



Weekly Briefing

**Slovakia economy briefing:
Changes in the tax and eKasa systems in 2020
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Changes in the tax and eKasa systems in 2020

Overview

Regarding the tax system, many experts say that Slovak tax system is rather complicated and intricate with many gaps leading to tax evasion in direct (tax on personal and corporate income and others) and indirect (value-added tax (VAT) and others) taxes. Tax authorities are required to focus more on the transactions between related companies in respect of compliance with transfer pricing together with paying more attention to the VAT as well as to the control of the eKasa system (April 2019 Slovakia Economy Briefing).

Tax administration in Slovakia is governed by the Tax Procedure Code (TPC) or Act No. 563/2009 effective January 1st, 2020. The Act regulates tax administration, the rights and obligations of taxable entities and of other persons which arises to them in connection with tax administration.

Changes in the tax system for the Tax Administration

The TPC brought new changes since January 2020 for the Tax Administration. Kullova (2020c) stresses following important changes in the TPC:

- Detention of the driver's license: in case an entrepreneur does not pay taxes properly and have arrears, he should be careful not to lose the driving license in the form of tax enforcement order to detain a driver's license. This form of execution can affect an entrepreneur only if he has tax arrears, private or from business, on the basis of a trade license or other self-employed activity.
- Notification in case of improper document: since 2018, electronic communication with the Financial Administration is obligatory for all legal entities registered in the Commercial Register and their representatives and entrepreneurs. However, if the businesses were unaware of the regulation and sent documents in paper form instead of electronically, nobody warned them and they faced considerable fines. Newly, the Administration must let the businesses know about it in order to correct a mistake. If the business complies, the original deadline is considered to be met and sanctions are disregarded.
- Account reporting: since January 2020, entrepreneurs no longer report their bank account number to the Tax Administration. Banks are automatically reporting such accounts.

- Official translation: provision of official translations has often been difficult for businesses, both administratively and financially, especially in transfer pricing. It was generally documents in foreign languages and on a large scale and had to be officially verified. Since 2020, it is possible the Tax Administrator will accept also a translation submitted by entrepreneurs without official verification.

- Lower fine for administrative offenses: in case of a minor administrative offense, the Tax Administration may levy a fine or interest on late payment. However, the lower limit for this type of payment was halved in 2020 from EUR 60 (before 2020) to EUR 30.

- Failure to file a tax return: in case the entrepreneur fails to file a tax return or fails to comply with any tax liability within the stipulated deadline, or does not allow to carry out a tax audit, the Tax Administration will first ask the taxpayer to remedy it. If unresponsive, the administrator has aids to obtain documents without cooperation with the taxpayer. The Tax Administration will determine the tax on the basis of these aids and will notify the taxpayer. The taxpayer can no longer submit a “proper” tax return for a given tax period (the exception applies only if the tax administrator is a municipality).

- Changes in tax controls: starting in 2020, entrepreneurs must prepare for tightened and expanded tax controls. The Tax Administration has a maximum of one year from the date of control commencement for inspection.

- Automatic registration: entrepreneurs will no longer register for paying taxes at the tax office when starting a business. The Financial Administration shall automatically register them within 30 days of their being entered in the relevant register or within 30 days of the first tax return.

Changes in the eKasa system

As mentioned above, the article on eKasa system was elaborated in April 2019 when the project started to be implemented by the Financial Administration. Even though all the businesses are required to use the cash register approved by the Financial Administration (read more in April 2019 Slovakia Economy Briefing), Domcek (2020) notes that in the beginning of January 2020, 183 227 cash registers are registered in the eKasa system representing approximately 90% of the total expected number. According to Kullova (2020a), this number increased to 192 000 by the end of the month. Registered cash registers provide 7 million receipts daily. The fine for not using the required type of cash register range from EUR 330 to EUR 20 000. As noted by Kullova (2020a), in January, 840 controls were carried out and the amount of fines reached EUR 89 000.

One of the changes in the eKasa system includes the change in the period entrepreneurs have to send stored data message to the eKasa system. There are two possibilities however. Either the data are sent to Financial Administration automatically, or the entrepreneur has to oblige to deadline which changed to 96 hours in 2020. Kullova (2020a) notes that the original deadline proposed in 2019 was 48 hours. She also notes that in practice, the entrepreneurs will not have to send financial data stored in their electronic cashiers outside their business hours or during the weekends. This may become a welcome help especially for those entrepreneurs running businesses in remote areas with unstable internet connections.

Another significant change in legislation since January 2020, is enabling continuous printing of the cash register receipt. Until the end of 2019, the cash register receipts could not be printed continuously, but only after the payment for the goods. Depending on the number of items and type of cash register, the printing of the receipts took up to 30 seconds significantly delaying the final step of the process. In order to speed up the printing and decrease the delays, the mandatory texts on the documents were rearranged. Now the receipts, even with many items, may be printed continuously, significantly reducing the delays between paying customers. Also, the online cash register manufacturers have greatly improved the reliability as well as printing speed by deploying new firmware of their software. In many cases, the time customers spend waiting in line in front of the cash registers has been reduced (Kullova, 2020a).

Regarding the changes in the receipts, all new receipts must contain unique QR codes. Through them, the receipt can be easily verified. This is done by the free application *Over doklad* which is available for both [iOs](#) and [Android](#) systems. All receipts issued after January 1st, 2020 must contain a QR code. Receipt verification is also available directly through the [Financial Administration website](#). Each QR code carries a link to the issued receipt in the Financial Administration database. In the application, after simply scanning the QR, mobile device will display the receipt in electronic form. If the application evaluates the receipt as fake, the customer should report as much information as possible: when and where the receipt was received, and ideally attach a photo of the receipt that they simply add through the application.

The changes also include taxi services. If the taxi driver used a virtual cash register, he did not have to issue a receipt to the passenger if it was issued as a proof of paid travel under the Road Transport Act. Newly, this procedure applies even if the taxi driver uses not only a virtual but also an online cash register.

Conclusion

Regarding the changes in the legal environment for businesses, Kullova (2020b) stresses that the Tax Administration will focus on the following issues in 2020:

- VAT carousel transactions: place and date of taxable supply, verification whether goods or services were actually delivered, whether the payer used the purchased goods or services for business and not for personal consumption, and whether the conditions for exemption from VAT in cross-border transactions are fulfilled.
- Transfer pricing documentation of linked transactions: verifying whether services have been rendered and their benefits to the customer, how the functions and risks within the interconnected group of persons are distributed, reviewing of pricing method and margin level.
- Personal income tax: transparency and completeness of reported income, including foreign income in tax declaration.
- Corporate income tax: the merits of costs and their interconnection to business activities, transfer pricing, the use of goods for personal consumption, employee benefits, tax depreciation for assets, the use of super-deduction of research and development costs, control of tax relief provided for the company.
- Other types of controls of compliance with accounting regulations: time and material connection with the given period, inventory accounting, accounting in administrative accounts.

References:

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3. Kullova, Z. (2020a). Daniari lapajú firmy cez eKasu. Dokážu online odhaliť mnohé pochybenia. Available on-line: <https://www.etrend.sk/ekonomika/daniari-lapaju-firmy-cez-ekasu-dokazu-online-odhalit-mnohe-pochybenia.html>.
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5. Kullova, Z. (2020c). Novinky pre podnikateľov: osem vecí, ktoré daniari zmenili. Available on-line: <https://www.etrend.sk/ekonomika/novinky-pre-podnikatelov-tychto-8-veci-daniari-zmenili.html>.