



## Amendment to the Accounting Act: Report on income tax information

A new act was published in the Collection of Laws of the Slovak republic, amending and supplementing Act No. 431/2002 Coll. on Accounting as amended ("amendment"). The adopted amendment introduces, among other things, the obligation for selected accounting units to prepare a report with information on income tax.

### Aim of the amendment

The purpose of the Amendment is to increase transparency and support the social responsibility of multinational undertakings by transposing the European Union's common rules as regards disclosure of income tax information by certain undertakings and branches (so-called public country-by-country reporting), and thus contributing to better public control over their activities.

The amendment stipulates for **ultimate parent and standalone undertakings with a cross-border aspect** and exceeding certain size criteria, the obligation to prepare a report with information on income tax (hereinafter referred to as the "Report") and file it in the Register of Financial Statements and the Collection of Deeds of the Commercial Register.

At the same time, conditions are also established, the fulfillment of which will result in the obligation for **large subsidiary**

**undertakings** and selected accounting units that are **branches of foreign legal entities** with headquarters outside the territory of the member states, to file in the Register of Financial Statements and in the Collection of Deeds of the Commercial Register a Report relating to their foreign ultimate parent or standalone undertakings.

## Who will be obliged to prepare/ file the Report

The amendment precisely specifies the conditions, based on fulfillment of which the accounting unit will be obliged to prepare/ file the Report.

Mandatory entities can be divided into three categories:

### 1. Ultimate parent and standalone undertakings

**The ultimate parent undertaking** is a business company that prepares consolidated financial statements of the largest body of undertakings, regardless of their headquarters.

**The standalone undertaking** is a business that is not part of any accounting entity group.

The conditions for fulfillment the obligation to prepare the Report must be tested in two consecutive accounting periods. The consolidated revenues of the ultimate parent undertaking and the revenues or net turnover of the standalone undertaking are tested. If their revenues (turnover) exceeds for each of the last two consecutive financial years a total of EUR 750 000 000, the mentioned accounting units will be obliged to prepare a Report, for the second of the tested accounting periods.

At the same time, the amendment determines exceptions when the obligation to prepare the Report does not apply to these accounting units.

### 2. Large subsidiary undertakings

If a large subsidiary undertaking has ultimate parent undertaking (with its seat outside a member state) whose consolidated revenues reported in its consolidated financial statements exceeded the amount of EUR 750,000,000 in each of the two consecutive accounting periods, the large subsidiary undertaking

will be obliged to file the Report regarding its ultimate parent undertaking (for the second accounting period from the two accounting periods mentioned).

If the large subsidiary undertaking will not have available the Report concerning its foreign ultimate parent undertaking and will not obtain all the required information for its filing, it will have to prepare and file the Report itself. It will have to state all available information in it, and, at the same time, declare that it was not disclosed all the necessary information.

Large subsidiary undertaking will be exempted from the obligation to file the Report concerning its foreign ultimate parent undertaking, provided this is freely accessible to the public in electronic format on the website of its foreign ultimate parent company, and one of the conditions specified in the law is met.

The obligation to file the Report will also apply to a business that is a micro or a small subsidiary, if this accounting unit performs its activity only for the purpose of avoiding this obligation.

### 3. Branch of a foreign entity

The branch of a foreign entity (registered in the Commercial Register and having headquarter outside a member state) will be obliged to file a Report regarding its foreign ultimate parent or foreign standalone undertaking, if in each of two consecutive accounting periods its net turnover exceeds the amount of EUR 8,000 000. At the same time, the conditions relating to the foreign entity that established the branch must also be met (e.g. it exceeds the level of revenues of

EUR 750,000,000 in each of two consecutive accounting periods).

As mentioned above, if the branch does not have the Report concerning its foreign founder at its disposal, nor does it obtain the required information for filing the Report, it will have to prepare and file the Report by itself. It will have to state all available information in it, and, at the same time, declare that it was not disclosed all the necessary information.

### **Content of the Report**

The content of the Report, the arrangement and labelling of the information, as well as the common template and electronic format of the Report, will be specified by the Ministry of Finance by means of a measure. This will be announced in the Collection of Laws of the Slovak republic, following the implementing act of the EU Commission (however, this has not been published yet).

According to the proposal, the Report should contain, for example, information about the group of enterprises, the number of employees, the amount of income, including the amount of income from transactions with related parties, the amount of the profit or the loss before tax, the amount of income tax incurred, the amount of income tax paid on a cash basis and the amount of accumulated profits as at the end of the relevant accounting period.

The accounting unit, which will have the obligation to file the Report, will simultaneously need to publish it on its website in the same electronic format, scope, language and within the same period as it was filed in the register.

Consequently, the Report must be published for at least 5 consecutive years from the end of the accounting period for which it was prepared.

The above shall not apply if it publishes on its website a link to the website of the registry where the Report is filed and freely accessible to the public.

### **Penalties for non-fulfillment of obligations**

If the accounting unit files a Report that does not contain the details established by the measure, the arrangement and the labelling of details is contrary to the provisions of the measure, or it has violated the provisions on filing of the Report, it commits an administrative offence.

A penalty from EUR 100 to EUR 10,000 may be imposed for such a breach.

### **Effectiveness and validity of the amendment**

The provisions of the amendment governing the obligation to prepare and publish the Report come into force on 22 June 2023 and will be applied for the first time when filing the Report for the accounting period starting on 22 June 2024 and later.

This means that companies with an accounting period of a calendar year will be required for the first time to prepare (file) a Report for the accounting period 1.1. – 31.12.2025, if the relevant criteria are met in the accounting periods of 2024 and 2025.

In case of any questions or uncertainties regarding the amendment, do not hesitate to contact us.

## Contact

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