



Weekly Briefing

**Slovakia economy briefing:
eKasa – new project designed to combat the tax frauds
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eKasa – new project designed to combat the tax frauds

Overview of the eKasa project

According to Financial Administration (eKasa, 2019a), a project for online connection of all cash registers – eKasa – to Financial Administration portal is being implemented since April 1st, 2019. eKasa is one part of various measures being implemented to combat tax frauds in Slovakia. Since 2012, the Financial Administration introduced dozens of measures based on the action plans to combat tax frauds, the most important being:

- Cash payments limitations – Act no. 394/2012 on cash payments limitations prohibits cash payments in excess of EUR 15,000 if payments are made between natural persons and EUR 5,000 if the paying or accepting party is a natural person pursuing a business or other self-employed activity or a legal person.
- “Tax Cobra” – introduced in January 2012, helps in combating the tax frauds as a cooperation between the Financial Administration and police. Since the project was introduced until the end of 2017, revealed frauds totaled EUR 807,631,282.96 of which excess VAT deduction was EUR 82,372,425.17 (TASR, 2018).
- VAT control statement – introduced in 2014 helps in combating tax frauds by reporting the amounts of received and issued invoices, on the basis of which the entrepreneur has calculated his/her tax liability. The reports allow for cross-checking of invoices and revealing carousel frauds, where companies exhibit fictitious invoices for goods that have never been actually delivered.

eKasa (2019a) notes that thanks to all the measures taken to combat the tax frauds, the tax gap has been reduced from 41% to 26% and brought to the Treasury more by approximately EUR 3.7 billion. On the other hand, the problem that still persists is the VAT gap in the HORECA (hotels, restaurants, cafes), retail and services sectors which is still high. It is necessary to take further actions to combat tax fraud to eliminate the VAT gap in these sectors as much as possible and, according to eKasa (2019a), with the introduction of eKasa, the Financial Administration believes to reduce the VAT gap in these sectors with the project. The proposed decrease in the VAT gap for these sectors is estimated to be by 15%. The goal of introducing the eKasa project is to combat tax evasion by circumventing the obligatory registration of sales in the cash register, for example by using unauthorized cash registers,

adjusting receipts or manipulating data repositories of cash registers. Seneši (2019b) stresses that the introduction of the eKasa project in Slovakia was strongly inspired by the EET (Electronic Sales Records) system, which was launched in the Czech Republic a few years ago.

Seneši (2019b) notes that the introduction of the eKasa project may be called a reform of the use of cash registers in Slovakia, given the scope of the changes. The introduction of the eKasa project means that every entrepreneur's cash register will be connected to the Financial Administration systems via the Internet.

After the eKasa project is deployed, the entrepreneur's cash register will send online data to the data repository of Financial Administration. Real-time information on what is happening with cash revenues will be available to tax offices allowing them to make different analyzes and immediately audit the business in the case of suspicious behavior like significant drop in sales on a weekly basis without any relevant reason.

eKasa was introduced as the amendment to existing Act no. 289/2008 on the use of electronic cash registers (ECR) as a joint work of the Financial Administration and the Ministry of Finance. Besides the state bodies, the amendment was also discussed with the business community (eKasa, 2019b). Any entrepreneur who owns an ECR will need to have an eKasa client code assigned. From mid-March 2019, he/she is allowed to submit a new code allocation request together with the cancellation of the old tax code of his/her ECR. The forms related to the eKasa agenda is displayed in the personal internet zone. Entrepreneur then downloads the initialization package. He/she then selects the online cash register (OCR) type and model from the certified list, uploads an initialization package to it, and can begin recording sales. Even though the eKasa started on April 1st, entrepreneurs that wished to connect online to the Financial Administration before April 1st, could set up a virtual cash register (VCR). The VCR will automatically, without further intervention by the entrepreneur, comply with all new legal requirements for eKasa. The amendment was approved by Slovak parliament in December, 2018. The key milestones in the eKasa implementation are provided in table 1.

Table 1 Milestones in eKasa implementation

2008	Act no. 289/2008 on the use of electronic cash registers
December 5 th , 2018	The National Council of the Slovak Republic approved an amendment (eKasa approval) to the Act no. 289/2008
January 1 st , 2019	Certification of the producers of cash registers started
April 1 st , 2019	Registration and allocation of the eKasa client codes (new businesses / new cash registers) started
April 1 st , 2019 – June 30 th , 2019	Transition period (ECRs, VCRs, OCRs in use)
April 1 st , 2019 – June 30 th , 2019	Registration and allocation of the eKasa client codes (all other businesses and cash registers)
July 1 st , 2019	Obligation to register sales only in online or virtual cash registers (OCRs, VCRs) VCR will automatically, without intervention, comply with eKasa requirements

Source: eKasa (2019b).

New types of cash registers in the eKasa project

Based on the goal of the eKasa project, all the cash registers of all entrepreneurs in Slovakia will have to be connected to Internet in order to send the data to the Financial Administration. Based on the Act no. 289/2008, two types of cash registers were allowed in the businesses in Slovakia until the end of 2018: 1. ECR and 2. VCR. Only VCRs were able to connect to the systems of the Financial Administration. On the other hand, ECRs were in no way connected to those systems. Based on the new amendment, entrepreneurs will be able to use the ECRs only until June 30th, 2019. Since July 1st, 2019, the ECRs will have to be substituted by OCRs. Based on the amendment, since July 1st, 2019, only OCRs and VCRs may be used by entrepreneurs under the common name “eKasa client cash registers”. Regarding entrepreneurs, there are three important periods during the eKasa implementation as noted in table 1: 1. January 1st – March 31st (ECRs and VCRs in use); 2. April 1st – June 30th (ECRs, VCRs, OCRs in use); 3. July 1st – (only VCRs and OCRs in use).

Kollárová (2019) indicates that more than 230 thousand ECRs are in use currently from which 90 thousand (40%) will be adjusted by software updates. Seneši (2019b) adds that there is approximately 40 thousand VCRs in use that will be automatically compatible with eKasa since July 1st, 2019. Only those entrepreneurs using currently the ECRs will be obliged to use the new cash registers connected online to the systems of Financial Administration.

Conclusion

Kollárová (2018a) indicates that revenues from the gradual full-scale introduction of the eKasa project in 2019 are estimated by the Financial Administration at EUR 72.3 million and EUR 117.9 million in 2020. Subsequently, each following year at approximately EUR 122 million. At the same time, the cost of introducing new cash registers should be 18 million euros. The one-time investment costs for introducing eKasa for businesses are estimated at EUR 40.9 million.

The most important change as stressed by Seneši (2019a) and Kollárová (2019) is the online connection of every cash register to the systems of Financial Administration meaning that each operation done at the cash register will be known to the Financial Administration in real time (when the cash payment was conducted and what the amount was). The Financial Administration will immediately have an overview of every purchase or transaction of an entrepreneur, as each issued document will be registered at the central repository. All the information provided to the Financial Administration will contribute to the main goal of the project – combating the tax frauds. On the other hand, as mentioned in Kollárová (2019), experts in tax operations think that big tax frauds will not be eliminated and will just shift from hardware level to software level where it will be harder to prove a guilt of particular fraudster.

Main advantages of the eKasa project:

- Entrepreneurs with OCRs will not be obliged to make daily closing accounts (currently an entrepreneur faces a fine of EUR 330 to EUR 3,300 for not completing the daily closing accounts).
- Entrepreneurs will be able to create any revenue reports and data exports in the personal internet zone for accounting, tax or other purposes.
- Entrepreneurs, after shifting to OCRs, will not be obliged to keep the report on the ECR (currently information about the cash register are recorded like information about the entrepreneur, information about the authorized company performing the service of the cash register, as well as data on the interruption of the cash register operation, failure, maintenance).

- Entrepreneurs will no longer need to use the services of authorized companies performing the maintenance of the cash register (with the exception of OCR malfunction) (currently the entrepreneur is obliged to ensure the regular maintenance of ECR every five years by authorized company).

Main disadvantages of the eKasa project:

- Additional costs in order to change from old ECRs to new OCRs (this will mainly influence small entrepreneurs with old cash registers which can not be changed; currently certified companies ask EUR 100 – 200 for the upgrade of old cash registers and EUR 300 – 600 for completely new cash registers).

- Not all the cash registers will be able to be upgraded to new OCRs (it is estimated that 10% or 23 thousand of old ECRs will become irretrievably unusable and will have to be replaced meaning either buying a new OCR or upgrade to VCR).

- Entrepreneur not using the eKasa client cash register to record cash sales will face a fine of EUR 330 to EUR 3,300.

- Entrepreneurs will have to connect to the Internet (approximately 19% of all entrepreneurs will have to connect to the Internet at additional cost. On the other hand, Internet coverage in Slovakia is high and for the transfer of data to the Financial Administration even slow 2G connection will suffice since one message sent from eKasa cash register will be only 3 KB).

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