Daňovky

Tax and Legal news

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Legal

Changes in employment measures during the second wave of the pandemic

Which employers can apply for support for its employees, how much money they will receive and what the application procedure looks like. You will find the answers to all these questions in our article.

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Eligible period

For the needs of the second wave of the pandemic, employment financial support measures shall apply for an eligible period starting on 1 October 2020.

Eligible applicants

Employers - legal entities and self-employed individuals („SEI“), who were established and started their activities by 2 September 2020 at the latest, may apply for support. According to the conditions valid until 1 October, only employers who were established no later than 1 February 2020 could apply for support.

Under Measure 1, the support is intended for employers who, on the basis of the PHA Measure adopted during an extraordinary situation („ES“), are obliged to interrupt or reduce their operations while maintaining jobs.

Under Measures 3A and 3B, it is such an employer who will retain jobs despite the interruption or restriction of operations or a decrease in revenue during an extraordinary situation.

Target group of employees

The target group of employees are employees starting work no later than 2 September 2020. According to the conditions valid until 30 September, the target group was employees starting work no later than 1 March 2020.

Support can be requested only for those employees who are in an employment relationship with the employer as of the date of submission of the statement and are not in notice period at the same time.

The condition for drawing support is the maintenance of an employment relationship with an employee for at least one calendar month after the month for which the allowance is provided and in which a state of emergency has been declared.

The amount of contribution

Measures 1 and 3A

The amount of support under Measures 1 and 3A is unified. For both measures, the maximum support amount is EUR 1100.

At the same time, the method of calculating the amount of support is changed as 80 % of the total price of the employee's work during the obstacles on the part of the employer (section 142 of the Labour Code), compared to 80 % of the gross wage of the employees under the conditions valid until 30 September 2020.

Measure 3B

In accordance with the conditions of support valid from 1 October 2020, the amount of support is also increased under Measure 3B. The following table compares the amount of support under Measure 3B under the conditions valid before and after 1 October 2020.

Decrease in revenues	Support until 30 September 2020	Support from 1 October 2020
≥ 20,00 - 39,99 %	180 Eur	270 Eur
≥ 40,00 - 59,99 %	300 Eur	450 Eur
≥ 60,00 - 79,99 %	420 Eur	630 Eur
≥ 80 %	540 Eur	810 Eur

Application procedure

New applicant or change of measure

An employer applying for support for the first time, or an employer applying for support for measures other than in the previous period, shall send a new application to the relevant Labor, social affairs and family office together with the October statement.

An applicant who applies for support repeatedly under the same measure

In this case, it is not necessary to submit a new application, but an amendment to the existing contract is concluded, according to which the last payment was made. The applicant sends only a statement for the month of October.

It is possible to request support only electronically via the portal www.slovensko.sk. The application for the month of October can be submitted no later than the end of January 2021. For other months, it is necessary to apply for support always by the end of the following month.

Condition for registration in the register of public sector partners

In the case that in connection with the drawing of support, the applicant meets the conditions for entry in the register by public sector partners pursuant to Act no. 315/2016 Coll. on the register of public sector partners and on the amendment of certain laws, this condition is considered to be fulfilled by 31 December 2020. If the applicant is interested in receiving the support after this period, the applicant is obliged to register in the register of public sector partners.

Taxes

Parliament approved the long-awaited amendment to the Income Tax Act

National Council of the Slovak Republic, at its meeting held on 2 December 2020, approved a relatively extensive amendment to the Income Tax Act. Compared to the proposed wording, which was approved in the first reading, the final wording brings several changes.

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The second reading introduced several changes in comparison with the wording that was covered in our Article, for example:

CFC for individuals – the parliamentary amendment made several adjustments to the new provision, which introduces the rules of controlled foreign companies also for individuals. The most significant change is the increase in the tax rate from the original 7 % to 25 %, and at the same time it postpones the effective date to 1 January 2022.

The calculation of the attributable income was specified by excluding received profit shares that have already been taxed through another controlled company from the accounting result. It also provides, that the CFC rules applicable to legal entities override the rules applicable to individuals.

Abolition of the exemption of the 13th and 14th salary – another parliamentary amendment cancels the exemption from tax for the so-called 13th and 14th salary. The exemption can be applied for the last time to income provided for Christmas holidays, which the employer pays not later than on 31 December 2020.

Tax bonus – Amendment to the Income Tax Act introduces gradual increase of the tax bonus for dependent child living with the taxpayer in the same household and has reached the age of 6 until he reaches the age of 15. As of 1 July 2021 the amount of the tax bonus is increased to 1.7-fold of the base amount and as of 1 January 2022 to its 1.85-fold.

Shortening of the right to the tax bonus, which was proposed after the committee meetings, was not approved by the Parliament and the right to the tax bonus remains unchanged until the child reaches the age of 25 (providing other conditions are met).

15% rate - new conditions – from 1 January 2020, the Income Tax Act allows taxpayers with revenues not exceeding EUR 100,000 to apply a reduced income tax rate of 15 %. According to the amendment to Income Tax Act 15 % rate is applicable for taxpayers with revenues not exceeding EUR 49,790. Only the taxable revenues will be included into the revenues threshold.

Other changes – the approved amendment cancels more specific provisions – for example the non-taxable part of the tax base for spa care, the possibility of faster depreciation of buildings in which spa care is provided and buildings used mainly for accommodation of own employees.

The amendment to the law has yet to be signed by the President of the Slovak Republic. We will continue to monitor the development of the legislative process.

Taxes

Mobility control (not only) after the corona crisis

The COVID-19 pandemics significantly affected the place of work of many employees. Home office has become a „new normal“ in many companies but it also brings several risks and the respective legislation and its interpretation is being constantly amended.

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Remote work brings several risks, especially if performed from a country other than the employer‘s registered. Many assignments have been stopped, canceled or extended. The obligations need to be re-assessed after each change.

Legislative regulation in cross-border situations is complex. It includes the income tax legislation, labor law, social and health security, EU legislation and local legislation in home and host country.

The legislation is being constantly amended and the obligations are still increasing.

What are the risks of non-compliance?

- Fines levied to the company or employee, in case of audits/inspections
- Higher or lower net income paid to the employees
- Cash flow issues
- Impact on employees’ trust and their dissatisfaction
- Potential impacts on corporate income taxes („PE“ risks)

We recommend that you check out your obligations via the quick review:

1. Do you have posted/assigned employees to Slovakia/ from Slovakia?
2. Do you have employees with responsibilities in several countries?
3. Do you have employees residing outside the territory of Slovakia, for example in the border areas of
4. Austria, Hungary or The Czech Republic?
5. Due to COVID-19, do some of your employees work from a different country than it was originally agreed?
6. Does the company have foreign directors, head of PE or branch, etc.?

Should you say **Yes** to any of the above question we recommend review of your obligations. In order to avoid any inconveniences we state the following solutions:

- Review the set up of assignments or home office in cross-border situations and itscompliance with the legislation
- Assistance in review of annual tax clearing option for the employees
- Review calculation of taxes, contributions or travel allowances
- Assist with other payroll and reporting obligations
- Make sure that you keep payroll for all individuals where it is needed (even if they legally employed by another entity)

- Assist with set up of prepayments in more complex situations
- Preparation of documentation, employment contracts, assignment letters
- Assistance in case of audits or inspections
- Training of your HR or payroll department

If you are not sure whether your company complies with the respective legislation, please contact us and we will be glad to advise you.

In brief

Amendment to the VAT Act was published in the Collection of Laws

Amendment to the VAT Act that was approved on 5 November 2020 was published in the Collection of Laws.

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Except for the main changes that were covered in our Article Three major changes brought by draft amendment to the Slovak VAT Act, the approved wording postpones effective date of the provisions governing distant sale of goods to 1 July 2021.

In brief

Merry Christmas and a Happy New Year 2021

Thank you for reading our Tax and Legal News. We are looking forward to assisting you with your tax and legal matters in 2021.

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