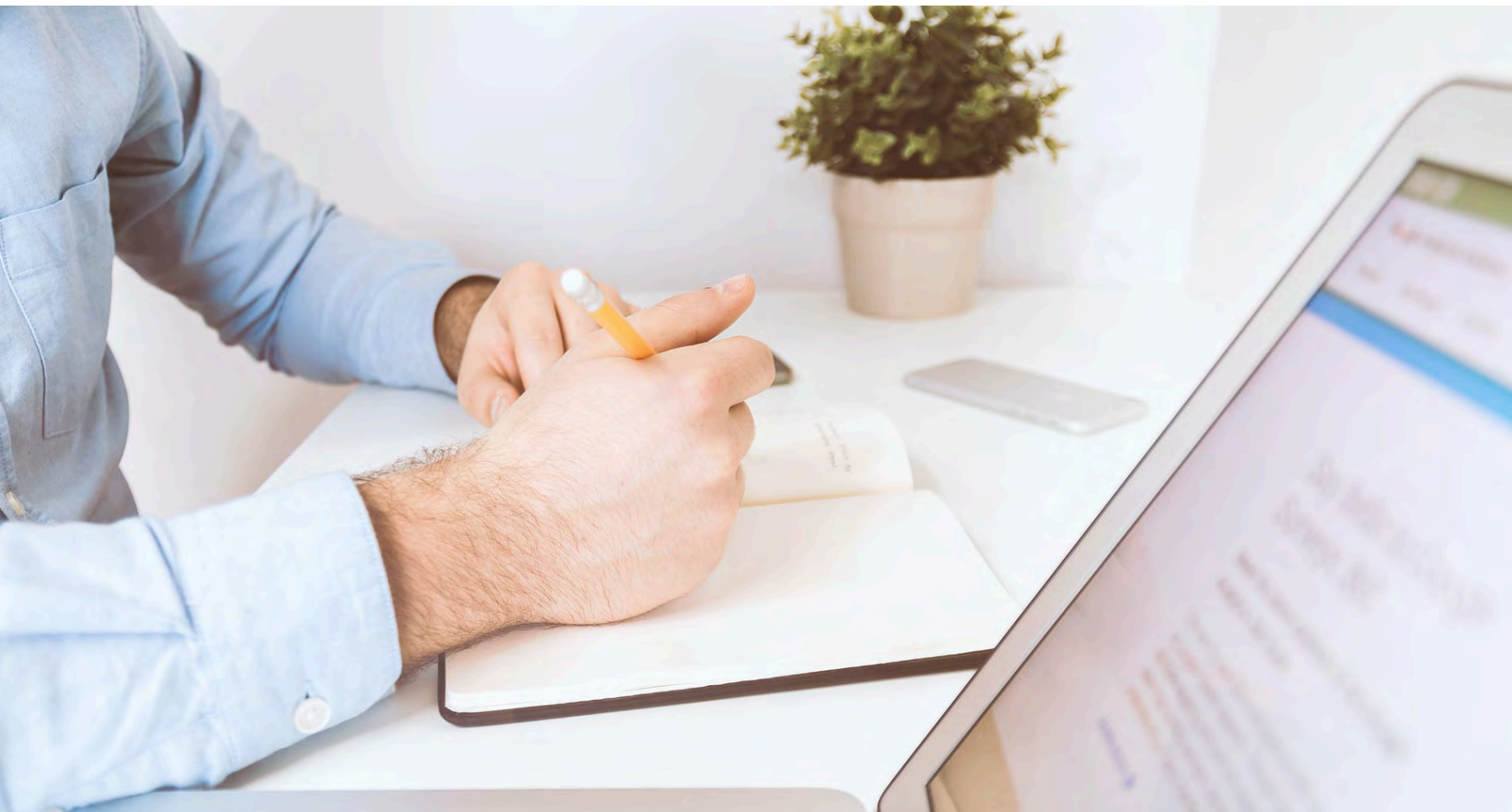


News Flash

December 21, 2021



Amendment to the Accounting Act in Slovakia: How are businesses affected?

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Amendment to the Accounting Act no. 431/2002 Coll. from November 2, 2021 brings digitalization of accounting. From January 1, 2022, several areas affected by this amendment are changing, e.g., accounting documents activation or inventory of stocks. The overview of the most important changes has been summarized below.

Accounting records digitalization – amending the conditions from 2022

Due to larger share of electronic accounting records in practice, one of the most significant changes in the amended Accounting Act are represented by the additional and specified conditions which accounting entity must obey when processing these accounting records.

The definition of the **accounting record** was clarified - its forms and their mutual digitalization. The forms of the accounting record have been amended in the amended Act to:

- **Documentary accounting record** – accounting record sent and received as a document.
- **Electronic accounting record** – accounting record received or made available in electronic format; electronic format is determined by the issuer of the accounting record or is determined based on the agreement with the recipient of the accounting record, or as an attachment in an electronic mail based on the written agreement or confirmed consent; while the payment of the required amount is also considered as consent.

The provisions on paper and electronic form of the accounting record are clarified and simplified. The possible ways of **digitalization** of the accounting record when the form of the accounting record changes are re-established. In addition to guaranteed conversion, scanning can be used for the process of **digitalization** the accounting record from paper to electronic form, which will significantly simplify this process.

These changes were regulated in **§ 31 to § 33 of the Accounting Act**, where the accounting entity is obliged to ensure:

- **credibility of origin,**
- **inviolability of content,**
- **human readability of the accounting record.**

The credibility of the origin and inviolability of the content of the accounting record at the issuer as well as the recipient of the accounting record is ensured by:

- the signature of the responsible person,
- electronic data interchange or,
- the accounting entity's internal control system.

The amendment to the Accounting Act (§ 10) also made it possible to **replace the handwritten signature with any electronic signature** that will enable demonstrable identification of the person.

The obligation to indicate on the accounting document the **designation of the accounts** on which the accounting case is recorded has been deleted.

For audit purposes, disclosure and tax office purposes, the accounting records are presented in the form in which they are **maintained and retained by the accounting entity**, it does not require the submission of the accounting record in its original form, unless special regulations provide otherwise.

An entity accounting in a double-entry bookkeeping that keeps accounts in a way that uses software, is required to provide the **tax office** or authorized persons with **access to accounting software** and to provide the accounting records with an indication of the accounts in which the accounting units are accounted for. An entity has these responsibilities for the period during which it is required to maintain or keep accounting records.

Digitization of an accounting record represents a change in the form of a provable accounting record during its processing in an accounting unit i.e., a change from the paper form of the accounting record to an electronic form, or a change from the electronic form to a paper form.

We would like to draw attention to the fact that digitization can only be done on an accounting record that **has not been digitized yet** and is stored in this digital form. Digitization can also be performed **retrospectively** for previous accounting periods.

Method of keeping accounting documentation from January 1, 2022

The accounting entity is obliged to follow the specified method of keeping accounting documentation. **Electronic storage of accounting documentation** means storage of accounting documentation on a **data carrier**.

The accounting entity is also obliged to fulfil the conditions according to the § 31 par. 3 i.e., **credibility of origin, inviolability of content and human readability of the accounting record**, if it keeps only accounting records that are a result of the accounting records digitalization.

Electronic storage of accounting documentation can simplify work with accounting records and documents, including searching and making them available, even over time or in the event of staff changes.

Depending on the circumstances, applicable regulations and the type of accounting record and

materiality, it may still be appropriate to keep selected accounting records in their original form, in order to protect or enforce rights against third parties or government authorities.

Last but not least, the obligations of entities and their bodies even after the end of the business must not be forgotten. In these cases, the accounting entity is obliged to inform the tax office about the demonstrable assurance of keeping its accounting documentation by another accounting entity or a natural person.

A complement to the content of the annual report for non-profit organizations

The changes also affected non-business entities whose share of the 2% tax exceeded EUR 35,000 per accounting period and thus they became subject to an audit and must also draw up an annual report, which should include:

- financial statement,
- the auditor's report on the financial statement,
- activities or projects performed during the accounting period, indicating their relationship to the purpose of establishing the entity,
- overview of revenues (earnings) broken down by sources,
- an overview of costs (expenses) broken down by individual types of activities, purpose, or projects, with a specific quantification of costs (expenses) for administration,
- proposal for the settlement of the economic result,
- information about the expected future development of the entity's activities.

Extension of the public part of the register of financial statements

The amendment to the Accounting Acts also extended the public part of the register to other legal forms of legal persons. It mostly includes landowners' association, but also non-governmental non-profit organizations such as

civic association, homeowners' association and non-residential communities, interest associations of legal entities and more.

Accounting documents of natural persons – entrepreneurs' organizational units of foreign persons remain in the non-public part of the register.

Inventory of stocks from January 1, 2022

To § 30 par. 4, the possibility of performing an inventory of stocks the following month after the day on which the financial statements are prepared (also for tangible assets) was added.

Changes in the penalties for delict from January 1, 2022

The **lower limit of the fine for serious infringements of the Accounting Act**, which has not yet been set, has been for the sum of **EUR 1,000**. The upper limit of this fine remains unchanged at **EUR 3,000,000**.

Sanctions have also been determined in cases where **an entity fails to comply with the obligation to deposit or publish accounting documents in the register**, the amount of which is set at **from EUR 100 to EUR 10,000**.

The amount of the sanction for breaches of the provisions on the **storage** and protection of accounting records was also determined at **from EUR 100 to EUR 100,000**.

A sanction was also determined for **non-compliance with the obligation** of the last statutory body registered in the Commercial register before the deletion of a company or cooperative from the Commercial register and for **breach of obligations related to the storage** of accounting documentation, ranging **from EUR 100 to EUR 100,000**.

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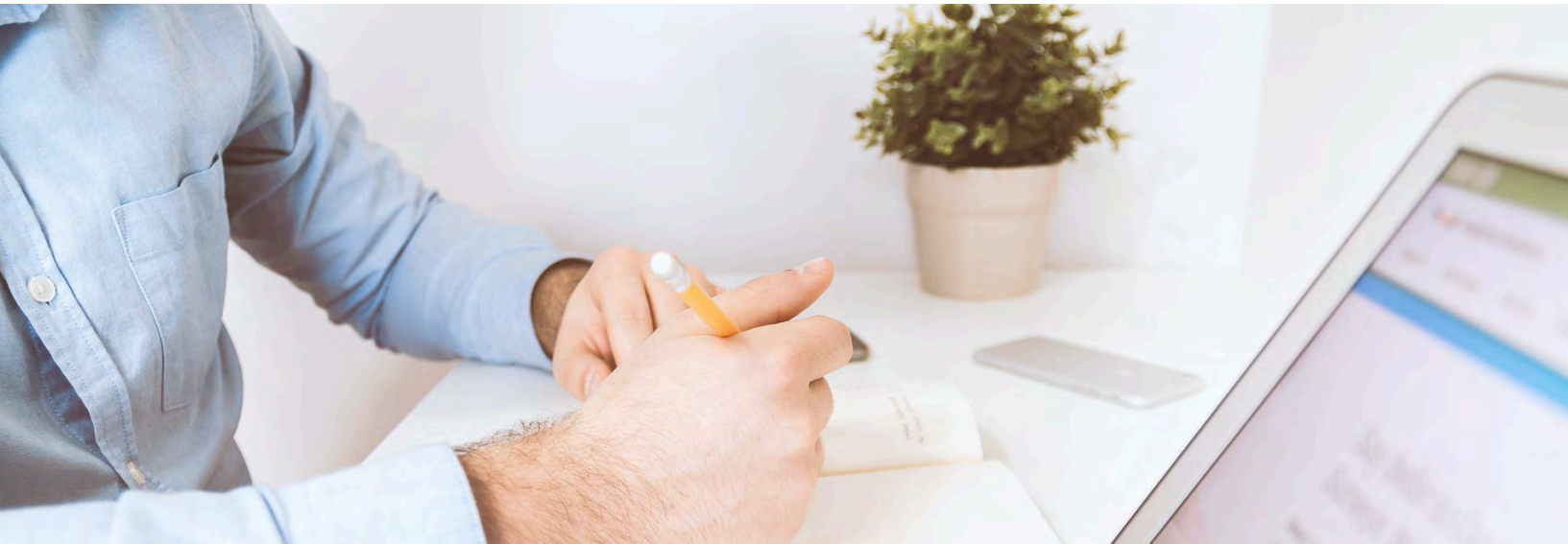
Contact

Júlia Bilková

Accounting Manager

E-mail: julia.bilkova@accace.com

Tel: +421 2 325 53 000



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