# Daňovky

## Tax and Legal news

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## Tax and Legal News | June 2021

**Taxes**

# Six major VAT changes for e-commerce

Changes of VAT rules with an effect on cross-border e-commerce will take place as of 1 July 2021. They will impact mainly online sellers who sell goods to consumers and digital platforms. Consumers who import goods in consignments from non-EU countries for their own needs, as well as other persons carrying out import of goods from third countries for their business activities will be affected.

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We informed you about these changes earlier in a separate article.

The six major changes comprise:

- new VAT rules for distance sales of goods within the EU and introduction of a concept of distant sales of imported goods,
- abolition of the existing threshold for intra-EU distance sales of goods (EUR 35 000/ EUR 100 000) and its replacement by a new EU-wide threshold of EUR 10 000,
- introduction of special provisions whereby a business facilitating supplies through the use of an online electronic interface (such as online marketplace, platform or similar means) is deemed for VAT purposes to have received and supplied the goods themselves,
- removal of VAT exemption at importation of small consignments up to EUR 22,
- extension of the scope of the one stop shop regime (OSS) and creation of a new special scheme for distance sales of goods imported from third countries – Import One Stop Shop (IOSS),
- Introduction of simplification measures for distant sales of imported goods in consignments not exceeding EUR 150 in case the IOSS is not used.

***Web Portal of the Slovak Finance administration on the e-commerce project***

The Slovak Finance Administration published specific subpages of their web portal dedicated to:

- OSS special scheme: One Stop Shop - PFS (financnasprava.sk)
- IOSS special scheme: Import One Stop Shop - PFS (financnasprava.sk)
- customs clearance of consignments of goods from non-EU countries: e-commerce - PFS (financnasprava.sk)

A new e-commerce portal was launched for customs clearance of goods in consignments from non-EU countries not exceeding EUR 150 to be used from 1 July 2021. You can find out more here.

Taxes

# The Slovak Parliament again amends the Labour Code in respect of employees' meal allowance

The amendment to the Labour Code allowed some employees to choose the form of meal allowance as of March 2021. The new alternative to meal vouchers in the form of a financial contribution for meals has met with the need for further legislative regulation. The amendment to the Labour Code is in the first reading at the current June Council's meeting and modifies several disputed points.

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The proposed Amendment brings several clarifications of the current legal status that we have covered in the previous article. At the same time, it modifies the unclear issues that have resulted from application practice.

***What issues does the current amendment address?***

According to the Explanatory Statement, the aim of the proposed legislation is to remove unclear issues and different tax and social security impacts of the chosen forms of meals. In addition, it responds to justifiable arguments about the disproportionate administrative burden.

The legislative changes are brought in the following questionable areas:

**1. Change in the amount of the meal allowance** - the employer will be able to provide instead of the current statutory 55% (i.e. a maximum of EUR 2.81) 100% of the amount of meal allowance during business trip lasting 5-12 hours. It applies to each of the legal meal forms.

**2. Difference in the tax implications of the meal forms** - an increased contribution up to the amount EUR 5.10 will be exempt from personal income tax and social security contributions for the employees and will be considered as a tax deductible expense for the employer.

**3. Less bureaucracy** – the practice has pointed out complications in the advance payment of meal allowance while maintaining the purpose of the contribution. In order to reduce the administrative burden, the amendment to the Act brings a simplification - the employer will be able to provide meal vouchers and financial contribution in arrears for the past calendar month. It should eliminate practical problems with the meal entitlement calculation (e.g. vacation, sick leave, termination of the employment).

**4. New information for self-employed individuals („SEI“) and other SEI** - the amendment will also affect self-employed individuals who will be able to apply the amount of EUR 5.10 for meals for each working day. In addition, the obligation to document meals expenses will be abolished.

Once the amendment to the Act is approved by the Parliament it will enter into force on 1 January 2022.

After the June first reading, the next meeting of the Parliament is scheduled on September after the summer break. We will continue to monitor the development of the legislative process in this respect.

Legal

# Changes in First Aid from 1 July 2021

On 9 June 2021, the Government of the Slovak Republic approved a proposal to change the conditions and extend the period of implementation of the First Aid project aimed to support and maintain jobs during the time of the State of Emergency and the elimination of their consequences.

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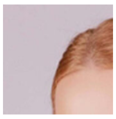

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Although the current epidemiological situation in Slovakia is developing positively and the economy is gradually recovering, the Ministry of Labour, Social Affairs and Family of the Slovak Republic has decided to extend the period of providing financial aid to employers and self-employed persons, to support sustainability of the jobs. The most significant change is to link the financial aid to the „COVID Automat, i.e. the amount of the contribution will depend on the current epidemiological situation in a particular district. If the applicant meets the stipulated requirements, it is possible to apply for the contribution until the end of 2021, i.e. until the bill that addresses the introduction of permanent regime of abbreviated work, the so called „Kurzarbeit" becomes effective.

In the following section, we list the basic conditions for drawing First Aid with link to „COVID Automat":

**Phase 3 (burgundy and black)**

In case of epidemiological situation being on **the III. and IV. level of warning** according to the Slovak „COVID Automat", contribution to employers and self-employed persons will be provided according to the rules of the project **First Aid ++, including Measure 3B**. Employers who manage to sustain job positions will receive a contribution to reimburse the wage costs per employee in the amount of 100% of the total price of work. According to Measure 3B, self-employed persons and employers can apply for a flat-rate contribution of up to € 870.

**Phase 2 (red and pink)**

In case of epidemiological situation being on **the I. and II. level of warning** according to the Slovak „COVID Automat", contribution to employers and self-employed persons will be provided according to the rules of the project **First Aid +, except for Measure 3B**. Employers can apply for contribution of 80% of the total price of the employee's work. During this phase, employers will not be able to apply for flat-rate contribution under the Measure 3B. According to Measure 2, self-employed persons are entitled to contribution up to € 810.

**Phase 1 (green)**

If the Slovak „COVID Automat" is not being declared on **the I. to IV. level of warning and at the same time there are maximum of 39 districts on the Level of Monitoring**, employers and self-employed persons will be provided a contribution according to rules of the project **First Aid, except for Measure 3B**. Employers can apply for contribution to reimburse wage costs per employee in the amount of 80% of gross wages. As in the Phase 2, employers will not be able to apply for flat-rate contribution according to Measure 3B. According to Measure 2, self-employed persons are entitled to contribution up to € 540.

**Phase 0 (green)**

If the Slovak „COVID Automat" is not being declared on **the I. to IV. level of warning and at the same time there are at least 40 districts on the Level of Monitoring**, the aid does not apply.

As the Slovak „COVID Automat" is updated on weekly basis, in order to simplify the system of contributions payment , the aid scheme will be set for the whole calendar month according to the prevailing number of days in the individual stages during a given calendar month. In case of equality of the number of days in particular month, a more favorable model will be applied. The transition between specific phases during one month will be possible by a maximum of two phases.

The Ministry of Labour, Social Affairs and Family will publish on a monthly basis up-to-date information about applicable level of the aid scheme in particular districts.

# What will EU Tax Reform bring to Business Taxation?

On 18 May 2021, the European Commission issued a communication on „Business Taxation in the 21st Century". The document follows up on the current discussions on international tax rules and presents its own tax agenda, which aims to continue the fight against profit shifting and help to rebuild the economy.


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The topic of the reform of the international corporate tax framework is still relevant. The OECD is working on a new global solution to the reform in two broad work streams - the pillars. The first pillar focuses on the partial re-allocation of taxing rights through a new distribution of profits. The second pillar deals with measures to ensure a minimum level of taxation, regardless of seat location.

The Commission introduces plans to establish a robust, fair and efficient business taxation system and to support the Europe's recovery in the short and long term. It also sets out a broader EU tax reform agenda with five action points for the next two years:

***Short-term initiatives***

**1. Greater public tax transparency** - certain large companies with operations in the EU will be required to publish an actual effective corporate tax rate.

**2. Fight against the abusive use of shell companies** - The European Commission will focus on new measures (Anti-Tax Avoidance Directive ATAD 3) against companies with no or limited real economic activity. The proposal is expected to include requirements for companies to disclose to the relevant tax authorities, information necessary to assess the (lack) of economic substance and rules to deny tax benefits where shell companies are used.

**3. Recommendation on the domestic treatment of tax losses** – in order to reduce the negative effects of pandemic and support small and medium-sized enterprises, Member States are encouraged to allow for the claiming of tax losses retroactively. Companies that were making a profit in the tax periods before 2020 would be able to offset their 2020 and 2021 losses against the already taxed profits from previous years. The limit of the claimed loss should not exceed the amount of EUR 3 million for one tax period.

**4. Tax advantages for equity-financed companies (Debt Equity Bias Reduction Allowance - DEBRA)** - The Commission commits to make a legislative proposal which should introduce a tax benefit for equity financing. The aim of the initiative is to address the debt – equity bias in corporate taxation.



***Long-term initiatives***

**5. Implementation of BEFIT (Business in Europe: Framework for Income Taxation)** - the long-term ambition is adopting a common set of tax rules. This new proposal will replace CCCTB (Common Consolidated Corporate Tax Base), first presented in 2011. BEFIT would consolidate the profits of the EU members of multinationals into a single tax base, to be subsequently allocated to Member States using a pre-defined formula that will replace the current transfer pricing rules.

According to the Communication, other future "green reforms" are also being considered, including a Carbon Border Adjustment Mechanism (CBAM) and revised EU Emissions Trading System (ETS).

In addition, on 14 July 2021, the European Commission will publish and discuss a forthcoming proposal for a digital levy as an independent initiative of the future global agreement. It is expected to have a relatively low tax rate and to serve as the own resource for the EU budget.

The deadline for the adoption of the final tax reform remains unclear, and it is questionable whether all 27 Member States will express the unanimous support. However, the European Commission refers to ongoing trends (COVID-19 pandemic, population aging, climate change, globalization), which call for adequate public revenues in the future.

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