



# Daňovky

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**Did You Know?**

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# The Slovak translation of the OECD Transfer Pricing Guidelines has been published

The Slovak Ministry of Finance has published a long-awaited translation of the OECD TP Guidelines, which is used as an important source of interpretation on transfer pricing issues.



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On 12 February 2024, the Slovak Ministry of Finance published the official Slovak translation of [the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations](#) in the Financial Bulletin (No. 3/2024). The Organisation for Economic Co-operation and Development (OECD) presented this latest update **in January 2022**.

The comprehensive translation of the OECD TP Guidelines comes after several partial versions that have been published over several years. Publications No. 14/1997, No. 20/1999 and No. 3/2002 in Slovak were no longer up to date due to several updates of the OECD TP Guidelines.

The OECD TP Guidelines are highly sought after for transfer pricing purposes - they are referred to by taxpayers as well as tax authorities for transfer documentation or tax audits.

# Frequently asked questions relating to Slovak 2023 personal income tax returns

How to avoid common mistakes in the tax returns? As far as taxes are concerned, even a trivial mistake can lead to major problems. Find out what to observe when preparing your Slovak personal income tax return for 2023.



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## Do I have an obligation to file Slovak 2023 personal income tax return?

An individual earning 2023 income of **EUR 2,461.41 and more is obliged to file a tax return**. Income taxed by withholding tax, by which the tax liability is treated to be settled, does not count into this threshold (e.g. interest from Slovak bank account). Neither tax exempt income counts towards the threshold.

Taxpayers who report a tax loss are in fact obliged to file their tax return.

If a taxpayer earned only employment income from Slovak source, he/she may request their employer to perform an annual tax reconciliation for the employee. If the taxpayer meets the statutory deadline for filing of the application for annual tax reconciliation by 15 February 2024, he/she is not obliged to file Slovak personal income tax return.

***Do not forget that the obligation to file personal income tax return exists also when earning an income, where a foreign withholding tax was imposed, e.g. dividends from abroad, ETF incomes, etc.***

## Can I file a tax return if I don't have an obligation to file it?

Yes, you may file a tax return even if you are not obliged to.

Personal income tax return is beneficial to be filed e.g. in the following situations:

- If you earned only employment income not exceeding the threshold of EUR 2,461.41, this income was subject to monthly tax prepayment withholdings, but you did not apply for annual tax reconciliation – it is likely that a tax overpayment arises from the tax return.
- If you earned only employment income, so that you could apply for performing annual tax reconciliation, but you wish to apply for a child tax bonus and your tax base does not suffice for the full amount of child tax bonus.

## What is the deadline for filing 2023 tax return and paying 2023 tax liability?

The deadline for filing 2023 personal income tax return is **2 April 2024** due to Easter holidays.

The same deadline is applicable for payment of outstanding tax liability (only exception is in the situation that the tax authorities have not announced your “unique bank account number” to you until the tax return filing deadline).

## Can the deadline for tax return filing / tax liability settlement be extended?

If you need more time to process your tax return, **the filing deadline can be extended**. You have the following options:

- Extension by 1, 2 or 3 months – available for each taxpayer,
- Extension by 4, 5 or 6 months – available only for Slovak tax residents who earned income taxable abroad whereas he/she need to avoid double taxation of this income in their Slovak tax return.

Condition for extension of the deadline is **filing of an announcement of deadline extension** (using a prescribed form) **to the tax administrator by 2 April 2024.**

The deadline for settlement of the tax liability is extended automatically by extending the deadline for filing of the tax return.

Please note that the deadline which was already extended cannot be extended any further (late filing of the tax return will be subject to penalties).

## What enclosures do I have to file with my tax return?

Your Slovak tax return should likely be filed with one or more of the following enclosures:

- Copy of the confirmation of employment income issued by your employer / employers.
- Copies of the birth certificates of your children / in certain cases also confirmation of school attendance of your children you apply a child tax bonus for. If the birth certificates were already filed with your previous years' tax returns, this year you do not need to attach them.
- Copy of the confirmation of paid mortgage interest if you apply respective tax bonus.
- Copy of the confirmation of your volunteer activities of more than 40 hours in 2023, if you wish to donate 3% (instead of 2%) of your tax liability to chosen non-profit organization.
- Copy of the confirmation of paid individual's contributions to supplementary pension savings plan if you apply respective non-taxable allowance.

## How do I file the tax return?

If you are not obliged to communicate with the tax authorities electronically, you may file your tax return:

- **Via mail service** (we recommend using registered mail or mail with return message)
- **Personally**, at whichever tax authorities' filing office
- **Electronically** – if you voluntarily agreed with the tax authorities on electronic communication (you have concluded an agreement on electronic communication with the authorities)

Individuals who are obliged to communicate electronically with the tax authorities need to file their tax returns electronically via tax authorities' portal.

## How do I donate 2% / 3% of my taxes to chosen non-profit organization?

If you file a tax return, **the “announcement” on allocating of a share of your taxes is a part of the tax return form.** Therefore, please note that when filing the tax return, deadline for allocating share of your taxes is the same as deadline for filing of the tax return (**2 April 2024 or the extended deadline**) and not the deadline, which is relevant for employees for whom their employer performed their annual tax reconciliation (30 April 2024).

The list of authorized non-profit organizations is available at [www.notar.sk](http://www.notar.sk). Minimum amount of tax that can be allocated is EUR 3.

## What are the most common mistakes when filing the tax returns?

- Slovak tax resident does not report his income earned abroad (e.g. interest from foreign bank account, dividends from abroad).
- Income from ETF's usually does not meet the definition of “profit share”. Therefore, it is required to tax these differently.
- Income for work performed from foreign “home-office”, where the family of the taxpayer lives, is required to be taxed abroad.

- Income for work performed for foreign employer from “home-office” in Slovakia, where the family of the taxpayer lives, is required to be taxed in Slovakia.
- Taxpayers with rental income incorrectly apply deductible costs.
- Child tax bonus is applied by both parents.

Experiences of the Slovak tax authorities show that the taxpayers often make mistakes when filing their personal income tax returns. These can result into questioning the tax return by the tax authorities, or subject to financial sanctions. If you need help with preparation of your Slovak tax return, do not hesitate to contact us. We will perform a complex review of your situation, so that you avoid unnecessary complications.

# European social and health-care insurance news

Another EU countries react to current trends in the field of remote “telework”. Also social security relations with United Kingdom evolve.



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## Framework agreement on cross-border telework - new signatory countries

As informed [in our previous article](#), Slovakia was one of the first countries which signed **the Framework Agreement on the application of Article 16 (1) of Regulation (EC) No. 883/2004 in cases of habitual cross-border telework**. The Framework agreements applies as of 1 July 2023 for the following countries:

Austria	Malta
Belgium	Norway
Croatia	Poland
Czech Republic	Portugal
Finland	Spain
France	Sweden
Germany	Switzerland
Liechtenstein	The Netherlands
Luxembourg	The Slovak Republic

As of 1 September 2023, **Slovenia** joined the above countries. **Italy** belongs to signatory countries as of 1 January 2024.

## Convention on Social Security Coordination between Iceland, Liechtenstein, Norway and the United Kingdom of Great Britain and Northern Ireland - in place since 1 January 2024

After Brexit, the Regulation (EC) No 883/2004 on the coordination of social security systems ceased to apply to workers moving between the United Kingdom (U.K.) and the EU, Iceland, Liechtenstein, Norway, and Switzerland. To limit the negative and extensive impact of Brexit and to govern the social security position of individuals moving between the U.K. and the EU in a post-Brexit environment, the U.K. and the EU agreed on a **Protocol on Social Security Coordination** which entered into force on 1 January 2021.

However, the Protocol is limited to the U.K. and EU countries. As a result, the social security position for moves between the U.K. and EEA / EFTA countries and Switzerland was governed by the terms of existing bilateral agreements between the U.K.

and Iceland, Norway, and Switzerland, each of them with different provisions, and no agreement was in place between the U.K. and Liechtenstein. Each of these agreements has its own conditions. Therefore, a need to govern rules for social security for workers moving between the U.K. and the countries of the European Economic Area (EEA) and the European Free Trade Association (EFTA) countries arose.

Therefore, on 30 June 2023, the U.K. and the countries of EEA and EFTA (Iceland, Liechtenstein, and Norway) reached agreement on a new social security convention, which governs rules for determination of applicable mandatory social security system for workers moving within these countries. **The Convention<sup>1</sup> is in force as of 1 January 2024.** For situations between Switzerland and the U.K., the provisions of bilateral social security agreement are still applicable.

If you need assistance on what this means for your employees working from abroad, do not hesitate to contact us.

At the same time, we offer trainings on relevant tax and social security impacts of working from abroad or on setting-up respective internal policies.

<sup>1</sup>[Convention on Social Security Coordination between Iceland, Liechtenstein, Norway and the United Kingdom of Great Britain and Northern Ireland \[MS No.7/2023\] - GOV.UK \(www.gov.uk\)](#)

# New rules for traders and e-shop providers

The new consumer protection legislation is currently in Parliament after first reading, bringing a number of new rights and obligations for traders and e-shop operators including the obligation to adapt their terms and conditions in compliance with the new rules.



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## Change and introduction of new terminology

A new term of "*trader*" is introduced, which is a person acting in the course of his business or profession in connection with a consumer contract, an obligation arising therefrom or a commercial practice.

The term "*trader*" replaces the previous terms "*seller*" (used in the Consumer Protection Act) and "*supplier*" (used in the Civil Code).

The new legislation also provides for the introduction of completely new terms, such as:

- **digital content**, which is data that is created and delivered in digital form (e.g. a trader's electronic product catalogue);
- **digital service**, which is a service that allows a consumer to create, process store or access data in digital form or that allows the exchange or any interaction with that data (e.g. a product finder on a trader's website); and
- **thing with digital elements**, which is any movable thing that contains or is connected to digital content or a digital service in such a way that the absence of the digital content or digital service would prevent the thing from performing its functions (e.g. a USB stick).

## New information obligations for e-shop providers

E-shop providers will now be obliged to inform consumers about the functionality of digital items, digital content, and digital services, including available technical protection measures, as well as about the compatibility and interoperability of these items.

Indication of compatibility and interoperability can be understood as a situation where an e-commerce trader offers for sale, for example, a USB stick with file protection software (as a digital object) and will have to obtain from the manufacturer and subsequently indicate to the consumer which other software or hardware (e.g. computers, smartphones, computer software) the USB stick is usable with, including the extent of its usability.

## Liability of traders in case of defects of digital items, digital content and digital services

The new legislation introduces the liability of the trader for defects in the digital content or digital service on the delivered items. The trader will be liable for any defect in the digital content or digital service that occurs or manifests itself within an agreed period, which shall also not be less than two years from the date of delivery.

Traders will be obliged to inform consumers via manuals and instructions about the montage (or installation) of the item with digital elements, digital content and digital service and will also be liable for a defect due to incorrect montage or installation if the montage or installation was incorrectly carried out by the consumer due to deficiencies in the instructions or manuals.



## Consumer protection against price manipulation (new rules on discounts)

When selling discounted goods (e.g. during sales campaigns), the trader will be obliged to indicate the last lowest price of the goods for at least the last 30 days in any price reduction notice. The purpose is to inform the consumer of the actual amount of the discount granted.

## Extension of deceptive practices by dual quality marketing

Under the new legislation, the sale of goods that are similarly labelled in Slovakia as in another EU Member State, even if they have substantially different compositions or characteristics, will also be considered a deceptive practice.

An example is the sale of chocolate that is identically labelled in the Slovak Republic as in Austria, but the chocolate in Slovakia will have different nutritional values.

## Extension of the withdrawal period from a consumer contract

In the event that a contract is concluded in connection with an unsolicited visit or in connection with a sales event, the consumer will have the right to withdraw from the contract up to 30 days after the conclusion of the contract, as opposed to the current 14-day period.

## Calculation and reduction of the fine

The amendment changes the method of calculation of fines for breach of obligations under the new legislation.

Fines will now be imposed and calculated according to the trader's turnover for the last accounting period. In the case of the most serious infringements, the Slovak Trade Inspection Authority, as a supervisory authority, may impose a fine of up to 5% of the trader's annual turnover. The calculation of turnover may also include the trader's turnover in all EU Member States where the infringement has caused damage to the collective interests of consumers.

The new institutions also introduce self-correction measures and allow for a reduction of the infringement penalty if the trader accepts responsibility for his infringement, stops the infringement, remedies the consequences of his behavior and compensates the consumers who have been harmed.

## New rules for publication and evaluation of reviews

The publication of reviews (ratings of products and services) on a trader's website already includes an obligation to inform whether and how the authenticity of the reviews is ensured. The purpose is to prevent false promotion of the quality of the products and services offered through the creation of fake reviews.

Where a consumer is able to search for products offered by different traders using a keyword or phrase in an online interface, he will also need to be informed of the main parameters that determine the ranking of products in the online search result and their relative importance.

## New information obligation for providers of online marketplaces

When advertising on online marketplaces, offers will have to indicate whether the offer has been published by a trader or by a natural person (non-business). The purpose of this information obligation is to ensure that consumers have legal certainty as to whether they will enjoy the legal protection of their consumer status once they have purchased and entered into a contractual relationship with the seller.

The European Directive has introduced significant changes to online shopping. The new rules will have a significant impact on commercial aspects between consumers and businesses. Due to current developments in the legislative process, **the effective date**, which is currently proposed for 1 March 2024, **will be postponed**.

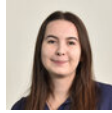
We will monitor the development of the legislative process and keep you updated.

# Parliament approves postponement of the entry into force of the Construction Act

Changes under new building legislation delayed for at least one year.



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On 13 February 2024, Members of Parliament approved [the government's bill](#) in an abbreviated legislative procedure, **which postpones the effectiveness of the Construction Act until 1 April 2025.**

The Ministry of Transport of the Slovak Republic that proposed the amendment, stated that the main reasons for postponing the effectiveness were the delay in the preparation of the implementing legislation, the need to modify and amend other legislation that relate to the Construction Act or the lack of staff at the new Authority for Spatial Planning and Construction implementing new permitting procedures under the Construction Act.

On 1 April 2024, only the Spatial Planning Act will come into force.

You can read about the changes in the reform of building legislation [in our previous article](#).

# The European Council removed four jurisdictions from the EU Blacklist

The ECOFIN Council updated the EU list of non-cooperative jurisdictions for tax purposes. The EU has removed four countries from the „blacklist“ after the meeting. At the same time, no new jurisdictions have been added that would not comply with respective criteria in the tax area.



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On 20 February 2024, the EU Finance Ministers removed four jurisdictions from blacklist of non-cooperative jurisdictions for tax purposes:

- **The Bahamas and Turks and Caicos Islands** were successful in addressing deficiencies in their enforcement of economic substance requirements;
- **Belize and Seychelles** were moved to the greylist (Annex II) for supplementary review by the Global Forum on Tax Transparency and Exchange of Information.

Following [latest February update](#), twelve jurisdictions remain blacklisted:

- **American Samoa**
- **Anguilla**
- **Antigua and Barbuda**
- **Fiji**
- **Guam**
- **Palau**
- **Panama**
- **Russia**
- **Samoa**
- **Trinidad and Tobago**
- **US Virgin Islands**
- **Vanuatu**

The list becomes official upon publication in the Official Journal of the European Union. We will monitor the next update, which is scheduled for October 2024.

# Did you know about the term “controlled transaction”?

The transfer pricing rules apply to controlled transactions between related parties. Do you know which transactions are considered as controlled?



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For the transfer pricing purposes, the term “related person”<sup>1</sup> means:

- close person,
- economically, personally or otherwise related person or other entity,
- person or other entity who is a part of consolidated group for consolidation purposes.

According to the Income Tax Act, the term “**controlled transaction**”<sup>2</sup> refers to a legal relationship or other similar relationship between two or more related persons, where at least one of them is:

- taxpayer earning income as described in article 6 of the Income Tax Act (enterprise income, self-employment income, lease income, income from the use of work and artistic performance) or
- legal entity that receives taxable income from activities or from dealing in property.

Since 2023, the concept of **significant controlled transaction** was added to the Income Tax Act, according to which transactions with a value exceeding EUR 10,000 (credits or loans with principal exceeding EUR 50,000) are considered significant.

In case of the significant controlled transactions, the taxpayer is obliged to monitor the market setting of the transaction and keep transfer pricing documentation. In the case of insignificant controlled transactions, the documentation obligation is fulfilled by submitting a properly completed tax return.

[The new Guidelines of the Slovak Ministry of Finance](#) on determining the content of transfer pricing documentation, as well as [the amendment to the Income Tax Act](#), have been discussed in more detail in our previous articles.

<sup>1</sup> Article 2(n) of the Slovak Act No. 595/2003 Coll. on Income Tax, as amended.

<sup>2</sup> Article 2(ab) of the Slovak Act No. 595/2003 Coll. on Income Tax, as amended.

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