



Daňovky

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news**

**Taxes
In brief**

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Overview of the amendments of the Social Insurance Act

One of the most significant changes of the amendment is the introduction of prepayments for social insurance and the annual reconciliation of these prepayments. The aim of the amendment is to avoid the social insurance optimization.



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The amendment of the Slovak Social Insurance Act has been approved on 23 October 2018. Currently, the amendment is on its way to be published in the Collection of Law of the Slovak Republic.

One of the most significant change of the amendment is the introduction of prepayments for social insurance and the annual reconciliation of these prepayments. The aim of the amendment is to avoid the social insurance optimization.

The social insurance of the employee and employer is changed as follows:

The prepayments for social insurance would cover:

- Sickness insurance
- Old-age insurance
- Disability insurance
- Unemployment insurance and
- Insurance for reserve solidarity fund.

The Guarantee fund insurance and Accident insurance will not be settled through prepayments and, thus, will not be subject to annual reconciliation.

Thanks to introduction of the social insurance prepayments, there are also amendments of the provisions covering the assessment base for the employee and employer. Maximum monthly assessment base for the employee and the employer is cancelled. Only the maximum annual assessment base will be applicable in the amount of 7-times the average monthly wage in Slovakia reached two years before the current calendar year. For the employer, there continues to be no maximum assessment base for the Accident insurance.

As there is no maximum monthly assessment base anymore, the employee's and employer's social insurance prepayment should be paid monthly from the total amount of the assessment base. If there is a month in which the total amount of the monthly assessment bases from the beginning of the calendar year reaches the amount of the annual assessment base, the social insurance prepayments are not payable from the next month until the end of the calendar year. Maximum annual assessment base should be proportionally decreased in the case the insurance does not last for the entire calendar year (e.g. in the case of termination of the employment relationship before the end of the calendar year).

The Social insurance institution performs the annual social insurance reconciliation by 30 September, or by 31 October in the case the employee has extended deadline for filing his Slovak tax return.

The social insurance underpayment resulting from the annual reconciliation would be due within 45 days from the date when the decision of the annual reconciliation result becomes effective. The social insurance overpayment would be subject to tax

withholdings applied by the Social insurance institution at the date of refund. If the amount of the underpayment or overpayment does not reach EUR 5, it would not be due/payable.

The annual social insurance reconciliation is performed by the relevant Social insurance institution branch.

The provisions introducing the social insurance prepayments and the annual reconciliation of the social insurance prepayments would be effective as of 1 January 2022. The Social insurance institution would perform the annual social insurance first in 2023 for the calendar year 2022.

Furthermore, the amendment introduces so called Insurance Deductible Item. Students working based on the Agreement on temporary job of student and pensioners working based on the Agreement on performance of work or Agreement on work activities (further only "agreement") were exempted from social insurance from one agreement up to income amounting to EUR 200 per month. As per the amendment, their social insurance will be applicable from the start until the termination of the agreement, but at the same time, they would be eligible to Social Insurance Deductible Item. In other words, their assessment base from one agreement will be decreased up to EUR 200 per month.

President rejected the Amendment of the Act on support of travel and tourism

President rejected the Amendment of the Act on support of travel and tourism which was approved by the Parliament during the October's session which focuses on recreation of employees and introduces recreational vouchers as a new instrument of financing tourism development.



Daňové a právne oddelenie

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The Amendment of the Act on support of travel and tourism indirectly amends several other legal acts, e.g. the Labour Code where the conditions for providing the recreational contribution are defined as follows:

- employers employing more than 49 employees are obliged to provide the recreational contribution to their employees,
- recreational contribution is provided by the employer upon the request of the employee,
- recreational contribution is provided in the amount of 55% of the total eligible costs; up to 275 EUR annually per employee working full-time (when there is a part-time working contract the contribution is docked proportionally),
- the recreational contributions can be provided in the form of recreational voucher or without the recreational voucher – i.e. as a reimbursement of eligible costs of the employee once the right for the contribution is proved and relevant documents are provided.

Tax implications of the recreational contribution are defined in the Amendment of the Income Tax Act which is also a part of the Amendment of the Act on support of travel and tourism. We will keep you updated about the next steps of the legislative process.

Draft amendment to the Slovak VAT Act

The National Council of the Slovak Republic approved in October and the Slovak President signed the amendment to the Slovak VAT Act (VATA) which introduces decreased VAT rate (10 %) for accommodation services. This change should be effective from 1 January 2019. Further, the Slovak Ministry of Finance introduced a draft amendment to the VATA to be effective from 1 January 2019.



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Major proposed changes are:

- Changes in VAT exemption of the supply and rent of immovable property
- Carrying out of construction works in the amount of at least 40 % of the value of the building before their start would be treated as “new” first occupation.
- Supplier of immovable property or its part fulfilling the conditions for VAT exemption will not be entitled to opt for taxation provided the subject of the supply is a flat or apartment in block of flats or the immovable property is determined for dwelling.
- Lease of a flat, family house, apartment in block of flats or its parts will be VAT exempt with no option for its taxation.
- New obligation to adjust the amount of input VAT deducted with respect to purchase of movable tangible property with the acquisition value at least EUR 3,319.39 which is used for business as well as other than business purpose depending on the change of the extent of their use.
- Implementation of EU legislation with respect to vouchers and place of supply of telecommunication, broadcasting and electronically supplied services provided to non-taxable persons.
- “Domestic” reverse-charge upon supply of particular kind of agricultural crops and metals will not apply should the seller issue a simplified invoice, except for corrective invoices.

Other proposed changes include i.a.:

- New definition of the term “ turnover”,
- Cancellation of tax collateral upon VAT registration,
- Changes in VAT refund for travellers upon export of the goods.

We will keep you informed on the next steps within the legislative process.

Slovakia officially ratified the Multinational Instrument

On 21 September 2018 Slovakia officially submitted ratification instrument of Multilateral Convention which will enter into force for Slovakia on 1 January 2019.



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On 21 September 2018 Slovakia officially submitted ratification instrument of Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (Multilateral Instrument) at OECD Secretary – General and became 12th country out of 84 countries that signed the Multilateral Instrument.

The Multilateral Instrument will enter into force for Slovakia on the first day following a three-month period after the submission of their respective ratification instruments, i.e. 1 January 2019. Once ratified, the Multilateral Instrument will only affect double tax treaties concluded with other jurisdictions that have ratified the Multilateral Instrument and that have also included that treaty in their list of covered tax agreements.

If you are not sure how the Multilateral Instrument affects your transactions please do not hesitate to contact us: kpmg@kpmg.sk

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