

RED ALERT!

Inbound income tax changes!



What follows is a brief outline of the major changes that have been introduced in 2013 by the Amendment to the Act on Income Tax, and have negative impact on the Slovak tax payer:

Limit on the total amount of lump sum expenses

Starting in 2013, a monthly limit of 420 EUR has been introduced for the tax payers who apply lump sum expenses. This limit applies to each month of business activity. This change will affect tax payers with an average monthly income higher than 1,050 EUR. The lump sum expenses are applied by those tax payers who have income from business activity or other self-employment activity, do not apply provable tax expenses and are not VAT payers. Instead of applying lump sum expenses, these taxpayers may consider the possibility of keeping accounting or tax evidence if their provable tax expenses exceed the average monthly amount of 420 EUR.

Lump sum expenses by rental income

From 2013 onward, it is no longer possible to apply 40% lump sum expenses on taxable income from rentals. The tax payers will have to record and apply provable tax expenses by keeping books or tax evidence in accordance with §6 par. 11 Income Tax Act (ITA).

This change will mostly affect the lessors of land (with no tax depreciation) by which the 40% of lump sum expenses, in general, highly exceeded their provable expenses.

This change has significant impact also on lessors of other "tax depreciation" real estate, which the lessors did not want to include

into business property and depreciate. If these taxpayers applied their expenses in the form of lump sum expenses till the end of 2012, they had the right to tax exemption on income by property sale in accordance with §9 par. 1 ITA.

Tightening of conditions by claiming the tax bonus

Since 2013 it is possible to claim the tax bonus only if the taxpayer reaches the minimum income (six times the minimum wage) and this only from so-called active income (e.g. income from business activity, income from employment or other forms of self-employment activities from which the taxpayer does not declare a tax loss). Until the end of 2012, it was also possible to claim the tax bonus

from so-called passive income in accordance with §6 ITA (such as rental income, income from use of works of art, income from artistic performances etc.).

Increase in the income tax rate

In accordance with the amendment to ITA, effective from January 2013 onwards, two personal income rates have been introduced depending on an individual's tax base. If the tax base does not exceed the amount of 176.8 x the Subsistence Minimum (i.e. 34,401.74 EUR in 2013), a Personal Income Tax rate of 19% will be applied. The part of the income which exceeds the tax base will be subject to a newly introduced 25% Personal Income Tax rate. The corporate income tax rate has been increased to 23%.



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AMERICAN CHAMBER OF COMMERCE
IN THE SLOVAK REPUBLIC



2013 year of regional development

AmCham General Assembly

SAVE THE DATE 2013

Wednesday, May 15, 2013
6:00 p.m. - 9:00 p.m.
Café Reduta, Mostová 3,
Bratislava

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