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News Flash

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Country by country reporting in Slovakia – reporting obliation of multinational groups with revenues over 750 mil. EUR

Country by country reporting in Slovakia – reporting obligation of multinational groups with revenues over 750 mil. EUR

In order to fight against tax avoidance and in connection with the Exchange of information according to the implemented EU Directive DAC4, multinational groups of companies with consolidated group revenues of at least 750 mil. EUR are subject to the so-called "country by country reporting" (CbCR) rules. The relevant rules have been in force in the Slovak Republic for several years.

The rules include reporting obligations in the tax area for entities that are members of such a multinational group of companies. **Information about the so-called reporting entity (the entity that is required to file a country-by-country report on behalf of the multinational group), or about its change, is each member of the multinational group obliged to announce within the deadline for filing of the income tax return**.

The obligation to announce the reporting entity does not arise repeatedly for group members, i.e. in case the reporting entity has already been announced in the past, a new announcement is required only if there is a change of the reporting entity, its identification data, or the group data.

Objective of the CbCR rules

The CbCR rules are a tool for tax administrations to detect transfer pricing risks, other risks related to base erosion and profit shifting, and for the purposes of economic and statistical analyses.

To whom do the CbCR rules apply?

The rules for CbCR apply to multinational groups of companies with consolidated revenues per group of at least 750 mil. EUR and impose on them the obligation to annually submit a "country-by-country report" to the tax administrator. The subject of this report according to the prescribed model is summary information on revenues, profit or loss before taxation, income tax paid, income tax payable, registered capital, retained earnings, number of employees, tangible assets other than cash and cash equivalents, namely for each state of residence for tax purposes in which the multinational group of enterprises operates, including a list of individual basic entities (i.e. members) and the nature of the main economic activity of the basic entity. The reports in question are the subject of automatic exchange between the states in which the individual companies – members of the multinational group – are located.

Which member of the multinational group files country-by-country report, i. e., is the reporting entity?

Under certain conditions, the rules allow for the transfer of country-by-country reporting obligations from the ultimate parent entity to the surrogate parent entity. The rules also define exceptions to the obligation to report by the ultimate parent company when the obligation arises for the underlying entity, i.e. an enterprise in a multinational group of enterprises that is not the ultimate parent company.

An entity files country-by-country report (reporting entity) in the state of its tax residence. There is a minimum number of such entities in the Slovak Republic.

Notification of the reporting entity

Part of the rules for CbCR also includes a notification requirement on the identification of the reporting entity, which is required to submit a country-by-country report. **In the Slovak Republic this notification requirement applies to every Slovak member of a multinational group of companies with consolidated revenues for the group of minimum 750 mil. EUR.**

The notification requirement also applies to foreign entities having an organizational unit in the Slovak Republic. In the respective notification, the company shall indicate whether it is the ultimate parent entity, the surrogate parent entity, or the primary entity that files country-by-country report. If it is not one of such entities, it shall **notify the Financial Directorate of the Slovak Republic of the business name, registered office, and identification number of the reporting entity, including the state in which the reporting entity is a resident for tax purposes, within the deadline for filing of the corporate income tax return.**

A special form is established for the purposes of this notification.

Termination or change of the reporting entity

The notification obligation related to members of multinational groups with the obligation to identify reporting entities shall not fulfilled repeatedly, if there are no changes.

A new notification must be submitted if there is a change in the identification data of the reporting entity (name, address, group name, etc.) or a change of the reporting entity for the respective group.

The deadline for submitting a new notification remains the same, i.e. within the deadline for filing of the tax return.

In the same period, if is also necessary to report the eventual termination of the notification obligation, if the value of the consolidated revenues of the multinational group falls below the threshold value of 750 million EUR, through the General form for tax administration.

Sanctions

The tax office can impose a fine of up to 10,000 EUR for failure to submit a country-by-country report. A fine of up to 3,000 EUR can be imposed for failure to notify the reporting entity.

Recommendations

In order to comply with reporting obligations, we recommend verifying with the group´s global tax team the appearance of any changes in the reporting entity, which is required to report the country-by-country report, on a yearly basis.

We also draw your attention to the new legislative obligation regarding multinational groups with consolidated revenues of more than 750 million EUR. **From 2024, entities belonging to such groups may be required to calculate the so-called top-up tax and comply other related obligations.** We informed you about these obligations in our News Flash.

We also recommend paying more attention to the issue of transfer pricing and documenting applied transfer prices in transactions with replated persons. In this context, we bring to your attention our current eBook: **Transfer pricing in Slovakia 2024**.

Contact

Michaela Salayová

Senior Tax Manager

E-Mail: Michaela.Salayova@accace.com

Tel: +421 232 553 000

About Accace Slovakia

Accace was established in 2006 in Bratislava. Accace Slovakia currently employs more than 120 professionals and provides a comprehensive range of services in the field of accounting outsourcing services, payroll processing and HR administration, tax and business advisory, legal and corporate services, up to advisory services for start-ups. In over 15 years, we have developed into an innovative provider of full-range BPO services. We are regularly listed among the TOP 10 advisory companies in Slovakia. The legal services are provided by our own established law firm, Accace Legal. You can find us in Bratislava, Košice and Trenčín. Within Accace Group, we connect more than 800 experts in over 50 locations and provide services to more than 2,500 clients.

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