

COVID-19 Pandemic – New on tax matters

On 4 April 2020, Act No. 67/2020 Coll. on certain extraordinary financial measures related to the spread of the dangerous infectious human disease Covid-19 (the "**Act**") was published in the Collection of Laws of the Slovak Republic. The Act came into effect on 4 April 2020, the day of its promulgation and brought several changes to rights and obligations stemming from laws regulating taxes and accounting.

We understand this to be the first legal act of several, and it addresses the most essential procedural issues.

Below, we provide you with a summary of the most important changes:

A. Timeframe for the Measures (the Pandemic Period)

The pandemic period begins on 12 March 2020 and will terminate on the last day of the month in which the Government of the Slovak Republic rescinds the state of crisis in connection with Covid-19 (the "**Pandemic Period**"). Measures under the Act are in effect from this time until the expiration of the latest period stipulated under the Act. However, the Government is entitled to extend the enforcement of these measures by a regulation.

B. General Procedural Changes

- **Submissions** – During the Pandemic Period, it is possible to submit various documents electronically without an authorized electronic signature (e.g. by regular email) without the need to also submit a hard copy. This does not apply to documents falling under "mandatory form submissions" (e.g. tax returns, control statements), or to persons required by law to communicate with the tax administrator electronically (i.e. via an electronic data box).
- **Missing Deadlines** – Missing a deadline during the Pandemic Period will be forgiven provided that the taxpayer performs the corresponding act no later than by the end of the month following the end of the Pandemic Period. This does not apply to the submission of tax returns and tax payments, where specific rules apply (see below). The Act does not clearly address missing deadlines where forgiveness is technically impossible.
- **Delivery** – During the Pandemic Period a stricter regime is in effect for the so-called "fiction of delivery". Documents sent as certified mail (personal delivery) are deemed delivered upon expiration of the (postal) collection period, even if the addressee is not aware of the delivery.
- **Tax Audits** – Tax audit deadlines may be suspended at the request of the taxpayer. They are can also suspended directly by the Act if the tax audits were commenced during

the Pandemic Period. Tax audits themselves will not be suspended, and the tax administrator is entitled to carry out various audit steps during the Pandemic Period.

Tax audits that were suspended before the beginning of the Pandemic Period remain suspended, even if the reasons for the suspension ceased to exist during the Pandemic Period.

- **Publications in Lists** – During the Pandemic Period the Financial Directorate of the Slovak Republic will not update its published List of Tax Debtors, List of VAT Payers Where There are Reasons for Deregistration, or its List of Deregistered VAT Payers.
- **Interruption of Proceedings** – Pending tax proceedings may be suspended at the taxpayer's request. They are also suspended directly by the Act, if they were commenced during the Pandemic Period.

Tax proceedings that were suspended before the beginning of the Pandemic Period remain suspended even if the reasons for the suspension ceased to exist during the Pandemic Period.

The above does not apply (i.e. it is not possible to suspend the tax proceedings) if a decision is pending on a refund of tax overpayment, or if a claim was made under certain acts, e.g. in proceedings for a refund of overpaid income tax under the Income Tax Act, proceedings for a refund of excessive VAT deduction under the VAT Act, etc.

The competent tax authority is allowed to suspend such proceedings by decision only if the participation of another person is required in the tax proceedings (e.g. a witness) whose testimony is important to the decision, but this person does not agree to being present because of the pandemic.

- **Suspension of the Right to Assess Tax, Time-barring and Termination of Right to Claim Tax Arrears** – During the Pandemic Period the deadlines have been suspended on the expiration of the right to assess tax, the right to claim time-barred tax arrears, and right to claim tax arrears.
- **Tax Arrears** – Taxes (including late payment interest, other interest and penalties) that become due and remain unpaid during the Pandemic Period will not be considered tax arrears provided that the taxpayer settles them by the end of the month following the end of the Pandemic Period.

Based on the text of the Act, it would seem that this provision also applies to VAT. That said, when taking into account other provisions of the Act it is unclear whether any sanctions will apply to delayed VAT payment, or whether the related criminal aspects would be considered in connection with VAT.

- **Tax Enforcement** – Tax Enforcement is suspended during the Pandemic Period.
- **Breach of Certain Obligations During the Pandemic Period** – If a taxpayer misses the deadline for submission of an additional tax return that expired during the Pandemic Period, there will be no sanctions, provided that the additional tax return is submitted by the end of the month following the end of the Pandemic Period.

Income tax payments due but unpaid during the Pandemic Period will not suffer sanctions provided that the taxpayer pays it by the end of the month following the end of the Pandemic Period.

If the taxpayer files an additional tax return, penalties will still apply from the deadline for submission of the ordinary tax return up to the beginning of the Pandemic Period.

C. Income Tax Changes

- **Deadline for Submitting the Income Tax Return** – If the last day of the (standard) deadline for submitting the income tax return expires during the Pandemic Period, the Act extends this deadline to the end of the month following the end of the Pandemic Period. The taxpayer is also obliged to pay the tax within the same deadline.

The deadline can be extended by up to three months (six if the taxpayer has income from foreign sources) by notifying the tax administrator before the deadline. This does not apply for taxpayers in bankruptcy or liquidation – they must deliver a request to the tax administrator to extend the deadline and cannot merely notify them that they will file late. Unlike the standard rules regarding such notifications or requests, under this temporary legislation no special form is necessary– the taxpayer can merely send it in a simplified way (e.g. by email, see above).

In any case, if the extended deadline on the basis of a notification or decision of the tax administrator expires during the Pandemic Period, the general extended deadline under the Act applies.

- **Assignment by Employees of the So-called “2 Percent”** - Where the employer has already prepared the annual reconciliation for employee income tax purposes, the deadline for the Statement of Assignment of income tax of the employee has been extended until the end of the second month following the end of the Pandemic Period.
- **Report on Processing of Tax** – If employee tax settlement reports and reports on the total income from dependent activity paid out to individual employees are due during the Pandemic Period, the employer has until the end of the second month following the end of the Pandemic Period to file. In addition the income tax must also be paid by this time.
- **Annual Reconciliation** – If the deadline to prepare annual reconciliation and calculation of income tax expires during the Pandemic Period, the taxpayer has until the end of the calendar month following the end of the Pandemic Period to do so.

D. Motor Vehicle Tax Changes

If the deadline for submitting the motor vehicle tax return and date of maturity of the motor vehicle tax did not expire before the beginning of Pandemic Period or began to lapse during the Pandemic Period, it will be deemed to have been met if the tax return is submitted and the tax is paid by the end of the month following the end of the Pandemic Period.

E. Accounting Changes

- During the Pandemic Period deadlines under accounting laws are deemed to have been met if the accounting unit fulfils the respective obligations by the earlier of (i) the end of the third calendar month following the end of Pandemic Period or (ii) the deadline for submitting the income tax return (see above).

If the accounting unit could not have objectively fulfilled its obligations under the Act on Accounting because of personal or technical reasons due to negative effects of the pandemic during the Pandemic Period, it is not deemed a breach of obligations if the accounting unit fulfils these obligations by the end of the third calendar month following the end of the Pandemic Period.

- Any deadlines for the imposition of a fine under the Act on Accounting that began running before the Pandemic Period and had not expired by the beginning of the Pandemic Period are extended by the Pandemic Period.

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We are continuing to monitor the situation, and it cannot be excluded that the above conclusions will be subject to changes, depending on the legislative development. We will be happy to assist you to resolve new issues and to create favourable conditions for your business under the current situation.

If you have any questions, please contact your usual partner in PRK Partners or contact directly the partner of PRK Partners' Bratislava branch, Miriam Galandová (email: miriam.galandova@prkpartners.com, tel.: +421 911 492 222).

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