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Taxes

How Brexit impacts VAT refund?

Deadline for filing of the application for 2020 VAT refund from the United Kingdom elapses 31 March 2021.

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VAT payers established in Slovakia may apply for VAT refund for the year 2020 (or its part) from:

- purchase of goods and services with VAT applicable in England, Scotland, and Wales,
- importation of the goods to England, Scotland, and Wales and
- purchase of services with VAT applicable in Northern Ireland

electronically via VAT refund application that is available on the webpage of the Financial Directorate of the Slovak Republic **only by 31 March 2021.**

This deadline differs from standard proceeding according to which the electronic applications for VAT refund from other EU Member States may be filed by 30 September of the calendar year following the period for which the VAT refund is claimed.

VAT refund applications related to purchase of goods in Northern Ireland in 2020 (or its part) can still be filed electronically by 30 September 2021.

Legal

Financial Aid to Maintain Jobs has been increased

From February 2021, the Ministry of Labour, Social Affairs and Family of the Slovak Republic ("MLSAF SR") through the Anti-Pandemic Package First Aid ++, increased aid to maintain jobs, extended the range of applicants for aid and the range of entitled persons.

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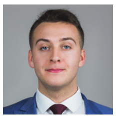

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Higher Financial Aid

a) Measures 1 and 3A

MLSAF SR increased aid for employers (measures 1 and 3A) by reimbursing employers’ costs from 80% of the total price of the employee's work to **100% total price of the employee's work**, at a maximum of 1.100 Eur per employee and per month for both measures.

Only an employer who was not a company in difficulty as at 31 December 2019 can apply for a contribution in the amount of 100% of the total price of employee's work. An employer who was a company in difficulty as at 31 December 2019 may receive a contribution of 80% of the total price of the employee's work.

The total amount of aid granted at 100% of the total price of the employee's work may not exceed **1.8 million Eur ("aid ceiling")**. After reaching the aid ceiling, the employer would be entitled for 80% of the total price of the employee's work.

b) Measure 3B

The flat-rate contribution to compensate the employee's wage (measure 3B) also increased from **330 Eur to 870 Eur**, depending on the decrease in revenues.

The following table compares the amount of aid under measure 3B under the conditions valid before and after 1 February 2021:

Before 1 February 2021		**After 1 February 2021**	
Decrease in Revenues	Amount of Contribution	Decrease in Revenues	Amount of Contribution
≥ 20,00 - 39,99 %	270 Eur	≥ 20,00 - 29,99 %	330 Eur
≥ 40,00 - 59,99 %	450 Eur	≥ 30,00 - 39,99 %	420 Eur
≥ 60,00 - 79,99 %	630 Eur	≥ 40,00 - 49,99 %	510 Eur
≥ 80 %	810 Eur	≥ 50,00 - 59,99 %	600 Eur
x	x	≥ 60,00 - 69,99 %	690 Eur
x	x	≥ 70,00 - 79,99 %	780 Eur
x	x	≥ 80 %	870 Eur

Extension of the Range of Applicants and Entitled Persons

The range of applicants for aid extended to include self-employed persons, which are employers. Employers who started a business no later than **1 February 2021** can apply for aid.

At the same time, the range of entitled persons extended to include employees hired on **1 February 2021** at the latest.

Extension of the Time Limit to Receive Aid

The time limit to receive aid has been extended to **30 June 2021.**

An application for a given month may be submitted during the two calendar months following the calendar month for which the application is requested. Aid for February 2021 can be requested from **March 2021.**

For information on the application process, see our previous article named: *Changes in employment measures during the second wave of the pandemic.*

Taxes

Deadline for filing the income tax return remains (for now) unchanged

Deadline for filing the income tax return for 2020 remains despite pandemic situation unchanged and elapses on 31 March 2021.

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With the forthcoming statutory deadline for filing the income tax return questions arise whether this deadline will be extended without the obligation to file the announcement on the filing deadline extension.

Based on the currently available information the filing deadline will not be automatically extended. The extension process should however be simplified for some taxpayers.

During the current meeting of the National Council the Amendment of Act No. 67/2020 Coll. on certain extraordinary measures in the financial area in connection with the spreading of a hazardous infectious human illness COVID-19 (Lex Corona) is being discussed in the shortened legislative procedure which should simplify the process of filing the deadline extension announcement with the Tax Authorities. Taxpayers that are not obliged to communicate with the Tax Authorities electronically could file the deadline extension announcement via e-mail without the obligation to deliver it also in a paper form.

Due to the current interruption of the Council's meeting the Amendment in question should be discussed on 30 March 2021. It may therefore happen that this year the proposed simplification will not be usable in practice.

World news

ECOFIN has updated the blacklist of non-cooperative jurisdictions for tax purposes

The European Union has recently amended the list of countries considered as non-cooperating for tax purposes. Following the assessment of the respective criteria in the tax area, the EU Council presented a new EU Blacklist. The changes affected two jurisdictions.

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On 22 February 2021, The Economic and Financial Affairs Council (ECOFIN) revised the Blacklist of non-cooperative countries in the field of taxation. Following this latest revision, Dominica has been added to the EU list. In addition, Barbados has been moved from the Blacklist to the „gray list“. Nine other countries must improve their tax good governance practices to avoid being blacklisted.

The current EU Blacklist now includes the following twelve jurisdictions:

- American Samoa
- Anguilla
- Dominica
- Fiji
- Guam
- Palau
- Panama
- Samoa
- Seychelles
- Trinidad and Tobago
- US Virgin Islands
- Vanuatu

The list has been revised several times, and as of 2020, it is being updated twice a year. The next update is expected to be in October 2021.

Case law

Services supplied to a branch by main establishment belonging to a VAT group are subject to VAT

The Court of Justice of the EU (CJEU) released judgement C-812/19 Danske Bank, dealing with the VAT treatment of supply of services performed by the main establishment belonging to a VAT group to its branch established in another EU Member State.

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According to case C-7/13 Skandia America (USA), filial Sverige issued by the CJEU in 2014:

- The main establishment seated outside the EU and its branch, established in the EU Member State, belonging to a VAT group cannot be treated as one taxable person, therefore
- the services supplied by the main establishment to such a branch must be are considered to be supplied to the VAT group and not to that branch and are, thus, taxable and
- this VAT group is the person liable to pay VAT from the services received.

This judgment led to questions, whether such approach is applicable also in situation where the main establishment is located in an EU Member State and not in the third country or provided the main establishment (and not the branch) is a member of the VAT group.

These questions were answered by the CJEU in its judgement C-812/19 Danske Bank. The CJEU confirmed that the principles, presented in case C-7/13 Skandia America (USA), filial Sverige, were applicable also in the situation where the main establishment, located in the EU Member State (Denmark), belongs to a VAT group and supplies services to its branch established in another EU Member State (Sweden).

Services supplied to a branch by main establishment belonging to a VAT group are thus taxable.

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