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THE STATUTORY FORMAT OF STRUCTURED FINANCIAL STATEMENTS HAS LIMITED IMPACT ON THE PROFIT TAX DETERMINATION AND SHALL NOT BE USED AS AN ARGUMENT FOR NOT ALLOWING THE VOLUNTARY USE OF IFRS. EVIDENCE FROM SLOVAKIA

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ABSTRACT

Objective: The objective of this research was to verify whether it is useful to proceed with financial statements in the legally ordered form to determine the profit tax.

Theoretical Framework: Financial statements in Slovakia display the amount of profit tax without any information about how the tax has been determined.

Method: Despite the fact that the tax rate is given by the law and the tax base is calculated from the financial profit before taxation, we have examined whether structured financial statements bear the information required to determine or verify the profit tax amount. On the random sample of publicly available financial statements from Slovakia we examined whether any of the 201 disclosed variables correlate to the profit tax and whether disclosed figures could be used to determine or verify profit tax.

Results and Discussion: We have shown that requiring the submitting of official financial statements in a legally ordered structured form, has no added value regarding to profit tax.

Research Implications: Profit tax determination from financial statements cannot be used as a relevant argument to require a legally ordered structured form of financial statements. Companies should be given the possibility of issuing their financial statements based on IFRS or IFRS for SMEs, if the company wishes to do so in order to better display their financial statements.

Originality/Value: This research shows that legal requirements on financial statements shall be regularly evaluated whether their structure is still relevant considering technological progress, information value and effort companies, especially SMEs, must expend.

Keywords: Financial Statements, Tax, Accounting, Tax Return.

O FORMATO ESTATUTÁRIO DAS DEMONSTRAÇÕES FINANCEIRAS ESTRUTURADAS TEM IMPACTO LIMITADO NA DETERMINAÇÃO DO IMPOSTO SOBRE OS LUCROS E NÃO DEVE SER USADO COMO ARGUMENTO PARA NÃO PERMITIR O USO VOLUNTÁRIO DAS IFRS. EVIDÊNCIA DA ESLOVÁQUIA

RESUMO

Objetivo: O objetivo desta pesquisa foi verificar se é útil proceder às demonstrações contábeis na forma legalmente ordenada para determinar o imposto sobre o lucro.

Quadro teórico: As demonstrações financeiras na Eslováquia exibem o montante do imposto sobre os lucros sem qualquer informação sobre a forma como o imposto foi determinado.

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Método: Apesar do fato de que a alíquota é dada pela lei e a base tributária é calculada a partir do lucro financeiro antes da tributação, examinamos se as demonstrações financeiras estruturadas contêm as informações necessárias para determinar ou verificar o valor do imposto sobre o lucro. Na amostra aleatória de demonstrações financeiras publicamente disponíveis da Eslováquia, o Tribunal examinou se alguma das 201 variáveis divulgadas se correlaciona com o imposto sobre os lucros e se os valores divulgados podem ser utilizados para determinar ou verificar o imposto sobre os lucros.

Resultados e Discussão: Mostramos que a exigência da apresentação de demonstrações financeiras oficiais de forma estruturada legalmente ordenada, não tem valor agregado no que diz respeito ao imposto sobre o lucro.

Implicações da pesquisa: A determinação do imposto sobre o lucro a partir das demonstrações financeiras não pode ser usada como um argumento relevante para exigir uma forma estruturada legalmente ordenada de demonstrações financeiras. As empresas devem ter a possibilidade de emitir as suas demonstrações financeiras com base nas IFRS ou IFRS para as PME, se a empresa assim o desejar, a fim de melhor apresentar as suas demonstrações financeiras.

Originalidade/Valor: Esta pesquisa mostra que os requisitos legais sobre demonstrações financeiras devem ser regularmente avaliados se sua estrutura ainda é relevante, considerando o progresso tecnológico, o valor da informação e o esforço que as empresas, especialmente as PMEs, devem despender.

Palavras-chave: Demonstrações Financeiras, Fiscais, Contábeis, Declaração de Impostos.

EL FORMATO ESTATUTARIO DE LOS ESTADOS FINANCIEROS ESTRUCTURADOS TIENE UN IMPACTO LIMITADO EN LA DETERMINACIÓN DEL IMPUESTO SOBRE BENEFICIOS Y NO SE UTILIZARÁ COMO ARGUMENTO PARA NO PERMITIR EL USO VOLUNTARIO DE LAS NIIF. PRUEBAS DE ESLOVAQUIA

RESUMEN

Objetivo: El objetivo de esta investigación fue verificar si es útil proceder con los estados financieros en la forma legalmente ordenada para determinar el impuesto a las utilidades.

Marco teórico: Los estados financieros en Eslovaquia muestran el monto del impuesto sobre las ganancias sin ninguna información sobre cómo se ha determinado el impuesto.

Método: A pesar de que el tipo impositivo viene dado por la ley y la base imponible se calcula a partir del beneficio financiero antes de impuestos, hemos examinado si los estados financieros estructurados contienen la información necesaria para determinar o verificar el importe del impuesto sobre los beneficios. Sobre la muestra aleatoria de estados financieros disponibles públicamente de Eslovaquia, examinamos si alguna de las 201 variables divulgadas se correlaciona con el impuesto sobre los beneficios y si las cifras divulgadas podrían utilizarse para determinar o verificar el impuesto sobre los beneficios.

Resultados y Discusión: Hemos demostrado que exigir la presentación de estados financieros oficiales en forma estructurada legalmente ordenada, no tiene valor agregado en relación con el impuesto a las utilidades.

Implicaciones de la investigación: La determinación del impuesto sobre las ganancias a partir de los estados financieros no puede utilizarse como un argumento relevante para exigir una forma estructurada de estados financieros legalmente ordenada. Las empresas deben tener la posibilidad de emitir sus estados financieros sobre la base de las NIIF o de las NIIF para las PYMES, si la empresa así lo desea, con el fin de mostrar mejor sus estados financieros.

Originalidad/Valor: Esta investigación muestra que los requisitos legales sobre los estados financieros deben ser evaluados periódicamente para determinar si su estructura sigue siendo relevante teniendo en cuenta el progreso tecnológico, el valor de la información y el esfuerzo que las empresas, especialmente las PYMES, deben realizar.

Palabras clave: Estados Financieros, Impuestos, Contabilidad, Declaración de Impuestos.

1 INTRODUCTION

In Slovakia, full International Financial Reporting Standards (hereinafter as IFRS) are mandatory for listed companies, financial institutions, insurance companies, pension funds and companies established by a dedicated law. Full IFRS are allowed to be applied voluntarily only for companies that meet at least two of the following three criteria: assets exceeding 170,000,000 €, net turnover exceeding 170,000,000 €, average number of employees exceeding 2000. (National Council, 2002). All other companies, even if they wish to disclose their financial statements based on IFRS, must still disclose their financial statements based on national generally accepted accounting principles (hereinafter as GAAP) valid in Slovakia for official purposes. In 2020, 15.21% of submitted Slovakian financial statements were from companies with foreign or international ownership (Source: Slovak Statistics, own processing). Companies whose figures are taken into consideration in the consolidated financial statement of the parent company (or any other group structure requiring consolidation) must issue their financial statements based on the consolidating entity's GAAP (Adebayo, 2017) for the purpose of consolidation. Slovakian Accounting Act No. 431/2002 Coll. requires a consolidated financial statement to be issued always based on IFRS (Tumpach, 2006). Slovakian subsidiaries that are part of a consolidated group of companies must therefore issue their own individual financial statements based on Slovakian GAAP for official purposes and then issue their individual financial statements based on IFRS for consolidation purposes (Dana Kovanicová, 2002). Such companies could compile their IFRS financial statements either by adjustments/deductions derived from their national GAAP statements or by performing parallel side-by-side accounting, one based on national GAAP and the other based on the consolidating unit – the parent company's GAAP. Nowadays, capital market companies in the US are allowed to report their financial statements by applying US GAAP or by applying IFRS (Vlčko & Meluchová, 2021). IFRS are spreading worldwide (Emmanuel T. De George, Li, & Shivakumar, 2016), and IFRS are also regulated by European Directive 1126/2008 (European Parliament and the Council, 2008). Further in this paper we assume that a parent company issue consolidated financial statements by applying IFRS, as this is most likely within the Europe. The decision on whether a company applies parallel accounting or whether it derives its IFRS statements from official statements depends on the reporting and operational efficiency of the company and local accounting regulatory requirements (Alexander & Alon, 2017). Subsidiaries whose operation or management is tied up with its parent company usually report their interim financial statements (or any other reports) to their parent company throughout the year on a regular monthly or quarterly basis (Raza et al., 2022), not only after the end of the accounting period. Such subsidiaries may use the processes or software of the parent company or the consolidating unit they are part of. For such subsidiaries, parallel accounting is the way, as the accounting information taken from its IFRS accounts is useful throughout the reporting period within the holding. On the other hand, a subsidiary that operates almost independently from its parent could derive its IFRS statements from its national GAAP statement, if the operation of the subsidiary is not too complex or the national GAAP requirements do not differ too much from those of the IFRS. Subsidiaries that perform parallel accounting usually apply in their operation some kind of ERP used by the group they are linked to. For such companies, national GAAP accounting and national GAAP financial statements are not useful, as they use IFRS accounting information instead. National GAAP and statements are therefore prepared only because they are required by the national law. Such an approach is not unique among the European countries (Macías & Muiño, 2011). Financial statements, by definition, should provide useful information to their users (Krupová, 2009). For such companies, it may seem that the only users of their national GAAP financial statements are the Tax Administration Office, which also serves as the accounting regulator in Slovakia. Any other user can use information from IFRS statements instead, if they are available.

IFRS for Small and Medium-sized companies (hereinafter as IFRS for SMEs) were introduced by the International Accounting Standards Board (IASB) in 2009 as a simplified version of full IFRS standards specially devoted to companies that were not publicly accountable (International Accounting Standards Board, 2015). Since their introduction, they have been observed as being more likely to be implemented in emerging markets and in developing countries (Bonito & Pais, 2018). In developed economies, local national GAAP are commonly used for small and medium-sized companies. IFRS for SMEs, as simplified standard dedicated to SMEs, are not even allowed to be applied within European Union due to their inconsistency with European Directive 2013/34/EU (Parlament European, 2013). Even in emerging markets, where IFRS for SMEs have been forced to be used by local law, one study shows them to be more a burden then an advantage for micro companies (Durguti & Arifi, 2021). The full IFRS have already proven their goal to make financial statements useful for cross-border users. It is not surprising that a similar approach had been set to be achieved also for SMEs. One of the main reasons for IFRS for SMEs was to open cross-border markets for companies not publicly listed. Even the standard name, “IFRS for SMEs”, is meant to be used for all kinds of non-publicly accountable companies, for big companies without capital market involvement as well as for micro companies. The definition of micro companies can be found, for example, in European Directive 2013/34/EU as companies that meet at least 2 of the following 3 criteria: asset value less than 350,000 €, yearly turnover less than 700,000 € and fewer than 10 employees on average. The European Directive differentiates companies into 4 categories based on their volume criteria in order to achieve different reporting requirements in their financial statements, based on their importance in the macro economy. Micro companies are exempt of certain some-times-important disclosures in their financial statements; therefore, they are permitted to voluntarily disclose their financial statements as small companies, at least in Slovakia, (National Council, 2002) if they wish to do so. Based on the volume criteria set by the directive, in 2020 46.8% of Slovakian companies which submitted their financial statements could be classified as micro companies (Source: Slovak Statistics/Public Register of Financial Statements, own processing), but many of them chose to disclose their statements as small companies.

Tax Administration is one of the users of financial statements. Tax Administration is perceived as the essential user of financial statements, which uses information released in companies’ financial statements for analysis in order to provide tax investigations and prevent tax evasion. For fraudulent companies, the Tax Administration should not rely only on financial statements alone, as they are issued after the end of the reporting period, and in case of fraudulent company statements, they may not display true or relevant information. Therefore, in some countries regular automatic or semi-automatic reporting to the Tax Administration have been introduced, for example, in Slovakia: monthly reporting of invoices to the Tax Administration for all VAT-registered companies; online reporting of till transactions; land registry changes and car registry changes are automatically being reported to the Tax Administration. In countries with automatic or semi-automatic tax reporting throughout the year, the Tax Administration has access to the relevant information much sooner than after the end of the reporting period, and therefore it is capable of prompt action in the case of unusual company behaviour (Vlčko & Meluchová, 2021). One of the main arguments in Slovakia for not to allowing companies to voluntarily disclose their official financial statements based on IFRS is that IFRS are a set of principles instead of rules. The IFRS do not state the exact form of statements, which makes it difficult or inappropriate for machine data processing (Vlčko & Meluchová, 2022). Such an argument can be easily overcome by the introduction of some form of standardised statement format or some standardised form of a simplified statement bearing only the relevant information for Tax Administration evaluation. (De Simone, 2016)

IFRS for SMEs, as "globally accepted financial reporting standards" (International Accounting Standards Board, 2015), are capable of replacing full IFRS for unlisted companies for which the full IFRS are too complex, or which do not need such an exhaustive approach to meet their internal/external reporting goals. A separate section within the IFRS for SMEs is dedicated to "Consolidated and Separate Financial Statements" to underline the ability of IFRS for SMEs to serve not only separate companies but also consolidating groups of companies. The IFRS for SMEs even allow individual financial statements to be issued based on the IFRS for SMEs for companies which are part of a consolidation group.

Slovakian Tax Administration is also the supervisory administration for accounting rules compliance. This may partially explain why Slovakian lawmakers are resistant to allow IFRS or IFRS for SMEs to be used by companies instead of local, well established national GAAP linked to the tax obligation determination. One of the commonly used unwritten arguments is the linkage of tax determination to financial accounting. In this study, we examine whether there is any link between financial statements and profit tax (i.e. tax return). In this research we challenge the legally ordered form of financial statements in Slovakia in order to verify whether they are any useful to its main users of the financial statements according to their ability to provide relevant information on the profit tax determination/ verification. Otherwise, there should be legal possibility to allow companies to issue their official financial statements according to IFRS or IFRS for SMEs.

2 THEORETICAL FRAMEWORK

IFRS as set of principles might not be considered suitable for tax purposes (Martinez, 2019), because for tax determination there must be exact rules instead of principles (Mládek, 2017). In general, there are two approaches: first, to derive the tax base from the accounting (Graham, Raedy, & Shackelford, 2012), and second to run separate financial accounting and separate tax accounting (Purina, 2015). Which approach is set by the local law or tax authorities depends on the country's legal environment and historical development (Teodorovicz, 2023). In Slovakia, the tax base is determined from the financial profit taken from the Profit and Loss statement (hereinafter as P&L)(Bačo, Baumöhl, Horváth, & Výrost, 2023). In general, financial statements display profit tax amount and, if required, also deferred tax (Brouwer & Naarding, 2018). IAS 12 Income taxes requires to display taxable income and taxable expenses (Krupová, Vašek, & Černý, 2005) in profit or loss and other comprehensive income statement. IFRS therefore shall provide at least the basic information of how profit tax is determined, or how the profit tax amount is being affected. As the IFRS statement are audited (E T George, Ferguson, & Spear, 2013), we might assume that the information disclosed are correct. Purpose of IFRS is to unify financial reporting standards(Kovanicová, 2005) in order to make them understandable, comparable and useful (IFRS Accounting Standards, 2022) for broad variety of international users, mostly for investors. (KENNY & LARSON, 2009) IFRS are complex principles which might be too complex for SMEs (Bautista-Mesa, Muñoz-Tomás, & Horno-Bueno, 2019), even IFRS for SMEs might be a burden for micro companies (Durguti & Arifi, 2021). In the other hand, the companies which would like to apply IFRS or IFRS for SMEs voluntarily shall be given an opportunity. Adoption of IFRS has shown improvement of financial statement reporting (Barniv, Myring, & Westfall, 2021) by decrease of financial statement manipulation (Khoo & Ahmad-Zaluki, 2015) and increase of liquidity access (Khan, Anderson, Warsame, & Wright, 2021) for companies applying IFRS.

Tax burden might be matter of consideration for investors and for the company managers (Vlčko & Meluchová, 2021) as the tax decreases profit after taxation (Gee, Haller, & Nobes, 2010). Disclosing deferred taxes in financial statements might redeem companies by refining their balance sheets (Skinner, 2008). Structure of tax amount determination is beneficial information for the user of the financial statements. Even the IFRS financial statements are subject to audit (Tawiah, 2022), the purpose of audit is to verify whether the financial statements disclose true and correct information (Camacho-Miñano, Muñoz-Izquierdo, Pincus, & Wellmeyer, 2023). User of the financial statements shall not anticipate unjustified audit expectations (Astolf, 2021).

Especially in coming age of artificial intelligence (Silva, Leite, Fernandes, Da Silva, & De Araújo, 2023) and automation(Vlčko & Meluchová, 2023), the requirement of strictly structured form of financial statement might be unnecessary as the computer becomes capable of extraction and evaluation (Holmes & Douglass, 2022)relevant data from the financial statements (Kommunuri, 2022) even if the statements are not in a form of strictly ordered form (Raza et al., 2022).

Newly required corporate social responsibility disclosures (hereinafter as CSRD) in financial statements ordered by the European union (European Parliament and the Council, 2022), are also not possible to disclose in the structured form (Farkas & Matolay, 2024), but rather as the result of disclosure principles (ISSB, 2024). Yet CSRD disclosures are becoming mandatory (Primec & Belak, 2022), they shall be evaluated not only by investors in order to provide responsible investment (Soschinski & Rodrigues Junior, 2022), but they would have to be evaluated by suppliers and customers to maintain sustainable supply chain (Nurindrasari, Ludigdo, Purwanti, & Mulawarman, 2024). As these disclosures are not structured, the stick to the formal strictly structured form of financial statements remains questionable.

3 METHODOLOGY AND RESEARCH

The main goal of this study is to find out whether, and if so, how much, data disclosed in Slovakian standardised financial statements could be used to assume current income tax payable or whether structured financial statements are relevant for verification of the tax obligation. Yearly, more than 200,000 financial statements are submitted in Slovakia (source: Slovak Public Register of Financial Statements). As mentioned before, accounting profit is taken as the base for calculating income tax in Slovakia. The amount of income tax is determined by the tax return of the legal entity which is not an integral part of the financial statements and is kept secret by the law. Because the amount of current tax is disclosed in financial statements, it is obvious that the tax return must be submitted prior to the submission of financial statements. There are so many tax rules which affect the final tax amount, relying only on the accounting profit times the tax rate to determine tax is not viable, as shown by evidence in Table 1. Tax is disclosed in financial statements only in its amount. Slovakian financial statements consist of 3 integral parts: a Balance sheet, a P&L and Notes, and the balance sheet and P&L are standardised forms suitable for further machine processing. Data from submitted financial statements are publicly available for free in the state public online database of financial statements.

For this research we took data from all Slovakian financial statements, namely balance sheets and P&Ls for the fiscal years 2018, 2019 and 2020. Data were drawn from the Slovak Public Registry of Financial Statements. The data were precisely cleaned by removing:

- Obviously erroneous data, such as statements disclosing negative total assets, or data with non-integer figures.
- Financial statements of municipalities, self-governing units, municipality purposed companies, churches, gatherings (NGOs), political parties, organisational units without legal form, representations of foreign companies without their own legal form, and natural persons (self-employed and contractors). Except for natural persons, all of these by the definition of their legal form should not generate a taxable profit or should not generate their major profit in Slovakia. These legal forms are not suitable for this

research and are excluded from the calculations and modelling. The statements of natural persons who submitted their statements are not publicly available due to the personal data privacy protection. For the purposes of this research, only limited liability companies and joint-stock companies were selected.

- All statements with Null total assets from the research dataset. As it is required by the law to submit financial statements for all business units, so-called "sleeping companies" submit zero-figure statements rather than not submitting statements at all. We assume that every company has at least 0.01 € assets.
- All statements with a disclosed Null profit before taxation or a disclosed Null profit tax.
- All statements with a disclosed date of business termination. Companies which are about to terminate or are in the process of termination do not apply the going-concern principle and therefore are not suitable for this research.

Usually, the tax rate is used for a comparison of the tax burden among different countries. To better verify whether the structured financial statements required by Slovakian accounting rules have some significant implications for tax determination/verification, we verified relations among the data disclosed in structured P&L statements and current tax. All numerical figures in Slovakian financial statements are by law rounded to whole numbers. For the modelling purpose, all numbers are therefore represented as integers. Our goal is to verify whether the official financial statements are sufficient to determine the profit tax, or whether the financial statements bear the possibility to detect the correctness of the profit tax amount.

The reliance of tax, as the dependant variable, to profit before taxation, as the independent variable, is examined using a simple linear regression with 95% confidence level. Due to computational limitation for getting the basic overview, we selected a random sample of 5000 observations – financial statements from each year 2018, 2019, 2020. As shown in Table 1, the link between the profit before taxation and the profit tax is weak.

Table 1

Linear regression statistics of tax as the dependent variable and profit before taxation as the independent variable. Calculated on data taken from Slovakian Financial Statements Register (www.registeruz.sk).

Regression statistics	2018	2019	2020
Sum squared resid	3.33E+13	3.4945E+13	2.67E+13
R-squared	0.76025	0.76015136	0.635504
F(1, 4998)	15848.75	15840.1415	8714.076
S.D. dependent var	166749.4	170718.716	121121
S.E. of regression	81655.71	83616.7365	73132.32

Adjusted R-squared	0.760202	0.76010337	0.635431

Source: Own processing based on public data from the public financial statements database www.registeruz.sk.

Tax Administration has a more detailed structure of tax acceptable and tax-deductible components from the companies' tax returns.

On the random sample of 5000 observations from each year 2018, 2019 and 2020 we calculated the real tax rate as:

$$Real\ tax\ rate = \frac{Income\ tax}{Profit\ before\ taxation} \qquad (1)$$

The profit tax rate is set by law at 21% in 2018 and 2019. In 2020 companies with revenues of less than 100,000 € use a 15% profit tax rate, while others use a 21% profit tax rate. The real profit tax calculated on the research samples is shown in Table 2:

Table 2

Average real profit tax rate calculated on random samples of financial statements. For a better overview, the sample median is also displayed.

	2018	2019	2020 turnover less than 100k	2020 turnover higher 100k
average (sample)	33.88%	36.43%	21.49%	28.95%
median (sample)	21.38%	21.46%	15.21%	22.00%

Own processing based on public data from public financial statements database www.registeruz.sk.

To verify whether standardised Slovakian financial statements are beneficial to determine/verify profit tax we used standardised methods do discover whether or which financial statements variables determine the profit tax the most. We had available 201 disclosed variables from standardised financial statements – lines of financial statements with integers as relevant values. Standardised financial statements also consist of several variables with string values, such as name, address, tax number, etc. String variables are not suitable, nor relevant in this research; therefore, they are not considered.

We used a correlation matrix to find out which of the 201 variables are mostly correlated to the profit tax. Out of each year's sample we choose variables with absolute correlation to the profit tax of at least 0.8. The results are in Table 3 below:

Table 3

Overview of absolute corelation higher than 0.8 to the profit tax of variables on Slovakian standardised financial statements. Calculated on random samples of years 2018, 2019 and 2020.

Variable	2018	2019	2020 less 100k turnover	2020 higher 100k turnover
Balance sheet line 96 – Revaluation differences on mergers and divisions			-1	
Balance sheet line 100 – Profit for the financial year after tax	0.870386			
Balance sheet line 107 – Net contract value	0.943273	0.800974		0.958133
Balance sheet line 109 – Other participating liabilities, excluding liabilities to linked entities			0.991618	
Balance sheet line 113 – Debt securities issued			0.917127	
P&L line 27 – Profit from economic activity	0.94085	0.922264	0.840041	0.973271
P&L line 36 – Income from short-term financial assets from linked entities	0.885166			
P&L line 37 – Income on short-term financial assets in participating interests	0.994167			0.995751
P&L line 53 – Revaluation costs of securities and cost of derivatives			0.866736	
P&L line 56 – Profit for the financial year before tax	0.91584	0.809176		0.831214

Own processing based on public data from public financial statements database www.registeruz.sk

As shown in the Table 3, in each examined year, in each sample different variables correlate to profit tax, except variable "Profit from economic activity". There is clearly no pattern evident in the results.

4 RESULTS AND DISCUSSIONS

Financial profit is used for further calculation and determination of the profit tax base. Such calculation is not publicly disclosed, nor information affecting the tax based other than financial profit is disclosed for SMEs in Slovakia. Not all expenses covered in financial accounting are tax deductible expenses (Vlčko & Meluchová, 2021), which may diverge financial profit from the profit tax base. IFRS, in their standard "IAS 1 Presentation of financial statements", require disclosing in the P&L the tax deductibility of expenses. Such an approach shows the financial statements' user at least information on how the profit tax was determined.

This research shows that there is no clear pattern, nor linkage, between official Slovakian financial statements disclosed in the structured form ordered by the law and the profit tax amount. As shown, the average real tax rate is higher than the legal tax rate in all examined years, including year 2020 when the Covid-19 (Blahušiaková, 2022) pandemic hit the Slovakian economy. This shows that profit tax and the tax base are not aligned; therefore, the amount of the profit tax cannot be determined from the financial profit alone nor from the legally required financial statements alone. The tax deductibility should be recorded in financial accounting, as it is required by the Income Tax Act (National Council, 2003), but there is not a single line in the Slovakian official structured financial statements to display information of tax effects on expenses in financial statements. This information should be disclosed in the financial statement notes. In Slovakia in 2020, 99.5% of all companies are SMEs (OECD, 2020). SMEs have weaker requirements for their financial statements notes; most SMEs are not subject to audit; therefore, their notes are not verified for correctness. Despite the fact that financial statements show a significant amount of information, the figures displayed in structured financial statements have too few connections and weak prediction capabilities to be used to determine or to verify the profit tax amount.

As shown in in this research, the nominal tax rate shall not be considered as comparable variable among the different territories, because the real tax rate may be higher than the nominal rate. This is due to different tax rules affecting final tax obligation. In territories where financial statements are publicly available, the user of the financial statements can analyse real tax rate. The figures and effects affecting the final tax remain unclear to the public user of the financial statements in Slovakia.

5 CONCLUSION

The argument to persist with official structured financial statement forms instead of the possibility of using IFRS or IFRS for SMEs financial statements for official purposes is shown as not proven by this research. Instead of requiring strict application of the official structured forms of financial statements, there are companies that would more likely apply IFRS or IFRS for SMEs to disclose their financial statements (Soderstrom & Sun, 2007). For example: some companies must issue IFRS financial statements, as they are members of a consolidated unit, or some tend to add some extra credibility to their financial statements by compiling them in accordance with IFRS or IFRS for SMEs. Unfortunately, they have to disclose their financial statements according to standardised structured forms of financial statements without sufficient reasoning why such conduct is required by the law. This governmental attitude is not general. For example, in Czech Republic, companies which are members of consolidated units are allowed to prepare and disclose their financial statements by applying IFRS. A public register of financial statements or public register of companies operated by the government should allow companies to voluntarily disclose their financial statements applying IFRS, especially when IFRS is accepted by European law (Parlament European, 2013).

Despite this research being conducted in Slovakia based on the Slovakian legal environment and Slovakian data, the pattern in governmental approaches in other territories where national GAAP dictate forms of the financial statements should be taken into account. The arguments of lawmakers should be regularly evaluated, especially after some time has passed since the national GAAP was introduced. Accounting, like any other environment, develops over the time. Legislation should reflect the development of accounting principles and market demands. Further research is needed by academics in their own territory in order not to simply criticize the status quo, but to contribute to the solution of problems.

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