

COVID-19 and government financial measures

On Wednesday, 02.04.2020, the National Council of the Slovak Republic approved a governmental bill on some extraordinary financial measures in connection with the spreading of dangerous contagious human disease COVID-19. We bring you an overview of these measures, which will come into effect on the day of publication of the Act in the Collection of Laws, which is expected in upcoming days on the following measures:

- in the field of taxes and accounting
- on financial assistance and
- measures for importing goods from abroad.

All these measures will apply as of 12.3.2020, when an emergency situation caused by the coronavirus has been declared in Slovakia and until the end of the calendar month in which the government withdraws the declaration of emergency situation (unless the longer duration is specified for individual measures; the government may extend the application of measures even after the emergency situation has been abolished).

I. Measures in the field of taxes and accounting

Income tax declaration and annual calculation

Income tax declaration that shall be filed within deadline that shall expire within a period of these measures (i.e. in particular the deadline of 31.3.2020, which applies to most taxpayers who have a fiscal year identical to the calendar year but also an extended deadline of 30.6.2020, if these measures continue during this time), **shall be submitted by the end of the calendar month following the end of the emergency situation** (when it is also necessary to pay the tax).

Within the same period, employers shall also carry out the annual calculation and income tax calculation for employees and shall deliver the documentation of these annual accounts to employees by the end of the second calendar month following the end of the emergency situation. Within this period of two months from the end of the emergency situation, the employer shall refund the difference between the calculated income tax and the total withheld income tax in favor of the employee and pay the employee a bonus, tax bonus or part thereof and the tax bonus on paid interest or its part.

The taxpayer has the possibility to notify his tax administrator of the extension of the period for submitting the tax declaration by a maximum of three months (even without reason) or by six months (if he received the income from abroad). Should such a postponement period also expire during the duration of these measures, the obligation to submit a tax declaration and to pay the tax shall be postponed until the end of the calendar month following the end of the

emergency situation. The extension based on the notification does not apply to taxpayers in bankruptcy or liquidation, such a taxpayer shall apply for an extension of the time limit, yet the tax administrator is not obliged to comply with such a request.

Electronic communication

Persons who are not required to communicate with the financial administration by electronic means using a certified electronic signature or through a designated electronic interface (e.g. VAT declarations) may make submissions and communicate with the financial administration via email and do not need to complete such submission in paper form (typically as for non-business individuals). In the case of errors in such filing, the financial administration will also communicate in the same form. In this context, we would like to point out that the burden of proof of a particular filing is still borne by the person making the submission and it is not clear how the email filing shall be proved.

Extension of deadlines

The failure to meet deadline during the application of these measures shall be forgiven if the taxable person takes such action at the latest by the end of the calendar month following the end of the application of these measures (for the deadline to file income tax return and paying the tax covered are governed by the above stated measures, not this general measure).

Service by hand delivery

ATTENTION, an important change occurs when delivering financial administration consignments that are destined to the addressee's hands. While applying these measures to the by hand delivery, it is sufficient for the post office to deliver a notice of deposit with a withdrawal period (or otherwise specified by the postal service itself!) after which the consignment is deemed to have been delivered irrespective of whether the addressee has been informed. **This means that the postman does not actually have to deliver the consignment, nor does it make a second attempt to deliver it, he can just announce its deposit at the post office.**

Suspension of tax proceedings

Tax proceedings initiated prior to the declaration of an emergency situation shall be suspended at the request of the taxpayer, the previously suspended proceedings shall not be continued and the tax proceedings initiated during the application of these measures shall be suspended on the day following the initiation of the proceedings. Proceedings shall be suspended in the above stated cases automatically; the financial administration has no possibility to reject the interruption.

Although the legislature has not made a clear statement regarding the continuation of such interrupted proceedings, we consider that such interrupted proceedings will continue after the emergency situation caused by coronavirus has been abolished (as is quite clear from the explanatory memorandum to the bill).

However, the suspension of tax proceedings does not concern proceedings in which a refund of the tax overpayment is decided – the overpayments will therefore be refunded as before.

Nor are there any interruptions to VAT deduction proceedings. In such cases, the proceedings may be suspended only if the personal involvement of a person who disagrees with his participation because of the pandemic is necessary for the proceedings.

Suspension of certain time limits

During the period of application of these measures, there shall be no time limit for the extinction of the right to levy tax, the right to enforce tax arrears or a limitation period for the enforcement of the tax arrears.

If during the period of application of these measures, the time limit for payment of the tax that shall be paid by the taxpayer expires by the end of the calendar month following the end of the emergency situation caused by coronavirus, such payment delays shall not be considered tax debt. Nor will the financial administration charge any interest on such late payments.

Torts

The taxpayer shall be relieved of his liability for a breach of the obligation to submit an additional income tax declaration within the prescribed period if that period has expired during the period of these measures and if the taxpayer fulfills this obligation by the end of the calendar month following the end of the measures. The fine for the higher tax under the additional tax declaration will only be calculated until the date of the declaration of the emergency situation.

The tax execution is postponed for the duration of these measures (however, the legal effects of acts performed during the declaration of the emergency situation until the effective date of the Act on these measures remain preserved).

Motor vehicles tax

The period for submitting the tax declaration and due date of motor vehicles tax which did not expire before the declaration of the emergency situation caused by coronavirus or started after its declaration, is considered to be met if the tax declaration is submitted and this tax is paid by the end of the calendar month following the cancellation of the emergency situation.

Administrative fees

Administrative fees for the acts and proceedings of administrative authorities necessary to mitigate the negative consequences of the COVID-19 pandemic are temporarily abolished. However, the legislature does not specify in any way what administrative fees shall be affected.

Measures in the field of accounting

Obligations under Act no. 431/2002 Coll. on Accounting as amended, for which the time limit was expired during the period of these measures, shall be deemed to be duly fulfilled if they are completed by the end of the third calendar month following the end of the state of emergency or till the time limit expiration of submitting the tax declaration (depends what

will occur first!). However, the same applies in case the obligations under the Accounting Act could not be fulfilled for objective, personal or technical reasons due to the negative consequences of the COVID-19 pandemic if they are done within the same time limit.

The time limit for imposing fines under the Accounting Act is also suspended for the duration of these measures.

Other measures

In addition to measures intended for taxpayers, the legislature adopted measures allowing home office also for financial administration employees or postponement of the performance of the service evaluation and submitting asset declaration of financial administration employees within sixty days of the cancellation of the state of emergency.

II. Financial assistance

Financial assistance to entrepreneurs, as proposed by the government and approved by the parliament, is intended for small and medium-sized enterprises, i.e. entrepreneurs with less than 250 employees and whose annual turnover does not exceed EUR 50 million and / or the total annual balance sheet does not exceed EUR 43 million (and at the same time the European *de minimis* rules on state aid are not exceeded).

This financial assistance may be provided by the Ministry of Finance (not mandatory!) in the form of a loan security, or in the form of interest payments on a loan provided by the Export-Import Bank of the Slovak Republic (Exportno-importná banka Slovenskej republiky) or the Slovak Guarantee and Development Bank (Slovenská záručná a rozvojová banka, a.s.; therefore, the financial assistance does not concern loans granted by commercial banks).

Details on how to apply for financial assistance will be determined by the Ministry of Finance.

Loan security

The Ministry of Finance may undertake to fulfill obligation to the bank instead of the entrepreneur if the latter fails to do so, but only if the entrepreneur:

- a) is not a facilitator of employment for a reward or is not a temporary employment agency;
- b) has no debt to the social insurance or health insurance company overdue for more than 180 days,
- c) is not in bankruptcy or restructuring and
- d) meets the conditions laid down by the bank.

If the Ministry of Finance fulfills the obligation to the bank instead of the entrepreneur, the Ministry will then be able to enforce this obligation from the entrepreneur together with interest (including the possibility to delegate the enforcement of the claim to other persons).

Payment of interest on the loan (so-called interest bonus)

The Ministry may grant an interest bonus to the employer if:

- a) for the period specified in the loan agreement concluded between the bank and the small employer, he will maintain the level of employment specified in the loan agreement and
- b) at the end of that period, the employer shall have no obligations for social insurance premiums, for compulsory pension savings contributions or for compulsory public health insurance overdue against the social insurance institution or the health insurance institution beyond the amount specified in the loan agreement.

The measures do not address the situation how the bank will proceed with entrepreneur if he fails to meet the conditions for interest bonuses, it is only stipulated that the bank will in this case be obliged to repay the interest to the Ministry. Thus, it can only be assumed that the agreement with the bank will in this case also regulate the obligation of the entrepreneur to pay interest additionally (even the explanatory report on the bill does not clarify the intention of the government in this case).

III. Measures for the importation of goods from abroad

For the duration of these measures, goods imported from abroad are exempt from payment of import duties and value added tax if these goods are distributed to people affected by coronavirus or COVID-19 disease free of any charge or for persons assisting in preventing the spreading of coronavirus or disease COVID-19 and these goods are imported by a charity organisation approved by the Ministry of the Interior of the Slovak Republic.

As a charity organisation or welfare association for the purpose of importing goods exempt from import duties and value added tax, the Ministry of the Interior shall approve applying person who, according to the data entered in a register kept by the Ministry of the Interior

- a) provides health care, social assistance or humanitarian care,
- b) supports the public benefit purpose of carrying out individually targeted humanitarian aid for an individual or group of people who are in danger of life or who need urgent assistance in a natural disaster, or
- c) engages in any other activity of a charitable or welfare nature.