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#ACCOUNTING

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Tax and Accounting News





1.

Latest Interpretations of the Financial Transaction Tax Act

The Slovak Financial Administration regularly updates and publishes the latest interpretations regarding the application of the Financial Transaction Tax Act (the “FTT Act”) on its website. Below is a summary of the most important developments:

- Deadlines for the first tax periods (April 2025 – June 2025)

According to the current interpretation, the deadline for filing the notification and paying the tax for the first three tax periods (i.e. April, May, and June 2025) is **31 July 2025**. However, this deadline applies only to those taxpayers who are also liable to pay the tax (other than banks), and who fall within the scope of Section 3(3)(c) of the FTT Act (i.e. use of a foreign bank account) in combination with Section 3(3)(d) (i.e. re-invoiced costs). This concession does not apply to those taxpayers who became liable solely on the basis of re-invoiced costs.

- Interest within cash pooling arrangements

Under Section 4(2)(t) of the FTT Act, a financial transaction is not subject to tax if it involves a payment operation with a single payment service provider related to the automated balancing of account positions within a group of taxpayers forming a consolidated group for which consolidated financial statements are prepared. Other financial transactions, such as payments to third parties (e.g. suppliers), clearing, and the offsetting of receivables and liabilities, which represent re-invoiced costs in a cash pooling structure, are subject to tax. **Interest paid on negative balances within cash pooling is also subject to the tax.**

- Treatment of re-invoiced costs in the settlement of insurance claims

According to the latest interpretation by the Financial Administration, where an insurance company covers an invoice for vehicle repairs as part of the settlement of an insurance claim, this payment is subject to financial transaction tax, but is **not considered re-invoiced costs**. The financial transaction tax notification is typically filed by the insurance company's payment service provider (i.e. the bank). If a portion of the invoice from the vehicle repair centre is covered directly by the insured party, the tax is again typically settled by the insured's bank.

- Treatment of re-invoiced costs related to business travel expenses

When an employee is sent on a business trip and the employer reimburses them for related expenses (e.g. accommodation, meals, use of a private car for work, and other costs), this is not deemed re-invoiced costs under the FTT Act. If the employer provides a travel advance or reimburses the employee from its transaction account (e.g. alongside salary payments), the taxpayer liable to pay the tax is generally the employer's bank. If settlement is in cash, the transaction is not subject to the financial transaction tax.

However, if the employee pays for an invoice made out to the company from their own funds during the trip and then requests reimbursement, this would constitute re-invoiced costs of the company (the employer), based on current FTT Act interpretations by the Ministry of Finance. The company must consider the nature of the transaction, i.e. the method of payment. If the employee pays in cash or by card, the transaction is not subject to financial transaction tax. In any event, if the business trip is settled and the costs reimbursed to the employee from the company's transaction account, the company would face significant administrative difficulty in avoiding the tax, since the bank may not be aware that the transaction is outside the scope of the tax.

- Paying the financial transaction tax

The tax is paid to account number 501403-OÚD (where OÚD = taxpayer's personal account)/8180 in IBAN format. The variable symbol format is 1700MMYYYY, where MM (01–12) indicates the calendar month and YYYY the calendar year for which the FTT is being paid. For the June 2025 tax period, the variable symbol would be 1700062025.

According to preliminary unofficial reports, a further amendment to the FTT Act is being prepared (in addition to the one reported last month), including changes in the interpretation of re-invoiced costs in various practical contexts, which are expected to diverge from the Ministry of Finance's original guidance. We continue to monitor developments in the FTT Act and its interpretation and will keep you informed of further developments.

2.

Reduction in the ECB base interest rate effective as of 11 June 2025

The European Central Bank (ECB) reduced the base interest rate (the main refinancing operations rate) from 2.40% p.a. to 2.15% p.a., effective as of 11 June 2025.

Under the Tax Administration Act, the tax authority applies rates linked to the ECB base interest rate when calculating penalties for administrative tax offences and late payment interest.

Overview of penalty and interest rates applied by the tax authority pursuant to Sections 155 and 156 of the Tax Code (Act No 563/2009 on tax administration):

| Administrative offence under the Tax Code | Section 155(1)(g) 1 × ECB base rate (min. 3% p.a.) | Section 155(1)(h) 2 × ECB base rate (min. 7% p.a.) | Section 155(1)(f) 3 × ECB base rate (min. 10% p.a.) |
|---|--|--|--|
| Type of penalty | FINE (e.g. for increasing the declared tax in a supplementary tax return) | FINE (e.g. for increasing the declared tax in a supplementary tax return submitted after a tax audit has started) | FINE (e.g. for additional tax charged by the tax authority) |
| From 11/06/2025 | 2,15 % p.a. (min. 3 % p.a.) | 4,30 % p.a. (min. 7 % p.a.) | 6,45 % p.a. (min. 10 % p.a.) |
| 23/04/2025 – 10/06/2025 | 2,40 % p.a. (min. 3 % p.a.) | 4,80 % p.a. (min. 7 % p.a.) | 7,20 % p.a. (min. 10 % p.a.) |
| 12/03/2025 – 22/04/2025 | 2,65 % p.a. (min. 3 % p.a.) | 5,30 % p.a. (min. 7 % p.a.) | 7,95 % p.a. (min. 10 % p.a.) |
| 05/02/2025 – 11/03/2025 | 2,90 % p.a. (min. 3 % p.a.) | 5,80 % p.a. (min. 7 % p.a.) | 8,70 % p.a. (min. 10 % p.a.) |

Source: Internal calculation

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|-------------------------------------|--|
| Type of interest under the Tax Code | Section 156(2) 4 × ECB base rate (min. 15% p.a.) LATE PAYMENT INTEREST |
| From 11/06/2025 | 8,60 % p.a. (min. 15 % p.a.) |
| 23/04/2025 – 10/06/2025 | 9,60 % p.a. (min. 15 % p.a.) |
| 12/03/2025 – 22/04/2025 | 10,60 % p.a. (min. 15 % p.a.) |
| 05/02/2025 – 11/03/2025 | 11,60 % p.a. (min. 15 % p.a.) |

Source: Internal calculation



3.

Latest VAT developments

- Restriction of the input VAT deduction on the acquisition of motor vehicles and related expenses

In connection with the restriction of the input VAT deduction on the acquisition of motor vehicles and expenses related to their use, as reported in a previous issue, we note that the planned amendment to the VAT Act, intended to transpose this restriction into law with effect from 1 July 2025, has **not yet been published by the Ministry of Finance of the Slovak Republic**. We will keep you informed of further developments.

- CJEU Judgment C 262/24 – Pegazus Busz

Pegazus provided bus transport services and claimed input VAT based on invoices from subcontractors who failed to remit output VAT. Some of these subcontractors employed the same staff as Pegazus, who consistently took instructions from the same individual, used the same vehicles, operated from the same address, and had their VAT returns submitted by the same person for a period of time.

Although the subcontractors eventually paid the output VAT, the tax office challenged Pegazus Busz's right to deduct the input VAT, citing suspected tax fraud. However, the tax office did not inform Pegazus which subcontractor this matter concerned and demanded that the company carry out checks on subcontractors in relation to the VAT deduction – checks which the company was not legally obliged to perform. Nor did the tax office examine inconsistencies in employee statements or the fact that the person managing staff in one company also acted as the designated contact person in the subcontracting agreements.

The Court of Justice of the European Union ruled that – under the right to a fair trial enshrined in Article 47 of the Charter of Fundamental Rights of the European Union – **a taxable person must be made aware of the evidence relied upon by the tax office when alleging the person's involvement in tax fraud, and must have the opportunity to challenge that evidence in the relevant judicial proceedings.**

In accordance with the principle of primacy of EU law and Article 267 of the Treaty on the Functioning of the European Union, a national court is required to disapply domestic procedures that it considers incompatible with EU law, particularly in light of the CJEU's case law, without needing to refer the matter to the CJEU beforehand.

In June 2025, the Slovak Financial Administration's website also published several VAT-related updates, a brief summary of which is provided below:

- Introduction of reverse charge mechanism on imports of goods from 1 July 2025

In relation to the introduction of the reverse charge mechanism for VAT on imports of goods from third countries as of 1 July 2025, the Slovak Financial Directorate has issued a press release detailing this new approach. Until 30 June 2025, VAT on imported goods was assessed and collected by the customs office, with due dates determined under customs regulations (unless otherwise provided for by law). From 1 July 2025, in clearly defined cases involving imports from third countries, the tax office will become the competent authority. This reverse charge mechanism means that importers themselves will declare and report the VAT in their tax return.

This approach applies to imports from third countries where a VAT liability arises under Section 21(1)(a) or (b) of the VAT Act:

- by the release of goods into free circulation, including final use; or
- by the release of goods under the customs procedure “temporary use with partial exemption from import duty”;

and where, at the time the tax liability arises, the declarant (importer) in whose name the customs declaration is submitted:

- has a registered office, place of business, or permanent establishment **in Slovakia**; or, if not, has a place of residence in Slovakia;
- holds a VAT registration number under Section 4 or 4b of the VAT Act; and
- **has a valid authorisation granting the status of authorised economic operator (AEO) under customs regulations (any valid type of AEO status is accepted).**

The reverse charge mechanism is applied automatically when submitting the customs declaration for release into the relevant customs procedure, provided that the importer meets the above criteria. There is no need to apply for its use.

Where VAT liability arises under this mechanism, the importer is obliged to calculate the VAT upon import of the goods and declare it in their VAT return for the tax period in which the liability arises.

- Questions and answers on simplified invoices up to €400 and input VAT deduction from 1 January 2025

This information is intended primarily for VAT-registered persons who are required to issue sales receipts via the e-KASA client cash register system, and also for their customers (if also VAT-registered) who claim input VAT based on these receipts, or in certain specified cases are not entitled to do so.

Full details, including practical examples, are available [here](#).

4.

Information on amendments to the Income Tax Act (Act No 595/2003, as amended)

In June 2025, the Slovak Financial Administration's website published the following updates relating to amendments to the Income Tax Act:

- 19/DZPaU/2025/I – this update concerns amendments to the Income Tax Act in connection with Act No 104/2025 amending Act No 440/2015 on sport. The changes relate exclusively to personal income tax, clarifying the treatment of income received by athletes and sports professionals under Section 6(2)(e) of the Income Tax Act, as well as other income under Section 8(1)(p) received by such individuals under sponsorship agreements;
- 20/DZPaU/2025/I – in connection with Act No 141/2025 amending Act No 376/2022 on professional foster parents. With effect from 1 January 2026, Section 9(2)(b) of the Income Tax Act is amended to exempt from tax any financial contribution granted to a professional foster parent for the adaptation of housing pursuant to a special regulation;
- 21/DZPaU/2025/I – relating to the amendment to Act No 152/2025, introducing a new category of “other assets” under Section 22(6)(f) and (g) of the Income Tax Act. This concerns technical improvements and repairs amounting to at least 10% of the acquisition cost of buildings used for the provision of accommodation services under an accommodation agreement or for sporting purposes. The depreciation period for such assets is set at six years. This new asset category is added as items 2-40 and 2-41 under depreciation group 2 in Annex 1 to the Act. The total value of the improvements and repairs will be depreciated separately from the building on which they were carried out over the fixed six-year period. In addition, the depreciation period is shortened for buildings used to provide accommodation services under an accommodation agreement (including associated services), and for buildings and sports facilities used for sporting activities;
- 22/DZPaU/2025/I – the Slovak Financial Directorate has announced that, with effect from 1 July 2025, the wording of Section 9(2)(e) of the Income Tax Act is amended to provide that the benefits defined therein are exempt from tax if provided in connection with assignment to operational, standby, or defence reserves under Act No 150/2025 on certain measures to increase the resilience of the Slovak Republic in the field of defence and security and on conscription.

If you have any further questions or need additional information, feel free to contact us at the following email address.

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*** Please note that the above information is of a general and informative nature and should be interpreted within a broader legislative context.** For specific cases, we recommend requesting an individual opinion. We do not accept responsibility for any actions taken based on the information provided.