



## Tax Reliability Index

**As of 1 January 2022, Act No. 563/2009 Coll. On Tax Administration (Tax Code) was changed. In this connection the Tax Reliability Index (so-called public index) was also modified. The Financial Administration of Slovak Republic delivers the notifications about the Tax Reliability Index to the taxpayers. Do you know what the assigned Tax Reliability Index means to you?**

Since 2022, the Index of Tax Reliability was comprehensively modified. The index was first introduced in Slovakia in 2018 in order to fight against tax frauds and to motivate taxpayers for voluntary fulfilment of tax obligations.

### **What is the Tax Reliability Index?**

The Tax Reliability Index is an assessment of a taxpayers. It applies to all persons registered for income tax which have income from business activities, i.e.:

- legal entities with income from business and
- natural persons who have income from business or other self-employed activity.

At the same time, these tax subjects have to be registered for income tax for at least two years.

An important change from 2022 is the publication of the assigned Tax Reliability Index of taxpayers (public list) and the determination of evaluation criteria.

The framework criteria for determining the tax index are laid down by an individual Decree of the Ministry of Finance of the Slovak Republic. For assessment of tax subjects, it is important the fulfilment of obligations towards the Financial Administration, such as compliance with tax and customs regulations, compliance with the Act on the use of electronic cash registers, Accounting Act, submission of the income tax returns and value added tax returns, reports, recapitulative statements, payments of taxes and customs debts on time and in full amount, as well as the results of the tax inspections. The assessment also considers the economic indicators of an individual tax subjects, such as the social significance of the tax entity as an employer (number of employees) or the contribution to the state budget (the amount of income tax paid).

The most important evaluation criterion is the overview of tax arrears of tax subjects.

Details concerning the claims, economic indicators, principles, and the methods of assessment the Tax Reliability Index have been published by the Financial Directorate of the Slovak Republic on its website.

### **Benefits for tax subjects**

According to the defined criteria, tax subjects are divided into groups: highly reliable, reliable, unreliable, not evaluated (in case they do not meet the conditions for inclusion in the assessment).

Highly reliable and reliable subjects will be provided with special benefits from tax administrator, such as a reduction of the fee for a binding opinion and for issuing a decision on the application of a particular transfer pricing method by half, issuing a partial protocol by the tax administrator within the VAT inspection on the eligibility of a claim for a VAT excess deduction as well as setting deadline of 15 days for replying to the appeal during the tax inspection or local investigation.

The benefits allocated to highly reliable and reliable tax subjects have been published by the Financial Directorate on its website.

In case of unreliable tax subjects, the tax administrator will apply only the restrictions provided by law. The only disadvantage at present in the setting deadline of 8 days for the fulfilment of obligations in connection with tax inspections or local investigation. According to request of the tax subject, this period may be extended accordingly.

### **Notification on the Tax Reliability Index**

The Financial Administration shall send a notification on Tax Reliability Index to the taxpayer no later than 30 days after the end of two years since the taxpayer was registered for income tax. Tax subjects who have received a notification on special tax regimes and tax subjects that have been registered for income tax before 31 December 2019 and who have not received a notification on special tax regimes, will receive notification no later than 30 June 2022.

The notification should also state the reason for a specific assessment. If the taxpayer does not agree with the assessment stated in the notification on the Tax Reliability Index, he will be able to file an objection within 15 days of receipt of the notification.

The Financial Directorate will publish a list of tax subjects to which the Tax Reliability Index has been assigned on its websites by 30 September 2022 at the latest. Information on the assigned Tax Reliability Index of the tax subject will also be public.

The Tax Reliability Index will be assessed every six months. A new notification will be sent to the tax subjects only in case of any changes.

### **Changes in tax reliability index valid from 1.1.2023**

On 15 November 2022 the Financial Directorate published on its website a list of changes related to the evaluation criteria based on which the Tax reliability index is determined (further as "TRI"). These changes will become valid from 1.1.2023, i.e. for evaluation period ended as at 31.12.2022 the TRI is going to be determined based on the criteria published in 2022.

The changes in evaluation criteria bring mitigation (increase) of ranges for getting "negative" points, mainly from time perspective, as well as from arrears point of view, intervals for evaluation and breaching the provisions of the law.

One of the significant changes is the recognition of the suspensive effect granted by the court in connection with the evaluation of the taxpayer within all of the criteria.

From time point of view, the length of the delay considered in relation to the late submission of tax returns (e.g. for corporate income tax, personal income tax, VAT, vehicle tax), VAT control statement and mandatory reports will change, while the delay up to three days will not be taken into the account anymore.

There is a new evaluation procedure within the criterium No. 1 – Underpayments in tax and custom area. This will bring mitigation of evaluated range, the cancellation of interval for underpayments over EUR 50,001, and the possibility of being granted the half of points will be added. Half of points will be assigned in cases, when the underpayments in evaluated period of 6 months will appear for no more than 2 months including. The underpayments up to 5 EUR will be considered as nil.

In case of evaluation of tax subjects according to the economic indicator, the main change relates to determination of the considered period. For year 2023, the tax return and the

payroll report for calendar year 2021, or for an individual tax period ended by 30 September 2022, will be assessed.

The new categorization of tax subjects based on the received points has been approved. The indicator “Less reliable” instead of “Unreliable” taxpayer will be used.

If you are interested in more information on upcoming changes in evaluating criteria, we remain available.

## Contact

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