delivery and rental of real estate will be able to voluntarily decide whether to register for VAT purposes after the turnover of these activities exceeds EUR 49,790.

Other changes in VAT

- **Exemption from tax when purchasing goods** in the country from another EU member state for the European Commission, agency or body established under the law of the European Union as part of the fulfilment of tasks **in connection with the COVID-19 pandemic**.
- **For the purpose of exemption from import tax**, a definition is introduced of what is considered a **small shipment of goods of a non-commercial nature**.
- **The deadline for paying the VAT when acquiring a new motor vehicle from EU member state**, in cases where the person has not been assigned a basic account number, will be **within 7 days** from the date of delivery of the notification about the assignment of the account number by the Slovak tax authority.
- In case of **delayed registration for VAT**, the Slovak tax authority will no longer be obliged to open a tax audit if the result of an extraordinary VAT tax return is a tax overpayment. The Slovak tax authority will have the opportunity to perform other tax administration actions for the purpose of data verification, e.g. local enquiry.

If you are interested in more information on any of the topics, do not hesitate to contact us.

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