

News Flash

December 14, 2020



**Institute of a “micro-taxpayer” from
2021 in Slovakia**

Institute of a “micro-taxpayer” from 2021 in Slovakia

From 2021, new institute of so-called “micro-taxpayer” will come into effect in Slovakia and its main purpose is to support SMEs. The micro-taxpayers will gain certain advantages as compared with other taxpayers. We point out that the status of the micro-taxpayer can be gained for the first time in the taxation period starting at the earliest on January 1, 2021. For example, the taxpayers with the financial year starting on December 1, 2020 will have to wait for other 12 months.

Who is a micro-taxpayer?

A micro-taxpayer is a **natural person – entrepreneur, i.e. a self-employed person or a legal person** whose taxable incomes (revenues) for the taxation period **don’t exceed the amount of EUR 49,780**. The taxable income (revenue) means an income (revenue) that **is not exempt from tax or exempt from the subject of the tax**. The exempt income (revenue) is for example, grants specified as “first aid”. **Application of this regime is not based on whether the taxpayer is or is not the VAT payer.**

On the other hand, regardless of the above-mentioned, the micro-taxpayer is not a taxpayer who is dependant person and who carries out controlled transaction for the respective taxation period, or which was declared a bankrupt, entered the liquidation or was allowed the repayment calendar (in case of debt relief of natural person), respectively, whose taxation period is shorter than 12 consecutive calendar months, excluding death.

Condition for compliance with absence of a controlled transaction

The most problematic is a condition for compliance with absence of a controlled transaction, since in practice, the controlled

transaction might be, for example, also a **remuneration paid to the executive manager – a partner in single-person limited liability company**. There is thus an assumption that a vast group of taxpayers will be excluded from the tax institute even if the conditions of a taxable income (revenue) for the tax period are met. According to our opinion, it would require a change in law, or methodological guidance, since we don’t assume that the goal of the legislator was to strictly punish any dependant relationship and controlled transaction of the taxpayer.

The tax areas in which the micro-taxpayer can apply the advantage are tax depreciation, amortization of tax losses, creation of provisions and depreciation of receivables. According to our opinion, the possibility of using 15% income tax rate from 2021 only by so-called group of micro-taxpayers is misinterpreted. We are of the opinion, that the tax rate will be possible to apply to any natural person – entrepreneur, self-employed person or legal person with taxable incomes (revenues) up to EUR 49,790. Of course, due to the nature of the definition of the micro-taxpayer, this tax rate will also apply to micro-taxpayers, but according to us, it will apply to other taxpayers who, for example, won’t pass the controlled transaction test.

Tax depreciation

The micro-taxpayer will be able to depreciate the assets classified in the depreciation groups 0 to 4 (e.g. consumer electronics, computers, communication equipment, buses, etc.) with an exception of a car with an entry price of EUR 48,000 or more, at most during the depreciation period according to the relevant depreciation group (group 0 = at most 2 years, group 1 = at most 4 years, group 2 = at most 6 years, group 3 = at most 8 years, group 4 = at most 12 years) in the amount specified by him, up to the amount of the entry price.

It should be noted that the **preferential regime will not be applied to for example, to depreciation of flats, office space, etc., i.e. assets included in the depreciation group 5 and 6. The moment of acquisition of a property** will also be a limit, as the preferential regime may be applied to assets acquired from January 1, 2021 and later. Subsequently, the condition for use of the preferential depreciation will be an asset put into use, respectively, included in the business property during the taxation period in which the taxpayer met the established conditions of the micro-taxpayer. Subsequently, it won't matter if these conditions are met also in the following years, as the preferential regime will apply to this asset until the end of its depreciation period.

Please consider, that the micro-taxpayer won't be able to interrupt the tax depreciation on assets depreciated on the preferential basis, on the other hand, he has a relative freedom in determining the amount of the tax depreciation for the relevant tax period until the depreciation period expires.

Likewise, in the case of a property lease, the micro-taxpayer will not be a subject to the tax depreciation limit up to the amount of the rental incomes (revenues). However, it applies only to a property included in the depreciation groups 0 to 4, where in the case of the micro-taxpayer natural person, the leased asset must be classified as the business property.

Amortization of tax losses

Unlike the usual taxpayer, the micro-taxpayer will be able to apply tax loss up to the amount of the full calculated tax base in the tax period in which he wants to apply its amortization. The taxpayer must be regarded as a micro-taxpayer in the tax period in which he wants to apply the amortization. The fact, whether he was or was not a micro-taxpayer in the tax period for which the tax loss was recognized is not relevant. It should be noted that the micro-taxpayer will only be able to apply the preferential regime in case of a loss reported for tax periods starting **at the earliest on January 1, 2021.**

Provisions and depreciation of receivables

The micro-taxpayers accounting in double-entry bookkeeping system will be able to claim the creation of provisions for nonexpired receivables and receivable accessories included in taxable income for tax expenses in accordance with accounting. They won't have to count so-called time tests. Please note, that this doesn't apply to receivables attained by assignment or receivable that can be offset against with payables due to the creditor. In addition, there is another limit, namely that the preferential regime may be

applied to the creation of provisions for the receivables and receivable accessories included in the taxable incomes in the taxation period in which the taxpayer was a micro-taxpayer.

The currently approved amendment from 2021 modifies that it would be possible for the micro-taxpayer to claim the depreciation of a receivable for tax expenditure up to the amount of the provision which would be recognized as a tax expenditure up to the amount in which it would be charged in the expenses in accordance with accounting. The tax depreciation will be used for

the first time for depreciation of a receivable or receivable accessory that occurred in the taxation period in which the taxpayer is considered as a micro-taxpayer, and it is a receivable depreciation or its accessory included the taxable incomes in the taxation period in which the taxpayer is considered as a micro-taxpayer, as well.

Disclaimer

Please note that our publications have been prepared for general guidance on the matter and do not represent a customized professional advice. Furthermore, because the legislation is changing continuously, some of the information may have been modified after the publication has been released. Accace does not take any responsibility and is not liable for any potential risks or damages caused by taking actions based on the information provided herein.

Want more news like this?

Subscribe!

Contact

Peter Pašek

Partner | Managing Director Slovakia

E-Mail: Peter.Pasek@accace.com

Tel: +421 232 553 000



About Accace Slovakia

Accace was established in 2006 in Bratislava. Accace Slovakia currently employs more than 120 professionals and provides a comprehensive range of services in the field of accounting outsourcing services, payroll processing and HR administration, tax and business advisory, legal and corporate services, up to advisory services for start-ups. In 15 years, we have developed into an innovative provider of full-range BPO services. We are regularly listed among the TOP 10 advisory companies in Slovakia. The legal services are provided by our own established law firm, Accace Legal. You can find us both in Bratislava and Košice. Within Accace Group, we connect more than 600 experts in 40 locations and provide services to more than 2,000 clients.

About Accace Circle

Accace operates internationally as Accace Circle, a co-created business community of like-minded BPO providers and advisors who deliver outstanding services with elevated customer experience. Covering almost 40 jurisdictions with over 2,000 professionals, we support more than 10,000 customers, mostly mid-size and international Fortune 500 companies from various sectors, and process at least 170,000 pay slips globally.

Please visit www.accace.com and www.circle.accace.com for more information.

