

The amendment to the VAT Act



The amendment transposes European law on the remote provision of services, the distance sale of goods and the decrease of the tax base in the event of bad debts into Act No. 222/2004 Coll. on VAT. The amendment to the VAT Act **will become effective as of 1 January 2021**, provisions relating to the distance sales of goods, will be effective as of 1 July 2021.

Bad debts

The new Article 25a would allow taxpayers to decrease the tax base and VAT via VAT return if customers fail to pay for domestic supplies of goods and services and the receivable becomes irrecoverable.

Amendment defines when a receivable is considered to be irrecoverable, and when it is not possible to reduce the tax base. Before decreasing the tax base, taxpayers must issue a corrective document with all law requirements, and send it to the debtor if the debtor is a taxable person. The Act specifies a three-year period for the reduction of the tax base and defines situations during which this period must be suspended. All reductions of the tax base for irrecoverable debts must be stated in control statements and in VAT records.

Due to the fact that whole adjustment procedure is quite demanding and definition when a receivable is considered as irrecoverable is strictly designated, the possibility of adjusting the tax base was also added for bad debts of low value. Debts of less than EUR 300 including VAT and overdue for more than 12 months may be considered irrecoverable.

Should you have any queries please contact us.

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Distance selling

As of 1 July 2021, new European VAT rules for business-to-consumers (B2C) transactions will apply, impacting suppliers of services, goods, marketplaces and postal couriers. Distance selling as we know it, will be applicable only until 30 June 2021.

After that, optional declarative system, called the One-Stop-Shop or "OSS") to both B2C suppliers of services and goods, avoiding multiple VAT registrations and reporting obligations in the EU. Seller could be registered only in one member state and will be submitting one VAT return with data for all members state, where he send goods.

The news:

- An extension of the optional declarative system to both B2C suppliers of services and goods, avoiding multiple VAT registrations and reporting obligations in the EU (called the One-Stop-Shop or "OSS");
- The abolition of the "distance sales threshold" and the creation of a unique and common threshold of EUR 10,000 throughout the EU up to which B2C EU cross-border supplies remain subject to the VAT rules of the Member State of dispatch, and above which supplies become subject to the VAT rules of the Member State of destination;
- The abolition of the exemption for imported goods with a negligible value not exceeding €22;
- A single report scheme covering sales of imported goods to EU consumers up to a value of €150 and for which a VAT exemption upon import will apply if the trader declares and pays the VAT at the time of the sale using this declarative system (called the Import One-Stop-Shop, or "IOSS");
- The possibility to make Customs declarants (e.g. postal operators or courier firms) liable to collect import VAT from consumers via a monthly payment;
- The shift of EU VAT liability to marketplaces when they facilitate the delivery of goods to the EU consumers.

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