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**Tax and Legal
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In brief

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How to ensure cross border compliance in “new normal”

Remote work, home office policies for future- clear changes in employment environment.



Ivana Soboličová
isobolicova@kpmg.sk
+421 905 703 190

With so many employees working remotely as a result of the pandemic, many employees are indicating that they would like more flexibility to work remotely into the future. Organizations are also seeing a number of benefits from remote work, including increased employee satisfaction, flexibility and decreased costs in many cases.

While the employers clearly recognize the benefits in terms of employee flexibility, productivity, broader talent pools and attractivity for employees, there are also potential risks and compliance obligations, especially created by the cross-border remote work – tax, legal and payroll issues which must be reviewed before starting remote work from abroad. Employees are requesting to work from another country from many reasons; they may have family abroad, a vacation home, or they simply want to travel or change the environment. But different situations have also different implications which may lead to different conclusions whether a remote work from certain jurisdiction is still feasible. [Download our Remote working recommendations and discover Dos & Don'ts when working abroad for employers.](#)

Currently, most organizations are at the stage of defining their new internal policies regarding remote work. They need a cost/benefit analysis to determine if they are going to allow remote work in other countries, or in what situations are they going to allow it. In order to make this determination, it is important to understand the various issues that may arise. KPMG has experienced professionals in its worldwide network assisting with the challenges you face and offer:

- Risk assessment and risk mitigation process to ensure cross border compliance
- Set up internal policies regarding remote work, approvals needed and set up rules for compliance
- Training for professionals in HR or payroll as well as provide guidelines for the employees
- Assist with compliance, registrations and notifications, payroll, request for A1 certificates, immigration rules.

The costs resulting from a noncompliance are often higher than the time needed for correct set up. Please do not hesitate to contact us in case of any questions you have.

Update of the rules for the payment of First Aid from September 2021

On 10 August 2021, the Government of the Slovak Republic approved the proposal to change the conditions and confirmation of the extension of the implementation period of the First Aid project aimed to support and maintain jobs during the time of the declared State of Emergency and the elimination of their consequences.



Milina Schifferdeckerová

mschifferdeckerova@kpmg.sk

+421 907 745 045

Due to the threat of the third wave of the pandemic, the Government confirmed the continuance of financial aid to employers and self-employers to support job maintaining until the end of 2021, i.e. until the Act on support in the time of shortened work (Kurzarbeit) comes into effect.

The most significant change compared to the approved rules of the First Aid project effective from 1 July 2021 is the cancellation of fixation of the aid on the Covid automat.

With effect from 1 September, the aid will be implemented under the conditions approved by the Government in March and April 2020, i.e. the rules of the former First Aid project. This means that employers are entitled for the reimbursement of wage costs for employee in the amount of 80% of gross wage in the case of obstacles on the side of the employer.

However, it will not be possible to claim a contribution under measure 3B (a contribution paid in the amount depending on the decrease in turnovers). Due to the deterioration of the pandemical situation and interest in contributions from the measure 3B, the Ministry of Labor has already announced a possible reassessment of the approach and the reintroduction of the possibility to claim also the contribution under measure 3B.

Corporate tax and ESG

With the increased focus on business practices globally, the importance of doing business in a sustainable manner has never held greater weight than it does now. More companies are developing sustainable business practices, and investors increasingly place a premium on those that do.



Zuzana Blažejová
zblazejova@kpmg.sk
+421 905 740 000

The 2008 financial crisis increased the public perception that corporations were not paying their “fair share” of tax. This was followed by OECD launching the base erosion and profit shifting (BEPS) project to revise the global tax framework. This work continues today, striving to address the challenges posed by the digitalized economy and to reach agreement on a global minimum tax. Increasingly, corporate tax has become a leading [ESG](#) governance consideration, specifically corporate income tax responsibility and disclosure targeting aggressive tax strategies.

Since the public interest in corporate tax behavior grows, institutional investors have become increasingly interested in data that reflect corporate tax behavior. Many rating agencies have incorporated tax into their sustainability analyses and ESG rating methodologies. They generally focus on a quantitative analysis of the business’s effective income tax rate and how that rate compares with the rates of other companies and with global or industry averages. To measure qualitative transparency with respect to the governance dimension, rating agencies consider the company’s approach to tax matters, focusing on tax strategy, governance, and controls.

Increasingly, companies are finding that the demands of investors go beyond the scoring metrics of rating agencies. In some instances, companies are receiving requests from investors for detailed information about their tax strategies and governance policies. As with the governance dimension, investors use standard guidelines to exert pressure on companies to share more information about (1) the location of their revenues, (2) their profits, and (3) their tax payments.

In terms of evaluating investments, investors need to assess the impact on tax risk of investing in entities since the entity’s tax situation can impact the investor’s tax position. Regardless of level of investment or control, institutional investors could be criticized for investments in entities that do not follow ESG principles as they apply to tax. Therefore, it is important for investors to carefully consider the consequences of investing in entities that are less than fully transparent about their tax risk profile.

Tax transparency is about reassuring stakeholders that a company’s tax affairs are managed in a responsible and sustainable manner. The focus is both on tax governance and on the location and amount of tax paid. Because of factors unique to each company, the spectrum of tax transparency is wide—from minimally transparent to public, country-by-country reporting. A relatively low-risk form of disclosure that many companies are considering is the publication of a company’s tax strategy (a policy statement articulating the company’s attitude and approach to tax). Such a disclosure can be enhanced by more detail about the company’s risk tolerance and how it manages tax risk. Further transparency can be achieved by full disclosure of the company’s tax governance system and its key tax operational controls. The most tax transparent companies combine this openness with the public disclosure of either total taxes paid (globally, regionally, or, in certain cases, by country) or total economic contribution. The right approach for each company requires a skilled balancing of financial and tax risks with respect to ESG.

And where can KPMG help? We can for example run an ESG focused tax due diligence covering your or the target company.

Consistency of commercial register data will take place (also) automatically and free of charge

Draft amendment to the Act on the Commercial Register should simplify the process of adding identification data to the Commercial Register.



Milina Schifferdeckerová
mschifferdeckerova@kpmg.sk
+421 907 745 045



Martin Oross
kpmg@kpmg.sk
+421 2 5998 4111

According to the valid Act on the Commercial Register, no later than 30 September 2022 the statutory representatives of the entities registered into the Commercial Register are obliged to enter in the relevant Commercial Register required identification data on:

- shareholders;
- statutory bodies or members of statutory bodies;
- heads of organizational units of companies;
- proxies;
- members of the supervisory bodies;
- liquidators;
- administrators to enforce receivership administration and their deputies;
- heads of enterprises or organizational units of enterprises of foreign legal entities.

It also applies that if the next application for registration of a change with the Commercial Register filed after September 30, 2021 does not contain a request for the registration of such required data (for example, the entrepreneur would propose to register only the change of the company's registered seat), the registry court will not take such filing into account.

To simplify the process, the Ministry of Justice of the Slovak Republic came up with a legislative initiative in July 2021 and submitted an amendment to the Commercial Register Act (and the Act on Court Fees) to the National Council of the Slovak Republic.

According to the submitted draft amendment to the Commercial Register Act, the Ministry of Justice, as the administrator of the Commercial Register information system in cooperation with the Registry Court, will perform automated completion of required identification data and their logical assignment to the same subject of records in the reference register (the "automated completion of identification data").

Automated completion of identification data will not be possible for every entrepreneur. Therefore, according to the draft amendment to the Commercial Register Act, the Registry Court shall send without undue delay to the entrepreneur's electronic mailbox a notification on Automated Completion of Identification Data together with an extract from the Commercial Register. If the registry court does not send this notification by 31 May 2022, it is assumed that the Automated Completion of Identification Data could not have been performed, and the entrepreneur will have to ensure the harmonization himself - by filing a proposal to the registry court.

If the draft amendment to the Commercial Register Act (and the Act on Court Fees) is approved, this proceeding will be exempt from the judicial fee.

Summary of amendments to tax and accounting laws at the meeting of the Slovak National Council

At the September meeting of the Parliament, several legal regulations in the tax and accounting area were discussed in the first reading. We summarize selected changes according to individual types of taxes.



Daňové a právne oddelenie

kpmg@kpmg.sk
+421 2 5998 4111

Amendment to the Tax Administration Act (Tax Code) - including an indirect amendment to the Income Tax Act, the Insurance Tax Act and the Excise Tax Act, brings a package of measures aimed at tax avoidance tackle.

The tax reliability index is proposed - the Slovak Ministry of Finance introduces a new, more revised version of the rating of taxpayers based on the fulfillment of their tax obligations (filing tax returns, paying taxes, tax prepayments, penalties). The specific conditions for the tax reliability index assignment for each tax entity registered for income tax should be published continually by the Slovak Financial Administration. Responsible entrepreneurs will be rewarded in the form of several benefits - permission to defer tax payment, payment of tax in installments, shortened deadlines for issuing certificates, preference for local surveys over tax audits and much more. The results of measuring the reliability of particular entrepreneurs in 2022 will be made available to the public.

Amendment to the VAT Act - we have informed you about the main changes of the draft amendment [in our previous article](#).

Amendment to the Act on Accounting - proposes publishing the financial statements of all legal entities in the public part of the Register of Financial Statements and thus strengthen the transparency of the reported information exclusively in electronic form. The Amendment of Act also specifies the conditions for processing electronic accounting records.

Amendment to the Act on Excise Duty on Alcoholic Beverages - modifies the conditions for the operation of a tax warehouse (a small independent distillery) and the possibility of producing beer with a zero rate of excise duty.

We will continue to monitor the development of the legislative process in this respect.

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www.kpmg.sk

Tel.: +421 2 59984 111

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