

Amendments of laws - contributions to bookkeeping and tax areas

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Recently the Law on income tax and on VAT were updated markedly in the frame of the package of measures for the economic crisis impact elimination. One of the amendments main targets was to create favourable conditions for business in connection with financial crisis. The meaning of this paper is to proximate main changes, which will influence the building sector to the most extend as well as to make the analysis whether particular tools will have really important influence to reduction of tax burden of entrepreneurial subjects.

Modifications in property depreciation

The main result of the law amendment in property depreciation is increasing the market entry price of depreciated tangible property from original 996 EUR to 1700 EUR and increasing the market entry price of depreciated intangible property from original 1660 EUR to 2400 EUR. The goal of this provision change was to enable including the property in higher market entry price directly to tax expenses like it was established originally, and to enable reducing the tax basis directly in the year of the property procurement and not through applying depreciations.

However, the increase of the entry price in the Law on income tax has the direct consequence to increasing the entry prices for bookkeeping purposes too, it means for the purposes of judging, whether the concerned property can be regarded the long-term property, to put it into using and depreciate within bookkeeping, or to consider it be stocks and to book in it directly to expenses. However, each accounting entity can decide considering the property be long-term small one in case of the property with the entry price lower than stated in the Law on income tax. In this case the height of book depreciations would be equal to tax deduction.

The mentioned criterion of the higher entry price is needed be taken for bookkeeping purposes in case the property was put into using after February 28, 2009. The property put into using till this date, which appreciation will not meet the new height of the entry price, will be still regard be the long-term property for bookkeeping purposes, but for tax purposes the taxpayer can decide either to continue in the already adjusted tax depreciating or to use the single-shot decrease of the tax basis in year 2009 by the tax net value. It means that double look to property exists in year 2009 - the so-called old property and new property respectively.

With the attribute „long-term small property“

The binding the Law on income tax to bookkeeping seems to be purposeless from the entry prices point of view. In the interest of accurate reporting financial statement auditors as well as management in practice will press so as middle and big companies would also include the property, which the accounting entity will use longer than one year, among long-term small properties. In spite of that its entry price could be under the amount stated in the Law on income tax.

In case of such long-term small property the Law unable one-shot tax depreciation and its simultaneous bookkeeping and depreciating in case of the property included into bookkeeping since March 2009 as it is modified by the temporary regulation of the Law on income tax and processes of bookkeeping in case of the property included till March 2009. In the final consequence it will have the consequence that the

assignment of higher entry prices will be able to use practically just independently gainfully employed persons and small companies, which apprehend the bookkeeping more like a tool for enumeration of their tax liability.

New appendix to the Law on income tax

Elaboration of the new appendix n° 1 to the Law on income tax - the Amendment of the appendix led to displacing certain items of property to lower depreciation groups. For example, machines for food, textile, cloth-producing, leather industries, agricultural and forest machines, printing machines were displaced from the third depreciation group to the second one, wheeled loaders, excavating machines, uplifting and handling machines, electric distribution and control equipments from the second depreciation group to the first one. The mentioned change will cause shortening certain kinds of property tax depreciating, what is needed be judged highly positively, mainly for companies in the production segment.

Change of purchase expenses definition

The expressive change is difference in understanding purchase expenses from tax and bookkeeping points of view. They are not considered be intangible property more, which could be considered for long-term intangible property in case of its entry price would over cross 1660 EUR. In term of new wording of the Law they are always accounted according to character of their creation to the concerned cost account regardless of their value. Residual value of depreciated purchase expenses from past will include into tax expenses in the taxable year for which the tax declaration is handed in after February 28, 2009 in accordance with the temporary provision. The concerned change is just a small cosmetic treatment because of the average amount of the purchase expenses in SR would not over cross the value of 2400 EUR like the new border for depreciating intangible property, what also would lead just only to direct bookkeeping purchase expenses to costs in case of majority of companies in the final consequence while keeping the current understanding, because they would not be considered be long-term intangible property.

Depreciation of till now not approved buildings

In accordance with the change of bookkeeping processes it is enabled to also put into using and consequently to depreciate tangible properties, to which the permission for early using the build-up was only issued or based on the decision on temporary using the build-up for test operation. Such depreciation can be used first time in the taxable year finishing after February 28, 2009. In the taxable year, within which the permission for early or temporary using is not prolonged, the depreciating will be necessary to interrupt till the taxable year when the concerned building office prolongs the using again or issues the certificate of practical completion.

This change is mainly substantial from the reason that the situations were often created in practice when manufacturing factories launched producing their products in the unapproved buildings yet. In the final consequence it only led to unbalance caused by the fact that revenues from manufactured products sales had to be involved into the tax basis in the year of delivery but he could not apply the tax depreciation of the building if he did not obtain the building permission within the concerned year. It led to certain crediting the state in practice and postponing application of tax expenses to future.

Tangible property decomposition

The change of this provision enables to decompose tangible property to particular components, if the entry price of each particular part is higher than 1700 EUR. Technical and value data on each the decomposing able part have to be provided while doing that. In terms of the law amendment it is possible to component just those parts of buildings which are identified in the appendix n° 1 of the Law on income tax, as for example air conditions, moving stairways distributions of computer networks etc. While depreciating

particular parts are included into the same depreciation group to which all the property would be included excluding the decomposing able parts of buildings and build-ups, where inclusion according to the appendix n° 1 of the Law on income tax is respected.

Fiscal VAT group

New provisions have been adopted in the area of VAT, which implement the possibility of creating the so-called VAT group. The common registration of several taxable persons, which consider themselves, be one individual VAT payer is concerned. However, the firms have to be financially, economically and organizationally interconnected.

The advantage of the group registration is that the deliveries of goods and services among members of the group are considered be „the internal deliveries in the factory“ in the frame of one person for VAT purposes. Based on this basis invoices among persons in the frame of the group will not be issued VAT included, by which the system of pre-invoicing expenses among members of the group will get substantially easier. Current practical problems will also be eliminated, when one part of the chain had to pay VAT within pre-invoicing among interconnected persons and the excessive cost deduction could be created to another party, which the concerned person booked with the tax liability in following taxable year or its tax governor will return it after handing in the second income tax return definition with the excessive cost deduction.

The group will also be saving for the companies, which cannot deduct VAT in the full amount, because they are shortening it by the coefficient. For example daughter company invoicing to its mother bank, within which the daughter company would have to apply VAT at the output while the institute of VAT would not be applied and the bank would shorten the entitlement for the VAT deduction by its coefficient.

Renting tangible property

With validity as per April 01, 2009 the Slovak Law on VAT enables the right of option to a renter to apply VAT against tenants, which are not VAT payers, but are taxable persons. It is questionable to which extent the renters will apply this possibility, because in the final consequence the application of VAT would mean increase of rental price for VAT nonpayer. On the renter side the application of VAT while renting to taxable persons who are not VAT payers would lead to the possibility to obviate calculation of the coefficient.

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