

Bad Debt Relief (BDR) is introduced in Slovakia.

Do you have receivables from which you have paid VAT to the state budget and the customer has not paid it to you? We have a solution!!! Take advantage of the new possibility of adjusting your tax base and claiming back VAT from irrecoverable debts, introduced on 1 January 2021 by an amendment to the VAT Act.



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When can you adjust your tax base and paid VAT?

The new Article 25a allows taxpayers to decrease the tax base and VAT if customers fail to fully or partially pay for domestic supplies of goods and services and the receivable becomes irrecoverable.

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For VAT purposes, a receivable may become irrecoverable in the following cases:

- It is a low-value receivable whose value does not exceed EUR 300, including tax, and it is also more than 12 months overdue;
- The receivable, or debtor is the subject of legal proceedings:
 - Enforcement proceedings – on the day following the day on which 12 months elapse from the commencement of the enforcement proceedings
 - Winding-up of the debtor (legal entity) without a legal successor
 - Death of the debtor (natural person)
 - Bankruptcy
 - Debt relief / repayment calendar
 - Restructuring

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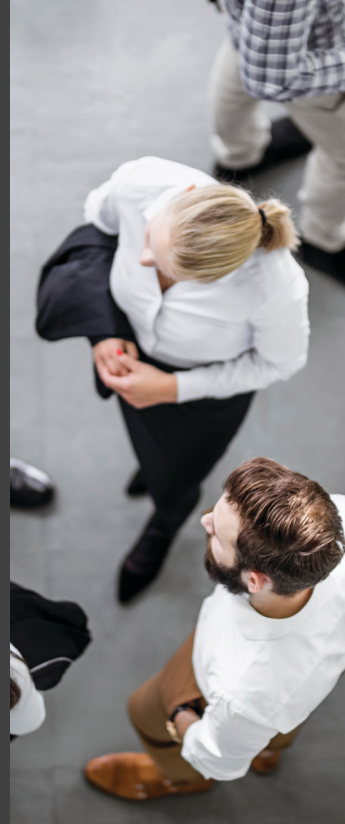
BDR may also be applied to receivables whose maturity is before 1 January 2021 if the conditions are met.

The VAT Act also stipulates a three-year period for the reduction of the tax base and defines situations during which this period should be suspended. Therefore, we recommend you analyse your receivables as soon as possible, so you do not miss the deadline for any receivables.



What you should pay attention to:

- Correct assessment of the fulfilment of the conditions for classifying a receivable as “irrecoverable” from the VAT point of view;
- Maximum periods for adjusting the tax base and VAT, suspension of periods and the amount of adjusted VAT;
- Obligations associated with the application of BDR - for example, issuing and sending a corrected document to the customer, recording the adjustment in the control statement and VAT evidence, etc.;
- The effect of the assignment of a receivable to another person or the subsequent receipt of a payment;
- Assessment of tax deductibility in accordance with corporate income tax legislation;
- Correct accounting in the event of the application of BDR to the tax base and in the event of the assignment of a receivable, or receipt of payment after application of BDR.





What can PwC help you with?

- Assessment of the fulfilment of the conditions for the application of BDR due to an irrecoverable receivable;
- Advice relating to the above problems;
- Assistance with correct reporting in VAT reports;
- Analysis of the effects of BDR from the corporate income tax point of view;
- Advice on accounting and recording of irrecoverable receivables;
- Automating the recording of receivables, evaluation of meeting the criteria for „irrecoverability“ from the VAT, corporate income tax and accounting point of view.

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