



NEWSLETTER 4/2020

12 countries. 12 tax systems.

The year 2020 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 2020.

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

E-invoicing and tax filing

Albania Government passed a law that will implement a new online billing system to prevent businesses from circumventing tax payments and to boost revenue in the country. The Albanian authorities hope to increase VAT revenues by 15% with this new e-invoice initiative. Recently, Italy stated that it had closed its VAT gap by over 10% with its new SdI e-invoice initiative this year.

Taxpayers registered as businesses will be required to submit B2B and B2C invoices in real-time from 1 September 2020. All invoices must be live reported to the tax authorities. All filings and supporting records must also be processed electronically.

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 and promoting production.

- **Corporate income tax**

The CIT reduced rate of 5% will be applied for the automotive industry in an attempt to promote the automotive sector.

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- **Loss carry forward**
Taxpayers that have business project with investment more than or equal to 1 billion ALL in Investors will be allowed to carry losses forward for 5 years.
- **Expense deduction**
 - Companies involved in exports can deduct up to 3% of their turnover for expenses related to marketing expenses for abroad trade fairs and exhibitions.
 - Companies with a profit up to 100 million ALL involved in sponsoring sport teams, member of sport federations can deduct for tax purpose up to three times the value sponsored.
- **Personal income tax changes**
 - Exemption for pension income from EU countries for Albanian residents.
 - Exemption for transferring of real estate properties between family member limited to one event.
 - Individuals with a gross annual income more or equal to 2,000,000 ALL (16,424 EUR) are required to file. Exempt for these rule are the individuals employed in more than one employee that are required to file for a gross annual income starting at 0 ALL.

VAT

As of 01.01.2020, for the supply of the electric vehicles VAT rate applied becomes 0%.

2. Austria

Low-value assets: Increase of the limit to EUR 800

From 2020 (that is to say, for financial years that commenced after 31.12.2019), the limit for the immediate write-off of low-value assets from the fixed assets has been raised to EUR 800 (previously EUR 400).

Flat rate option for new small entrepreneurs

From 2020 the new flat-rate determination of taxable income can be applied by small entrepreneurs (with turnover of up to EUR 40,000), who calculate their profit by means of accounting on a cash basis and who obtain income from self-employment or trade (Exceptions: shareholding managing directors with shares of more than 25%, supervisory boards and foundation councils). The operating expenses are determined by the following percentages of the operating revenues:

- 45% in the case of trading and manufacturing companies
- 20% in the case of service providers

In addition, paid social security contributions can be offset.

Digital services tax

With effect from 1.1.2020 revenue from online advertising services rendered by internationally active on-line advertising providers is subject to a digital services tax in Austria at a rate of 5%. Those affected are companies that reach turnovers of at least EUR 750 million worldwide and at least EUR 25 million in Austria through the execution of online advertising services. In the case of international groups of companies, the turnover of the group is relevant.

Mandatory disclosure for cross-border tax arrangements

Every marketable or tailor-made cross-border tax arrangement (i.e. measure) must be reported through the taxable person according to the EU Mandatory Disclosure Directive, if there is a risk of

- tax evading, or
- bypassing the reporting obligation of the mutual reporting standards legislation, or

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- hindering the identification of the beneficial owner and if there are certain characteristics („ hallmarks”) present. Infringement can result in severe penalties of up to EUR 50,000.

Special regulations for hybrid structures

The aim of the new regulation in the field of corporations is the neutralisation of certain international tax discrepancies, which are caused by

- tax deductions being made twice without a double entry of the related revenue occurring, or
- tax deductions being made, but the corresponding revenue not being taxed.

The neutralization of the tax discrepancy is achieved by

- negating the deductibility of expenditures, or
- still taxing the revenue in Austria which was not included under the “normal” regulation and/or which was tax free.

Changes to VAT

- **Small enterprise regulation:** The VAT exemption threshold has been raised from its previous EUR 30,000 to EUR 35,000 per calendar year.
- **Input tax deduction for e-bikes:** In addition to e-cars, from 1.1.2020 the input tax deduction can also be applied to electric motorcycles (CO₂-value of 0) such as, for example, e-bikes.
- **Tax rate on e-books:** From 1.1.2020 the reduced tax rate for electronic publications of books, newspapers, sheet music and cartographical products is 10%.
- **Record-keeping and liability for online platforms and marketplaces:** Entrepreneurs, who promote the supply of goods/services to private end users via an electronic platform, must keep records about the promoted sales and submit them to the Financial Authorities. Platforms that do not comply with this record-keeping obligation and/or that do not submit their records punctually are liable for the tax on the promoted revenue.

Quick fixes

- **Consignment stock:** The supplying of the consignment stock itself does not represent any intra-Community movement. Taxation occurs first as the point of withdrawal, which is basically why a supplier no longer has to register in the country of destination (provided certain conditions are fulfilled).
- **Chain Transaction:** EU-wide uniform regulation for the allocation of the delivery that is being moved in a chain transaction.
- **Tax exemption in the case of intra-community supplies:** Additional material conditions are UID number of the customer and the correct summarised reports.
- **Proof of intra-community transportation:** Stricter (harmonised) documentary evidence.

Preview of the tax reform in 2021: Planned tax changes

- Corporation tax is to be reduced from 25% to 21%.
- The first three stages of the income tax rate are likewise to be reduced
 - from 25% to 20%
 - from 35% to 30% and
 - from 42% to 40%.
- Tax-free profit allowance: The basic tax-free amount is to be raised to EUR 100,000.
- A retention period for securities and fund products with the aim of tax exemption for currency gains is to be introduced.
- The threshold for low-value assets is to be increased again to EUR 1,000.
- The family bonus is to be raised to EUR 1,750 per child.



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3. Bulgaria

Implementation of Council Directive 2018/822 (DAC 6)

The Bulgarian Tax Insurance Procedure Code has been amended for purpose of transposing the Council Directive 2018/822 on the mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements, referred as DAC 6.

The aim of the related amendments of the Bulgarian Tax Insurance Procedure Code is to enhance the tax transparency, to provide measures against the tax base erosion and profit shifting to jurisdictions applying more favorable tax regime and against potentially aggressive tax planning in cross-border transactions.

The new rules impose reporting obligations to consultants and tax payers to disclose to the National Revenue Agency any cross border reportable tax arrangements. The code provides exemption from reporting obligations of intermediaries as lawyers, which are subject to legal professional privilege. The definition for “reportable arrangements” is broadly stated in Art. 143z of the code.

Consultants which are subject to the reporting obligation can be defined in 2 main groups:

- The first group involves “any person that designs, markets, organizes or makes available for implementation or manages the implementation of a reportable cross-border tax arrangement.”
- The second group involves “any person that, in consideration to the relevant facts and circumstances and based on available information and the relevant expertise and understanding required to provide such services, knows or could be reasonably expected to know that they have undertaken the obligation to provide, directly or by means of other persons, aid, assistance or advice with respect to designing, marketing, organizing, making available for implementation or managing the implementation of a cross-border tax arrangement.”

The disclosure applies to all taxes except VAT, custom and excise duty, social security contributions, administrative taxes and contractual receivables.

The reporting deadlines implemented in the code are aligned with those under DAC 6.

VAT Quick fixes

As of January 1st. 2020 the following “quick fixes” has been adopted in the Bulgarian VAT Act and the Implementation Code of the VAT Act.

- Call-off stock relief
Provide a simplified procedure and eliminate the need of VAT registration of companies delivering goods on the territory of the country which are intended to consecutive supply to known customers within certain period of time.
- Allocation of transportation to EU cross-border chain supplies.
The new VAT rules introduce harmonized criteria for determining which of the transactions in a chain can be considered as intra-community supply.
- Burden of proof for Intra-Community supplies.
The amendments relate to specification of concrete documentary evidences which need to be made available for purpose of proof of the IC supply of goods.
- Mandatory VAT number verification and VIES reporting
The amendments impose obligation to the customer to provide a valid VAT number and the VIES report to be filed correctly for purpose of applying the zero rate in IC supplies. In case on non-compliance the supply will be subject to VAT in the state of dispatch.

New minimum salary

As of 01.01.2020 the minimum statutory limit of the monthly salary shall be BGN 610 (EUR 312).

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4. Croatia

VAT

- Standard rate remains 25%.
- Reduced rate of 13% extends to:
 - preparing and serving meals and desserts in and out of restaurants and
 - services and related copyrights of writers, composers and artist performers and holders of phonogram rights.
- Possibility to charge VAT on the cash basis increases to a value of HRK 7,500,000.00.
- Implementation of VAT quick fixes in EU transactions.
- Possibility to adjust VAT obligation if the acquirer of the goods and services without establishment, permanent or habitual residence in Croatia notifies the taxpayer in writing that a VAT refund hasn't been requested.
- Registration of international road passenger transport services is required before entering the Republic of Croatia.

Personal income tax

- Increase of basic personal allowance from HRK 3,800 to HRK 4,000.
- Reduction of personal income tax liability, up to an annual tax base of HRK 360,000 on the basis of employment, for which annual tax is paid at the rate of 24%:
 - 100% for young people up to the age of 25 years,
 - 50% for young people of age between 26 and 30 years.
- Additional non-taxable payments such as awards to students for practical work and apprenticeships insurance and premiums which employers may pay for their employees based on additional and private health insurance.

Corporate income tax

- New threshold – annual revenue of HRK 7.5m for:
 - the application of the 12% rate;
 - the entrepreneurs to choose to apply the cash principle in determining the tax base;
- Implementation of certain ATAD rules such as exit taxation and hybrid mismatch.
- The deadline for submitting a CPT return in case of bankruptcy and status changes is 30 days, for termination of business is 8 days.
- Obligation to notify Tax authorities on certain actions leading to the termination of business, transfer of headquarters or in case of status changes – 30 days before starting.

DTT

- The Double Tax Treaty (DTT) between Croatia and Vietnam came into force on 23.05.2019.
- The Double Tax Treaty (DTT) between Croatia and Japan came into force on 05.09.2019.
- The Double Tax Treaty (DTT) between Croatia and Kazakhstan came into force on 22.02.2019.



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5. Czech Republic

VAT amendments

More types of insolvency proceedings are now considered by the CZ VAT Act (e.g. bankruptcy, execution, decease of the debtor, etc.) and correcting the taxable amount in case the insolvency proceedings take more than 5 years and are not finished is now allowed. Further, preclusive period of 3 years for correction of taxable amount is newly stopped during ongoing insolvency/court proceedings.

In case the significant repairs (total value of purchases related to one repair with cumulative value above CZK 200,000/EUR 7,837) were performed to a certain immovable property and the property was sold within 10 years, it is necessary to check the VAT deduction claimed from the significant repair should not be adjusted.

Newly, a supplier not established in CZ may apply the reverse-charge mechanism for supplies of goods with installation/assembly effected to customers registered either as the Czech VAT payer or person identified for CZ VAT only if this supplier is not registered as the CZ VAT payer.

As of 1.1.2020, a leasing contract with an option to purchase if it can be inferred from the terms of the contract that exercising the option appears to be the only economically rational choice¹ should be considered as a long term asset and supply of this leasing product should be considered as a supply of goods (not service). As of 1.1.2021, it will not be possible to opt for taxation for supplied rent of housing premises (e.g. flat, house).

As of 1.1.2020, super reduced (10%) VAT rate is applicable for supply of heat and cold.

Tax deductibility of borrowing costs

The amendment to the Income Tax Act introduces for the Czech ATAD implementation two thresholds for tax deductibility of net borrowing costs: 80,000,000 CZK (approx. EUR 3.1M); or 30% of EBITDA (earnings before interest, taxes, depreciation and amortization). Net borrowing costs which would exceed the higher of the two thresholds will be treated as tax non-deductible. This limitation comes into effect in the tax period starting 1 January 2020 (applicable for a taxable calendar year) or tax period starting 1 April 2019 or later (applicable for a taxable business year). The old Czech rules for tax deductibility of interest (e.g. debt equity ratio of 4:1) remain unchanged and will be applied parallel to the new ATAD-based rules.

New duty to inform about income paid out into a foreign country

Since 1 April 2019 taxpayers are newly obliged to submit the notification even in the event of paying out an exempt income (e.g. exempt dividend payments) or an income which is not taxed in the Czech Republic based on a relevant double tax treaty (e.g. an interest income or license fee taxable only in the recipient's country). No duty to inform arise if the income of the same kind not taxable in the Czech Republic paid out to a single recipient does not exceed CZK 100,000 during a calendar month; Or for an income from employment that is subject to withholding tax.

¹following CJEU case C-164/16 Mercedes-Benz Financial Services UK Ltd

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6. Hungary

Corporate income tax

- Top-up liability

According to the regulations effective so far, until the 20th day of the tax year's last month taxpayers had to supplement their tax advance payment up to an amount corresponding with 90% of their corporate income tax of the subject year. With effect from the tax year 2019, depending on the decision of the entrepreneur, and from the tax year 2020 on a mandatory basis, the legislative amendment will abolish the top-up liability in the case of corporate income tax, income tax of energy suppliers and innovation contribution, which is a major administrative relief for business organisations.

- Corporate income tax group

From 1 January 2019, corporate income tax group can be established, when certain legal criteria are met. The following amendments will be applicable from 2020 regarding corporate income tax groups.

The amendment will abolish the precondition of using the same currency among the members of the group.

According to the tax law amendment, business organisations commencing their activity during the year may request their membership in the corporate income tax group.

Based on the amendment, if the criteria for qualifying as corporate income tax group are not or not fully met regarding any group member in the future, then the tax authority, instead of terminating the corporate income tax group status, abolishes the group membership only of the group member concerned, that is, the corporate income tax group remains, and only the group member not complying with the conditions is excluded.

- Exit taxation

If a foreign company relocates assets from its domestic place of business to its foreign place of business, or if the business activity carried out by the domestic place of business is relocated to a foreign state, the domestic place of business shall increase its tax base. The tax base increase is the difference between the market value of relocated assets, activities and the registered value calculated based on the corporate income tax (net tax value).

- VAT

From 1st January 2020 the refund of VAT on grounds of irrecoverable receivable can be applied to transactions completed after 31 December 2015. The VAT law lays down strict regulations regarding tax base decreasing due to irrecoverable receivable.

- Decrease of social contribution tax rate

From 1st July 2019 the rate of social contribution tax decreases from 19,5% to 17,5%, which is also a favourable change.

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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 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.
- 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 (10.8%) and unemployment insurance (1%).

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.



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8. Poland

The beginning of 2020 has seen changes mainly in the VAT area with the common denominator being the aim of stopping tax evasion. Please see below for the overview of the most important changes.

VAT

As of September 2019, a so-called „white list of taxpayers“ was introduced to the Polish tax law. All entities registered for VAT purposes in Poland are included in the white list automatically. The main concept of these regulations is to enable verification (with due care) of the contractor's VAT status (current and historic – up to 5 years back) and its bank account numbers. As regards the bank accounts, new regulations impose an obligation to transfer payments equalling or over PLN 15,000 (gross) to the bank accounts disclosed in the mentioned white list. Starting from 1 January 2020, payment to the bank account which is not included on the white list will result in (1) the joint liability of the buyer for VAT arrears of the seller (proportionally related to this particular transaction payment); (2) from the income taxes' perspective: treatment of such expense as a non-tax deductible cost – for these taxpayers who settle income tax in Poland. These sanctions will not occur in a situation when an entity transferring payment to the bank account not included on the white list notifies a relevant tax authority (within 3 days) of making the payment into other bank account.

As of November 2019, the Polish Ministry of Finance implemented provisions introducing the mandatory VAT split payment mechanism in the Polish law on VAT. The introduction of the split payment changes the way payments are made, as it is now necessary to split the payment into two amounts – due VAT and the taxable base. If the vendor or the service provider is subject to regulations on the split payment, it will be obliged to have, apart from a regular bank account, a separate, blocked VAT account – these are opened automatically for current accounts. That separate account can be used only to collect VAT from customers, pay VAT to vendors/service providers or pay VAT, CIT, PIT, social insurance contributions, excise and customs duties to tax authorities.

As of 1 January 2020, the amended provisions of the VAT Directive entered into force, modifying the rules Intra-Community chain transactions are taxed (referred to as „quick fixes“). In order to avoid different approaches in different UE countries, a common rule is established, according to which if certain conditions are met, the transport of the goods should be attributed to one particular supply within the chain of transactions.

Income taxes (CIT and PIT)

The withholding tax (WHT) has seen a major overhaul (to be applied from June 2020) – in the case of payments to one contractor, exceeding in one fiscal year PLN 2 million, the WHT remitter will be firstly 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. Please note that the entry into force of the abovementioned amendments has been postponed from January 2019 to June 2020.

Moreover, the legislator has introduced the possibility to reduce the tax base by the amount of claim from the commercial transaction that has not been settled or sold, with the reduction being made in the tax return filed for the tax year in which 90 days have elapsed since the payment date specified on an invoice or in a contract. Accordingly, the tax base should be increased by the amount of debt from the commercial transaction that has not been settled, with the increase being made in the tax return filed for the tax year in

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which 90 days have elapsed since the payment date specified on the invoice or in the contract.

Starting from 1 January 2020, payment to the bank account which is not included on the white list or without obligatory split payment mechanism results in the treatment of such an expense, from the income taxes' perspective, as non-tax deductible – for these taxpayers who settle income tax in Poland.

All the above provisions have been introduced in the Corporate Income Tax as well as to the Personal Income Tax.

As regards the PIT, the most important amendment concern the reduction of the basic tax rate from 18% to 17% and the introduction of the tax exemption for persons under 26.

9. Romania

■ Corporate income tax

Entities performing sponsorships or acts of patronage will benefit from more favourable tax incentives. More specifically, the amounts that can be deducted from corporate tax liability are determined at the level of the minimum value of the following:

- 0.75% of the turnover (previously 0.5% was used);
- 20% of the corporate tax liability.

Similar to prior years, the tax credit that cannot be enjoyed in the current year may be carried forward in the next 7 years in order to be deducted from future profit tax liabilities, under similar conditions.

■ VAT

The provisions of European Union Directive 2016/1065 as regards the VAT treatment of vouchers were transposed into Romanian legislation.

In 2020, it is expected that the legislation regarding the VAT quick fixes be implemented in the Romanian legislation. Also, based on draft legislation, the VAT rate might be reduced from 19% to 16%.

■ Personal income tax and social contributions for the construction sector

Employees working in the construction sector are exempt from income tax and pension contribution. Also, the health insurance contribution was lowered by 3.75% (i.e. to 6.25%). Specific conditions are in place for applying this incentive, such as: the income to which the incentive applies should be between RON 3,000 – RON 30,000 (for part of the income above this threshold, the incentive is no longer applicable), the employer has to obtain at least 80% of its turnover from construction activities etc.

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10. Serbia

Corporate income tax

- Resident taxpayers who are the ultimate parent entities of international groups of related legal entities will be obliged to submit to the Tax Authority annual report (Country-by-Country Report) on controlled transactions of the international group of related legal entities if total consolidated revenue is at least 750 million EUR;
- Revenue of resident taxpayer, established in accordance with the regulations governing investment funds, realized on disposals of assets, shall not be included in the tax base.

Personal income tax law (PIT)

- Tax exemption is prescribed for income of a non-resident taxpayer who spends up to 90 days in Republic of Serbia in 12 months if that income is derived from a non-resident principal who does not perform the business activity or other activity in Serbia;
- Salary tax base for the new immigrant taxpayer will be reduced by 70% for a period of 5 years from the date of conclusion of a permanent employment contract with a qualified employer;
- Exemption from payment of tax on founder's salary who are employed in a newly company that performs an innovative business activity established as of 31 December 2020. The tax exemption may be applied to a monthly salary up to the amount of RSD 150,000 for the founder, for a period of 36 months from the date the company was established (apply from 1 March 2020);
- An employer who employs a qualified new employee is entitled to exemption from paying calculated and withheld tax for the salary paid as until 31 December 2022 if certain conditions are met. tax deduction will be applied as 70% of salary taxes paid in 2020, 65% of salary taxes paid in 2021 and 60% of salary taxes paid in 2022.
- The possibility of lump-sum taxation has also been introduced for taxpayers who perform activities in the field of accounting, bookkeeping, auditing and tax advisory activities;
- Income generated by entrepreneur is gross income that is taxed as other income (20%) without the right to deduct standardized costs if criteria set for income from self-employment are not fulfilled.

law on social security contributions (SSC)

- The SSC rate for pension and disability insurance has been reduced, from 26% to 25.5%;
- Exemption of SSC paid by the employer for new immigrant taxpayer (apply from 1 January) and persons who have an employment relationship with a newly established company that performs innovative business activity (apply from 1 March 2020);
- SSC exemption for qualified new employees, employer will realize 100% of SSC for salaries paid in 2020, 95% of SSC for salaries paid in 2021 and 85% of SSC for salaries paid in 2022 (apply from 1 January).

Value added tax Law (VAT)

- Value voucher (single and multi-purpose) is newly introduced instrument for which there is an obligation to accept as compensation for supply of goods or services provided, if data about such supply, provider identity and voucher conditions are indicated in voucher itself or related documentation.

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11. Slovakia

Income tax

The most important approved changes effective as of 1 January 2020 are:

- introduction of progressive taxation – the income tax rate in subjects with turnover up to EUR 100,000 shall change to 15%;
- adjustment of the terms and conditions for tax loss carry forward, namely the abolition of the straight-line basis of the tax loss deduction and the extension of the deduction period to 5 years; can only be deducted a tax loss of up to 50% of the calculated tax base from which the loss can be deducted;
- increasing the threshold for the obligation to pay income tax advances from EUR 2,500 to EUR 5,000;
- new depreciation group 0 for electric vehicles with a depreciation period of 2;
- adjustment of expenses, which are part of the tax base after payment;
- increasing the tax advantage for taxpayers carrying out research and development (deduction of R&D expenditure from the tax base decreased by tax loss); super deduction, up to 200%.

VAT

The most of modifications from 1.1.2020 in VAT Act are in connection with the harmonisation and simplification of some selected taxation rules for trade between members – quick fixes (new regulation for call-off stock regime, completing of rule for chain transactions, VAT ID No as substantive conditions for VAT exemption, unified proof of intra-community supply).

The extension of the reduced tax rate of 10% on newspapers, magazines and periodicals, and selected types of food.

Doubling a special bank levy

On 28 November 2019, it was in shortened legislative proceedings approved the National Council of the Slovak Republic draft amendment to Act No. 384/2011 Coll., on special levy on selected financial institutions, specifically on banks and branches of foreign banks, which was aimed to increase the rate of the special levy.

The amendment changes the annual rate of the levy for 2020 and subsequent years to an amount of 0.4%. The purpose of this proposed amendment is to increase the financial capacity of funds from the special levy in order to strengthen the financial stability and the ability to deal with potential emergencies.

DAC 6 – Amendment to the act on cross-border measures subject to reporting

In September 2019, the National Council of the Slovak Republic approved an act amending and supplementing Act No. 442/2012 Coll., on international assistance and cooperation in tax administration, implementing DAC 6. This act establishes the automatic exchange of information on cross-border measures subject to communication between competent EU member state authorities, i.e., the measures used for aggressive tax planning. In order to ensure that automatic exchange of information, a reporting obligation of the so-called obligators (intermediary or taxpayer, i.e. the user) has been established.

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12. Slovenia

With effect from 1.1.2020 numerous tax laws in Slovenia have been changed.

On 5.11.2019 amendments and/or changes to the most important tax laws were announced in the Official Journal of the Republic of Slovenia Nr. 66/2019. Relevant changes to the most important laws are listed briefly below:

Corporation Tax Act

- Loss carry-forwards and tax benefits (for example, investment tax credits) may lower the taxable base overall by 63% at the most. Previously the taxable base could also be reduced to zero with investment tax credits.
- With the amendment to the Corporation Tax Act, rules on the disposal and/or neutralization of hybrid entities resulting from cross border entities are codified. In addition, regulations regarding exits are standardised.
- From 1.1.2019 IFRS 16, which relates to the accounting of leasing relationships, is to be applied in Slovenia for companies that are mandatorily subject to audit. It has now been clarified that with regards to tax the maximum period of depreciation for the leased assets is to be used for the tax write-off of the capitalized assets.

Income Tax Act

- Alleviation of earned income by increasing of the tax brackets and raising of the general deductible amount

The new limits for income tax rates:

For an annual net tax base (in EUR)		Income Tax Rate (in EUR)
From	To	
	8,500.00	16%
8,500.00	25,000.00	1,360.00 + 26 % of the amount that exceeds
25,000.00	50,000.00	5,650.00 + 33 % of the amount that exceeds
50,000.00	72,000.00	13,900.00 + 39 % of the amount that exceeds
72,000.00		22,480.00 + 50 % of the amount that exceeds

- Increase in the income tax rate on capital income and income on rentals of assets from 2.5% to 27.5%. The following are classed as capital income: income from interest and dividends, and also "speculative income". Speculative gains are profits from both the disposal of property and of company shares. The tax rate on speculative income is reduced by the duration of ownership.

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Comparison between the speculative taxation from 1.1.2020 and the previous rules:

Duration of the capital ownership	until 2019	from 2020
< 5 years	25%	27.50%
5 – 10 years	15%	20%
10 – 15 years	10%	15%
15 – 20 years	5%	10%
> 20 years	Tax-exempt	Tax-exempt

Gains from the disposal of a property purchased prior to 1.1.2002 is still tax-exempt. In the case of income from the rental of assets, the flat-rate expenses are raised from 10% to 15%.

- The non-monetary remuneration value for electric vehicles with acquisition costs of up to EUR 60,000.00 is reduced from 1.5% to 0.3%.
- From 1.1.2020 there is a reclassification of certain speculative income into dividends, whereby there is no longer any reduction of the tax rate by the retention period. It remains at 27.5%. This applies in the case of shareholder grants being returned to people, who did not provide the grants, of performance-related purchase price adjustments regarding the disposal of property and company shares, and of permitted disposals of corporation shares to the company.
- Loopholes in connection with capital guarantees in the case of asset management and in connection with gains from defaulted purchased receivables through returns via the acquisition costs are to be closed. The benefits are to be taxed as income interest at 27.5%.

Law on taxation of gains from the disposal of derivative financial instruments

- The tax on the gains from the disposal of derivative financial instruments is to be raised to 27.5%. In the case of a disposal within 12 months, the tax rate is to be 40%. As with the speculative income, an incremental reduction of the tax rate is intended.

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