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NEWSLETTER SLOVAKIA

SETTING FOUNDATIONS

Issue:
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Basic information on EU funding for the 2021-2027 programming period

The year 2022 has brought significant changes in the area of European Union funding. In March this year, the National Council of the Slovak Republic approved Act No. 121/2022 Coll. on subsidies from European Union funds and on amendments and additions to certain acts, which regulates legal relations in the provision of EU funds from the new programming period 2021-2027. In November, the European Commission approved the Operational Programme Slovakia, which is a seven-year plan for investments from EU funds. So, what lies ahead in the 2021-2027 programming period?

The Operational Programme Slovakia is itself a change in the system of the EU funds. The previous six main operational programmes have been merged into a single one – with one set of rules, one methodology and one management. In the 2021-2027 programming period, Slovakia has a total package of 12,594 billion euros to invest in different targets. The Programme Slovakia has identified **key areas** of support as follows:

- Target "Competitive and Smart Slovakia" – focuses on the development of science, research, building smart cities and regions, digital solutions for citizens, businesses, research organisations and public administrations, the development of small and medium-sized enterprises, the development of skills for smart specialisation, industrial transformation and entrepreneurship, and increasing digital connectivity. 1,9 billion euros is planned to be spent on this target.
- Target "Green Slovakia" – focuses on improving energy efficiency, renewable energy sources, access to drinking water and the completion of sewerage systems, improving waste management, promoting urban mobility and protecting nature. This objective is planned to receive the largest amount of funds from the total package, namely 4,2 billion euros (e.g., 398 million euros for the use of renewable energy sources, 722 million euros for thermal insulation and reduction of energy intensity of buildings and 78 million euros for energy efficiency of enterprises).
- Target "Interconnected Slovakia" – focuses on the completion of motorways and expressways, modernisation of railways, water infrastructure and improving regional accessibility. A sum of 2 billion euros is planned to be spent on this target (e.g., 241 million euros for the construction and repair of class I roads, 169 million euros for

the construction and repair of class II and III roads and 62 million euros for the reconstruction of local roads).

- Target "Social and Inclusive Slovakia" – is aimed at supporting education, health, labour market and social services. 3,3 billion euros is planned to be spent on this target.
- Target "Europe closer to citizens" – is aimed at promoting sustainable tourism, regional and local infrastructure for physical activities, enhancement of cultural heritage. A total amount of 400 million euros is planned to be spent on this target from the overall package.
- A specific target in the new programming period is the Fair Transformation Fund. This is a fund for regions that are dependent on heavy industry or fossil fuels, both economically and in terms of employment. The Fair Transformation Fund is intended to help address the social, economic and environmental consequences of regions affected by the transition to carbon neutrality. In Slovakia, these are the Upper Nitra, Košice and Banská Bystrica regions. A total of 441 million euros is foreseen to be distributed in the context of the Fair Transformation Fund.

The remaining 410 million euros is earmarked for technical support.



The procedures for the provision of subsidies from the European Union funds in the programming period 2021-2027 are regulated by the above-mentioned Act on subsidies from the European Union funds. This Act designates the Ministry of Investment, Regional Development and Informatisation of the Slovak Republic as the cen-

tral coordinating body for the EU funds. The Ministry of Finance of the Slovak Republic is the paying authority. The protection of the financial interests of the European Union will be supervised by the Office of the Government of the Slovak Republic.

In general, the procedure for granting subsidies should be as follows:

- The provider launches a call for proposals by publication via the information monitoring system. The call for proposals should contain, in addition to the essential elements, the conditions for granting the subsidy, to be determined by the provider.
- The law also allows the provider to announce a call for submission of project proposals (in which the provider defines the scope of information necessary for the assessment of the project proposal and the conditions that the applicant must demonstrate compliance with) by publishing it through the information monitoring system before announcing the call. A project proposal is considered to be the sum of information on a project or several projects, as requested in the call for project proposals, which the applicant proposes to implement if the application is approved. Following the submission of a project proposal, the provider shall assess whether the project proposal meets the conditions set out in the call for project proposals. Following the evaluation of the project proposal, the provider shall prepare an evaluation report on the project proposal, which shall include information on whether or not the project proposal meets the conditions set out in the call for proposals and shall deliver it to the applicant. The evaluation report may be set by the provider as a condition of the subsidy.
- The application procedure shall be initiated by the receipt by the provider of a written application following a call for proposals. Subsequently, the provider shall ascertain whether the application has been duly and timely submitted and whether the conditions for the subsidy specified in the call for proposals have been met, and shall

decide whether to approve (the decision shall also specify the amount of the subsidy approved) or not to approve the application and, in certain cases, to discontinue the procedure. The above-mentioned law provides for an appeal as a remedy against such a decision.

The subsidy shall be granted on the basis of and in accordance with a written contract concluded with the applicant whose application has been approved. The granting of the subsidy under the contract shall be subject to compliance with the conditions agreed in the contract. The legal entitlement to the subsidy shall be established when the contract enters into force.

For certain types of projects, the law provides for special procedures (e.g., national projects).

Another change in the area of the granting of subsidies from EU funds concerns the control of public procurement. While in the 2014-2020 programming period public procurement control was carried out by up to 21 managing and intermediate bodies, public procurement control for the Slovakia Programme should be carried out exclusively by the Public Procurement Office. Another new feature is the regional client centres, which are set up in regional capitals, where applicants for EU funds can find a complete range of services and project support directly in one place.

It is expected that the first calls from the new EU funds will be announced in a few weeks.

Contact for further information



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→ Business

Audit obligation of accounting entities in 2022

The Accounting Act amended last year brought changes in the conditions for auditing of financial statements by an auditor. The above criteria applicable for 2022 are identical to the large entity criteria. Below we offer an overview of how the criteria have evolved over the last years. We are drawing your attention to the changes because if you

were required to have your financial statements audited in 2020, due to the increasing size criteria, you may not be required to meet that requirement in 2022.

Changes to the criteria under the Accounting Act during 2019-2022:

	2019	2020	2021	2022
Total amount of assets*	1 million euros	2 million euros	3 million euros	4 million euros
Net turnover	2 million euros	4 million euros	6 million euros	8 million euros
Number of employees**	30	30	40	50

* amount of assets means the amount of the asset ascertained from the balance sheet at the valuation unadjusted for items referred to in Section 26(3)

** average recalculated number of employees per accounting period

In assessing whether an entity is required to have its financial statements audited, at least two of the above criteria shall be met, determinant being the period for which the financial statements are prepared and the immediately preceding accounting period.

Accounting entities whose accounting period is a calendar year are required to have their financial statements audited in 2022 if they meet at least two of the criteria applicable for 2022 (i.e. total assets exceeded 4 million euros, net turnover exceeded 8 million euros or the average recalculated number of employees in one accounting period exceeded 50) and at the same time at least two of the criteria applicable for 2021 (i.e. total assets exceeded 3 million euros, net turnover exceeded 6 million euros or the average recalculated number of employees in one accounting period exceeded 40).

If an accounting entity has a financial year as its accounting period, under the transitional provisions of the Accounting Act, the criteria according to the year in which the financial year began shall be decisive. For example, if an entity has the accounting period of the financial year from 1 December 2021 to 30 November 2022, the criteria effective as of 1 January 2021 shall be decisive. For the immediately preceding period, i.e.,

the period from 1 December 2020 to 30 November 2021, the criteria effective as of 1 January 2020 shall be decisive.

Notwithstanding the above, it is still the case that, regardless of the size of the accounting entity, an accounting entity may have its financial statements audited voluntarily. The purpose of such an audit is to verify the quality and health of the accounting entity and to enhance its credibility not only in relation to government institutions, banks or public procurement, but also in relation to employees, suppliers, customers and business partners. An audit of financial statements is also recommended especially for new investments, sales of businesses or parts of businesses and changes of legal forms.

Not sure whether you are required to have your financial statements audited or not? Contact us and we will be happy to assess the values in your financial statements and help you decide whether a voluntary audit is appropriate and to what extent.

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