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12 countries. 12 tax systems.

The year 2019 brings extensive changes in the areas of taxes, duties and social contributions in all CEE and SEE countries. This special newsletter covers essential changes effective as of 2019.

TPA offers an overview of the most important tax innovations in the following CEE and SEE countries in which we operate:

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1. Albania

Amendments on the Law "On VAT"
As of 1.1.2019, the reduced VAT rate of 6 % will be applied to the supply of accommodation and restaurant services provided within accommodation facilities that are certified as „agro tourism entities". The supply of beverages from these structures will continue to be subject to a standard VAT rate of 20 %.

The reduced VAT rate of 6 % will be applied to the supply of advertising services by any audiovisual media.

The reduced VAT rate of 6 % will be applied to the supply of public passenger transport vehicles of ten or more seats that only use an electric motor until the 31 December 2021 From 1, January 2022 the rate becomes 10 %.

The reduced VAT rate of 6 % will be applied to the supply of books of any kind.

All supplies of in-work processing services destined to be re-exported by authorized taxable persons and their subcontractors for operations under the active processing procedure will be treated as 'Exports' and the VAT rate applied becomes 0 %.

Amendments on the Law "On Local Taxes"
The amendment of the Law „On local taxes system" provides the exemption from the tax of impact on infrastructure of investments of entities that conduct hosting activities, certified as „agro tourism".

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Amendments on the Law “On income tax”
The main objective of the changes in this law is extending the base of income taxable in Albania and relieving the tax burden for certain categories.

- Tax on dividends and profit shares
  The rate of tax on dividends distributed to shareholders and profits shared to owners shall be reduced from 15 % to 8 %. For dividends/profits distributed by companies resident in Albania, this reduced rate shall be applicable to retained earnings of the year 2018 and previous years, including reserves and capitalized profits, provided that tax on dividends deriving from:
  - retained earnings of 2017 and previous years is paid no later than September 30th, 2019, whereas
  - the profit of 2018 is paid no later than August 20th, 2019.

- Personal income tax on employment income
  The upper limit of employment income taxable at 13 % shall increase from 130,000 ALL/month to 150,000 ALL/month.

  The new scheme of personal income tax on employment income is as in the following table:

Taxable employment income (ALL/month)	Personal income tax on employment income
0 - 30,000	0 %
30,001 - 150,000	+ 13 % of the amount over ALL 30,000
150,001 - more	ALL 15,600 + 23 % of the amount over ALL 150,000

- Declaration and payment of profit tax by non-resident persons
  Non-resident persons that earn income sourced in Albania i.e. income taxable in Albania, which are not subject to income tax otherwise in Albania, shall be subject to profit tax in Albania in relation to such income. They shall have the obligation to submit a special declaration of taxable income by 31st March of the following year and pay the amount of tax declared therein.

  The provisions of profit tax prepayment instalments and of the credit of foreign tax shall not be applicable in this case. An instruction of the Minister of Finance is expected to further clarify which non-residents are subject to this obligation and to determine the form of this declaration, the method of calculation and payment of tax.

2. Austria

Digital Economy
The year 2018 was dominated by the debates on the taxation of the „digital economy“. Still no agreement in this regard exists on EU level. However, the Austrian Government plans to enact respective laws in a national solo effort, which could enter into force in 2020.

MLI
One of the objectives of the BEPS („Base Erosion and Profit Shifting“) action plan is, amongst others, that profits are taxed where the company creates added value and the actual economic activity is carried out. The multilateral instrument (MLI) entered into force to implement numerous measures from the BEPS Action Plan into the international DTA network. Regarding Austria it is currently only applicable to the double taxation agreements (DTA) with Poland and Slovenia.

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CFC rules for low-taxed passive income entities and change of method
Austria implemented the comprehensive CFC (controlled foreign company) regime as part of the EU Anti-Tax Avoidance Directive (“ATAD”), which entered into force January 1st, 2019. Certain passive income positions of low-taxed foreign subsidiaries shall be included in the tax base of an Austrian parent company with the foreign tax being deducted from the tax due in Austria. The CFC rules also apply to comparable permanent establishments and override the DTAs’ tax exemption method (Treaty Override). Foreign losses are not taken into account when the Austrian tax base is calculated.

The CFC rules will be triggered if the following requirements are fulfilled:
- the foreign entity is “controlled” by an Austrian corporation (i.e. when the Austrian corporation is directly or indirectly eligible for more than 50 % of the shares, profits, or voting rights),
- more than one third of the income of the foreign entity is passive and
- the actual tax burden of the foreign entity does not exceed 12.5 % in other countries.

However, the CFC regime does not apply, if the CFC carries out a substantial economic activity supported by staff, equipment, assets and premises (substance verification).

In that respect, new rules for the so-called change of method were set according to which dividend payments from foreign companies (participations exceeding 5 %) and capital gains from international inter-company holdings are not exempt from corporate taxation in Austria under certain circumstances.

Horizontal Monitoring
Instead of an external audit, from January 1st, 2019 certain taxpayers may submit an application for horizontal monitoring. The following major requirements have to be fulfilled in order to apply for a horizontal monitoring:
- Revenues exceeding EUR 40 million in the two years prior to application (exceptions apply to banks/ credit institutions and insurance companies)
- Implementation of an effective tax control system, peer reviewed by a tax advisor/ auditor
- Obligation to refrain from particular tax planning
- No fiscal penalty assessed during the last five years

If the requirements are met a tax audit will be initiated covering all years that are unaudited and not yet time-barred. The Horizontal Monitoring includes all major types of taxes except those covered by the wage tax audit.

Family Bonus Plus
From the calendar year 2019 on, the Family Bonus Plus replaces the tax deductibility of childcare costs and the child allowance. The Family Bonus Plus reduces the tax payable as a tax allowance and is valid for those months in which family allowance was received. For children in the EU/EEA region or Switzerland, the Family Bonus Plus is indexed. Children living in third countries are not eligible. Depending on the age, the family bonus amounts to EUR 1,500 pa (up to the age of 18) or EUR 500 pa (from the age of 18) and can be claimed through current payroll accounting or claimed in the employee tax assessment at the end of the year. The Family Bonus Plus may be split between both parents.

VAT Changes
- As of November 1st, 2018 the tax rate for accommodation services has been reduced again from 13 % to 10 %.
- The tax exemption for educational institutions is now based on the evidence of comparable objectives with public schools. Previously, a comparable activity was seen as the key criterion. Details are outlined in a regulation by the Ministry of Finance.

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Reduction of the chamber contribution / charge 1

- Since January 1st, 2019, input VAT on investments in fixed assets have been excluded from the tax base. Furthermore, the tax rate from 0.3 % has been lowered and is now degressively degraded according to the tax base
- up to the tax base of EUR 3 million: 0.29 %
- exceeding a tax base of EUR 3 million: 0.2755 %
- exceeding EUR 32,25 million: 0.2552 %.

3. Bulgaria

VAT New rules for place of performance of telecom, broadcasting, TV and electronically supplied services

Related to transposing of EU Directive 2017/2455, Bulgaria has implemented a new VAT rule allowing the suppliers of telecom, broadcasting, TV and electronically supplied services to apply local VAT on their supplies up to a total turnover threshold of EUR 10,000. The rule relates only to the services provided to individual customers residing in the EU and it is subject to certain preconditions. The rule aims to simplify the VAT compliance of suppliers of this kind of services with a relatively low turnover in other EU states by treating the supplies below the above stated threshold with place of performance in the residence state of the supplier. An option for VAT registration of the supplier is available in the state where the services are effectively consumed without considering the above stated threshold. In this case the National Revenue Agency shall be notified in 7 days term for the VAT number issued to this supplier in the EU state of residence of the individual customer.

Corporate Income Tax Act – thin capitalization

With the aim of transposing Art. 4 of EU Directive 2016/1164 a new rule for regulation of the thin capitalization has been implemented as of January 1st, 2019. This new rule comes in addition to the existing regulation for limitation of the excess of tax deductible interest expenses over the taxable interest incomes up to 75 % of the EBIT. The new rule provides for a broader definition of "interest payments" and impose a limit of the yearly excess of the interest expenses over the interest incomes up to 30 % of the EBITDA. The non-recognized interest can be fully deducted in the following tax periods without limitation of the term, provided that the realized EBITDA allows such deduction. However, this new rule is limited to a yearly excess of the interest expenses of over EUR 3 million. It is expected that the rule will affect a relatively small number of tax payers in Bulgaria.

Local Taxes and Fees Act

A new formula for the calculation of the tax on vehicles has been implemented as of January 1st, 2019. In addition to the currently applicable "property component" (the year of production) the new formula implements an "environmental" component related to the ecological category of the vehicle (EURO). The amended law provides only for ranges of taxes for the different categories of vehicles and each municipality shall determine the local rate within the range. Therefore, currently the exact effects on the owners cannot be easily summarized. Although, it is expected that the tax on older vehicles with lower EURO certification to be increased with around 30 % in comparison to the current levels.

Minimum salary and maximum social insurance base

As of January 1st, 2019 the minimum statutory limit of the monthly salary shall be BGN 560 (EUR 286). The maximum social insurance base of the income has been increased from BGN 2,600 to BGN 3,000 (EUR 1,533)

4. Croatia

Value Added Tax

- For certain food categories as well as for services and related copyright of writers, composers and artists, the VAT rate is reduced to **13 %.**
- The application of reduced category of **5 %** VAT is extended also to drugs that have an approval of the competent authority, regardless of whether they are issued on prescription or not and on books and magazines in any form, except those which mainly contain ads or mainly or entirely have video or music content.
- The taxable person is obliged to register for VAT during the year in which their taxable supplies exceed **HRK 300,000**. According to previous regulation, in such cases registration for VAT was mandatory from the following calendar year.
- Taxable persons are allowed to deduct **50 %** of input VAT for the cars purchased regardless of their value (according to the old regulation the VAT deduction was limited to **HRK 400,000** of the car value).
- A non-established taxable person who has Croatian VAT ID number and invoices goods and/ or services to a Croatian taxable person, will no longer be able to apply reverse-charge mechanism, but will be obliged to charge Croatian VAT to their customer.
- There is an obligation for taxable persons to submit the book of incoming invoices (U-RA book) electronically together with a VAT return.
- Standard VAT rate will be reduced from 25 % to **24 %** from January 1st, 2020.

Personal income tax and social security contributions

- New category of non-taxable payments related to bonuses for employees and other forms of additional compensation of the employees (additional salary, addition to salary etc.) was introduced up to 5,000.00 HRK per year.
- Tax bracket for taxation at the rate of 24 % is increased from HRK 17,500 to **HRK 30,000** per month (i.e. HRK 210,000 to HRK 360,000 per annum). Income above this amount is taxed at the rate of 36 %
- The level of the tax burden for renters in tourism is adjusted.
- In case of borrowings provided to individuals at favourable interest rates, the difference between the lower favourable interest rate and the annual interest rate of **2 %** is taxable income (instead of the current annual rate of 3 %).
- Compulsory insurance contributions for unemployment **(1.7 %)** and safety at work **(0.5 %)** are abolished.
- Health insurance contribution is increased from 15 % to **16.5 %**.

Real Estate Transfer Tax

- Real Estate Transfer Tax rate is decreased from 4 % to **3 %**.

General Tax Act

- **Binding opinions** may be requested for any tax related transaction provided that it is related to a future (i.e. not already occurred) transaction.
- For persons who have a permanent residence (i.e. an apartment owned or leased for more than 183 days within one or two calendar years, regardless of whether they reside in that apartment or not) in Croatia and abroad (e.g. persons working abroad), the basic criterion for determining the place/state of taxation is the place/ state of their family residence or the place/ state of work.
- The definition of a permanent establishment of a non-resident is harmonized with the definition provided in the Corporate Profit Tax Law, whereas this definition includes the elements of the new OECD Model Tax Convention on Income and on Capital from 2017. The changes are in particular related to preparatory and auxiliary activities and the concept of a dependent agent.
- The Tax Authorities may prohibit the operation and block the access to the content of the internet address of an entrepreneur performing business activities online in case of violation of regulations resulting in illegal tax benefits.

Corporate Profit Tax

- The taxable person may, in accordance with the BEPS, as a tax-deductible expense, determine exceeding borrowing costs up to **30 % of EBITDA or up to HRK 3 million** if such a higher amount is obtained.
- Rules regarding profit shifting are:
  - Interest limitation rule
  - Controlled foreign company ("CFC") rule
- The tax position of closed-end investment funds is prescribed - are not taxable person for the purposes of the corporate profit tax.
- Receivable write-offs made in accordance with the special regulation on the procedure of extraordinary administration in companies of systemic importance (so-called Lex Agrokor) will be tax deductible for the Corporate Profit Tax purposes already in the tax return for 2018.

5. Czech Republic

Stricter Conditions for the Application of the Basic Investment Fund Regime

Basic investment funds as defined by the Czech Income Tax Act apply 5 % CIT rate on their profits. To qualify as such, certain conditions have to be met. One of the alternatives for investment funds was to be quoted at a European regulated stock market.

However, as of 2019, this status is not sufficient on its own and the investment fund has to meet further conditions, especially that no corporate taxpayer owns more than 10 % share in the fund and that the fund does not perform activities regulated under the Czech Trade Licensing Act.

Calculation of Employment Income Tax

Starting from January 1st, 2019, it will be necessary to distinguish the country in which an employee participates in a system of compulsory insurance (social security and health insurance) in calculating employment income tax.

If the employee is insured in another EU Member State, an EEA state or in Switzerland, the tax base will newly include the compulsory foreign insurance contribution paid by employers. For those participating in the compulsory insurance system in the Czech Republic or in a non-EU/EEA country the calculation remains unchanged, i.e. the tax base will be calculated as the gross taxable income increased by the Czech compulsory insurance contributions paid by employers or hypothetical Czech insurance contributions.

6. Hungary

Limitation of interest deduction

From January 1st, 2019 the regulations effective to date will be replaced by the interest limitation rules based on the Council Directive 2016/1164.

Based on the new rules, the part of net financing costs exceeding the higher from 30 % of the EBITDA (earnings before interests, tax, depreciations and amortisation of the tax year) or HUF 939.810.000 (approx. EUR 2.9 million) is not deductible when determining the base of corporate income tax.

In the case of financing agreements concluded before June 17th, 2016 the new interest limitation rule shall be considered for the first time when
- the funding of such contracts is increased or
- the duration is extended,

from the following day of the date of the amendment's entry into force, with regards to the modified funding amount or duration.

Otherwise for financing agreements concluded before June 17th, 2016 the former thin-capitalisation rules shall be applied, but the taxpayer might opt for the application of the new interest deduction limitation rule.

Corporate income tax group
From January 1st, 2019 certain corporate income taxpayers will have the option to fulfil their corporate income tax liability as a group. This can be carried out in the framework of corporate income tax group, the establishment and joining of which is not mandatory, it is based on the decision of the taxpayer.
The request for the establishment of corporate income taxable group can be submitted between January 1st and January 15th for the first time, based on which, in case of acceptance of the tax authority, the group is formed with the effective date January 1st, 2019.

The corporate income tax group can be established by at least two taxpayers being subject to Hungarian corporate income tax. Precondition for the establishment is having related party relationship based on at least 75 % share on voting rights.

In the first step the single members of the corporate income tax group have to determine their individual tax base according to the general rules. The group will calculate its common tax base as the sum of the individual tax bases of the members. The sum of the negative tax bases of individual members can be considered as decreasing item maximum up to 50 % of the total of the positive tax bases of other members when determining the corporate income tax base of the group.

For the transactions between members of the corporate income tax group no transfer pricing documentation shall be prepared. When determining the tax base of individual members the general rules about the base modification due to differences between transfer prices used and arm's-length prices shall not be applied.

7. Montenegro

Corporate Income Tax (CIT)
- Profit-making companies and branches are obliged to pay CIT in Montenegro. CIT rate is set at 9 % flat rate;
- The submission of the transfer pricing documentation is not mandatory in Montenegro, but taxpayers are obliged to test transfer prices and make adjustment of the CIT base if necessary.
- Tax losses may be carried forward for a limited period of 5 years.
- Statutory withholding tax rate is 9 %. Subject to WHT are dividends, interests, royalties, rental income, capital gain, consulting services, market research services and audit services.

Personal Income Tax (PIT) and Social Security Contributions (SSC)
- Montenegrin residents are due to pay tax on worldwide income, while non-residents are due to pay tax only on Montenegrin sourced income.
- Progressive income tax rates of 9 % and 11 % are prescribed.
- Additional income (other than employment income) should be reported in the annual tax return and is subject to 9 % tax rate.

- The employment income is subject to super tax whereas tax base is tax calculated on employment income, while tax rate is determined by the local self-government.
- Statutory withholding tax rate is 9 %.
- Mandatory SSC are: pension and disability insurance (20.5 %), health insurance (12.8 %) and unemployment insurance (1 %).

The Property Tax and Transfer Tax

- Subject to property tax are ownership right over immovable property (buildings and land) of companies and individuals and right of use of immovable property owned by the State. The tax rate ranges from 0.25 % to 1 %.
- Subject to 3 % of property transfer tax is acquisition of property rights on immovable property in Montenegro which includes purchase, exchange, inheritance, gift, entry and withdrawal of real estate from a commercial company etc.

Value Added Tax (VAT)

- Standard VAT rate is set at 21 %, while reduced rate is set at 7 %.
- Place of supply of goods is principally the place where the item is located at the time disposal is transferred.
- Place of supply of services is the place where the recipient has its head office or a permanent establishment, if the service recipient is registered for VAT (B2B rule).
- If, however, service is provided to non-VAT payer, the place of supply of such services is the place where the service provider belongs.
- There are special rules for place of supply for certain services such as: services related to real estate, transport services, telecommunication services, etc.

8. Poland

January 2019 has seen the introduction of significant changes to the tax law, with the common denominator being the aim of stopping the base erosion and profit shifting. However, the law has also seen some changes which have attempted to ease the taxpayers' burden. Please see below for the overview of the most important changes.

Corporate Income Tax

- **Reduced CIT rate of 9 %**
  First of all, the favourable CIT rate of 15 % has been further lowered to 9 %, though the lawmaker has introduced more restrictive requirements to enjoy it – the taxpayer not only needs to have the small taxpayer status (except for new businesses in their first year), but also its revenues, net of VAT, may not exceed the PLN equivalent of EUR 1.2 million in a given tax year. The lower CIT rate does not apply to income from capital gains and the exit tax.

- **Transfer prices and safe harbour**
  Secondly, this year has seen yet another revolution in transfer prices. Most importantly, the law now features direct regulation stating that related parties must set the transfer prices in a way that would be established between unrelated entities. Furthermore, the law now features safe harbours for low value added services and loans – which means that the tax authority will stay away from assessing the taxpayer's income (tax loss) if certain formal conditions specified by the CIT law are met.

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- **Transfer-pricing documentation**
  The obligation to prepare transfer pricing documentation and its type depends on the net value and type of the transaction type – for values below PLN 2 million there is generally no TPD obligation (except for PLN 100,000 in some cases for joint ventures and partnerships). The basic type of the TPD is the local file which obligatorily features the benchmarking analysis. When consolidated revenues of the capital group exceed PLN 200,000,000, or when a consolidated financial statement is prepared, the taxpayer must also have TPD in the form of a master file. There are simplifications available – one of them is the lack obligation to prepare TPD for transactions between Polish companies without tax losses and which do not enjoy CIT exemptions.

- **Refund procedure of withholding tax**
  Moreover, the withholding tax (WHT) has seen a major overhaul (to be applied from June 2019 / January 2020) – in the case of payments made to one contractor, with the payments exceeding in one fiscal year PLN 2 million, the WHT remitter will firstly be obliged to pay WHT as per the domestic WHT rate, and then, the taxpayer or the WHT remitter will be able to apply for a WHT refund. There are exceptions allowing for the use of the exemption or the more favourable rate from the DTA.

- **Minimum income tax**
  The minimum income tax now applies to owners or co-owners of fixed assets being buildings which have been, at least partly, rented, leased or subject to a similar legal title and are located in Poland. There is a new tax, called the exit tax, which is levied on unrealized gains in relation to the relocation of the asset to a place abroad or the change of the tax residency of the taxpayer falling under the unlimited tax liability in Poland.

- **News concerning cars**
  Finally, passenger cars rules have been changed – depreciation and insurance costs of purchased cars or the operating leasing rentals attributable to acquisition cost exceeding PLN 150,000 net of VAT (PLN 225,000 for electric cars) are not tax deductible as business expenses. In the case when the cars are used also for private purposes operation expenses are only 75 % deductible.

Personal Income Tax

- **Application of new CIT rules**
  Most of the above amendments refer to the Personal Income Tax, too, e.g. new transfer pricing rules, the withholding tax overhaul, the exit tax (though with some changes), passenger cars change and the minimum tax.

- **New solidarity contribution**
  There has been introduced a new tax, called the solidarity tax, which amounts to 4 % of the tax base being the surplus income over PLN 1 million less social security contributions and certain CFE-related amounts.

Value Added Tax

- **Continuing the split payment mechanism**
  The voluntary split payment mechanism, introduced throughout 2018, is continued. It is the way the PLN payments to contractors may be done. By applying this, the payment for the invoice is divided in two parts: the net value is paid to the contractor‘s main bank account, and the VAT amount is transfer into the specially-dedicated VAT account. There exist benefits of this mechanism, i.a. the possibility to avoid negative fiscal consequences in some cases, e.g. the additional VAT liability.

9. Romania

Gambling
Gambling operators have the obligation to pay a monthly fee of 2 % computed on the total fees collected in the previous month.

A gambling operator set up during the year is required to pay a monthly fee of 2 % calculated on the total of the participation fees collected in the previous month.

Granting licenses for the use of radio frequencies
A tax which ranges from 2 % – 4 % was introduced for operators using certain radio frequencies. It is applied on the turnover of the year preceding the extension of the license, multiplied by the number of years for which the license is granted.

Electricity and heat in cogeneration
A new tax of 2 % was introduced. It is applicable on the turnover obtained by taxpayers from the activities covered by the licenses granted by authorities.

Ceiling of gas prices
During April 1st, 2019 – February 28th, 2022 the producers carrying out both extraction activities and sales of natural gas extracted from Romania have the obligation to sell at the price of RON 68 / MWh. This is applicable to the natural sold to eligible suppliers and final customers.

Special provisions in the construction sector
For the employees working in the construction sector, their income (up to a gross income of RON 30,000) is tax exempt. The social insurance contribution is reduced by 3.75 % and the pension contribution is eliminated. In the same time the minimum gross wage is raised to RON 3,000.

Tax on the assets of banking institutions
Banking institutions are required to pay the tax on their financial assets if the 3M ROBOR exceeds the 2 % threshold. The tax ranges from 0.1 % – 0.5 %.

10. Serbia

Corporate Income Tax Law (CIT) amendments applicable as of January 1st 2019
- Tax depreciation of fixed assets classified in tax depreciation groups II-V, except intangible assets, will be calculated by using straight-line method, instead of the currently valid degressive method, whereby depreciation rate will be applied on the base that represents purchase value of every fixed asset separately;
- If the accounting depreciation costs are lower than the tax depreciation costs, accounting depreciation will be recognized as a tax-deductible cost in the tax period;
- Advertising expenses will be recognized without restriction in amounts recorded in the income statement, and not only in the amount of 10 % of total revenue;
- Costs directly related to research and development (R&D) carried out by the taxpayer in Serbia may be deducted for CIT purposes in a doubled amount;
- The qualified royalty income generated by the taxpayer, holder of a copyright or related right on the basis of compensation for the exploitation of the rights, may be excluded from tax base in the amount of 80 %, under certain conditions;
- The subject of capital gain tax has been extended to the intellectual property rights;
- Taxpayer who makes equity investment into newly established business entity, which performs innovative activities, will be granted tax credit in the amount of 30 % of the investment made, under certain conditions.

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Personal Income Tax Law (PIT) amendments applicable as of January 1st, 2019
- Tax exemption is prescribed for expenses for the purpose of creating and maintaining recreation of employees at their workplace, including organizing sports and other activities for employees (team-building), under the condition that these activities are carried out in accordance with the employer's internal policies and if all employees have the right to participate in recreation of the same type, quality and volume;
- Income generated from providing hospitality services in a hospitality domestic facility (house, apartment and room) will be taxed in accordance with the Decision of the Tax Authority and will be subject to the annual income tax.

Personal Income Tax Law (PIT) amendments applicable as of July 1st, 2019
- Natural person is obliged to pay tax on income generated from the services of renting of apartments and rooms for a period longer than 30 days, which are not considered hospitality services, where the tax base is calculated as a gross income reduced for 25 % of standardized costs.

The Law on Social Security Contributions (SSC) amendments applicable as of January 1st, 2019
- Obligation of the payment of SSC for unemployment insurance on behalf of employer is abolished.

The Property Tax Law amendments applicable as of January 1st, 2019
- It is defined that component part of the land for purposes of taxation with property tax will be, inter alia, trails and other open spaces covered with slag, asphalt, concrete, etc., along with open parking spaces, fences, retaining walls, playgrounds, etc.

11. Slovakia

Reduction of VAT rate on accommodation services to 10 %
The National Council of the Slovak Republic approved an amendment to the VAT Act, by which the VAT rate on accommodation services is reduced from the original 20 % to 10 %.

The reduced VAT rate applies to accommodation services with statistical classification of products by activity (CPA or code 55), which are further divided into:
- 55.1 Hotel and similar accommodation services
- 55.2 Camping sites and other short-stay accommodation services
- 55.3 Operation of camp sites and recreational vehicle and caravan parks
- 55.9 Other accommodation services

The amendment to the VAT Act is aimed at increasing demand for accommodation services in the territory of the Slovak Republic. The amendment comes into effect on January 1st, 2019.

Special levy for chain stores
A new legislation is also establishing the obligation to pay a special levy by chain businesses.

The new legislation applies to those chains that are operators of a food business and at least 25 % of their turnover comes from the sale of food to the final consumer and have establishments in at least 15 % of total districts under the same design, communication and marketing activities.

The rate of the levy is proposed at 2.5 % of the net turnover for the relevant levy period, which is generally deemed to be three consecutive calendar months.

e-Kasa
The purpose of introducing the e-Kasa is that all entrepreneurs which are currently using the electronic or virtual cash register will have an online connection to the portal of Financial Administration of the Slovak Republic. The Financial Administration of the Slovak Republic will obtain immediate access to made transactions, to check the validity of cash vouchers in real time and thus prevent tax fraud and tax evasion and increase the inflow of funds into the State Budget.

All entrepreneurs who undertake business, receive cash or sell merchandise or provide services, aside from specific services defined by the legislation, will be obliged to start using electronic cash registers. The Act will come into effect on January 1st, 2019. The first stage commencing on April 1st, 2019 will affect entrepreneurs with the first-time obligation and those who decide voluntarily. The second stage commencing on July 1st 2019 will impose the obligation to be connected into the e-Kasa system on all entrepreneurs nationwide.

12. Slovenia

Advanced Pricing Agreements
In 2014 the conditions were set out in the local legislation which allow agreements between the tax authorities and the taxpayers regarding transfer prices and thus the principles and rules when it comes to business relations between related companies.

In cooperation with TPA svetovanje do.o.o. the Slovenian Tax Authorities have concluded the first Advanced Pricing Agreement (APA) in December 2018.

Value Added Tax
A clarification regarding the tax liability when issuing vouchers was provided. Furthermore, a significant administrative relief connected with real estate transactions was communicated.

Tax-exempt real estate revenues can be optionally treated as taxable in Slovenia. Until December 31st, 2018 it was necessary to file a joint statement (by the tenant and landlord or by the purchaser and seller) regarding the taxation option via the online tax portal. As of January 1st, 2019 it is sufficient that this joint statement is available in written form. Since this joint statement is usually included in a rental or purchase contract, there is no longer need for filing the joint statement via the online tax portal. However, it is expected that the contracting parties will furthermore prepare a separate joint statement including the plot numbers of the underlying transaction.

In the case of telecommunication services provided to private persons in Slovenia, a registration in Slovenia will not be necessary if the revenue of one year does not exceed the amount of EUR 10,000. As of 2019 it is sufficient for tax payers, who are only entitled to partly deduct input tax, to keep records. A separate report about the proportion of non-deductible input tax is no longer required.

In case of corrected returns late payment interest at 3 % is calculated (e.g. non filing of tax declaration or tax evasion). The payments regarding the amount due including the late payment interest have to be executed and have to be received by the Financial Authorities the same day when filing the corrected returns.

Corporate Income Tax (CIT)
The amendments in the CIT law refer to the implementation of BEPS (Base erosion and profit shifting) measures. To avoid aggressive international tax planning activities it is determined that a purely tax-motivated arrangement (or a series of such arrangements) which have been put into effect for the main purpose of obtaining a tax advantage and without stating any other credible economic reason for this arrangement is not accepted. The definition of such tax-motivated arrangements should be widely interpreted.

The term "controlled foreign company" is introduced (CFC). According to law a controlled foreign company refers to a corporation in which the Slovene company holds direct or indirect participation of more than 50 % of the voting rights or more than 50 % of the capital. In addition, the actual corporate income tax paid by this foreign entity is lower than half of the corporate income tax that entity would be obliged to pay in Slovenia. Certain parts of the income of the controlled foreign company (i.e. interest, dividends, rental income, licences, financial services, etc.) are included in the Slovenian tax base in regard to the taxpayers' participation in case the foreign entity is not supported with human and technical resources (no substance verification).

Exemptions from the CFC rules apply in case one third or less of the income of the foreign entity consist of the aforementioned passive income. The losses of a CFC shall not be included in the tax base in Slovenia. The tax paid abroad on such income can be credited in Slovenia

Face to Face Business

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