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TAX AUDIT ADVISORY

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During the summer, the abolition of the financial transaction tax as of 1 January 2027 seemed realistic. However, following the government meeting on 23 September 2026, only adjustments to the tax are now being discussed. Business associations continue to call for its complete abolition and demand that any resulting loss of revenue be offset through government spending cuts rather than through new taxes on businesses.

Without any cancellations, hesitation or delays, however, the Financial Administration is moving full steam ahead with the introduction of mandatory e-invoicing. You will find the latest developments in TOP 1. The Financial Administration's audit teams have not been idle either: over the summer, they launched numerous audits of company cars, focusing particularly on their private use and the related VAT deductions (TOP 4).

A major amendment to the VAT Act will also be submitted to the Slovak Parliament for approval in October, implementing, among other things, the major EU reform known as ViDA (TOP 2). Over the summer, the European Commission approved one of the year's most important initiatives, the *Omnibus simplification package,* aimed at reducing companies' administrative costs by EUR 8 billion annually and strengthening the competitiveness of the EU as a whole. Fingers crossed! (TOP 7). As always, we also bring you a selection of interesting court rulings and other developments from around the world.

In September, our transfer pricing expert team attended the [TAXAND Global Transfer Pricing Conference 2026] in Warsaw. If you are interested, we would also be happy to share further insights and updates from across our international network.

We wish you an enjoyable autumn 🍁 reading 📖 or listening 🎧.

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TOP 1: E-INVOICING UPDATE

The amendment to the VAT Act (currently in the Slovak Parliament) modifies the already approved mandatory e-invoicing system effective from 1 January 2027. Under the amendment, customers will no longer be required to report data from received electronic invoices, thereby avoiding duplicate reporting. In the case of corrective e-invoices, all information required by law will have to be reported, **including a reference to the original invoice**.

From 1 January to 30 June 2027, a so-called "grace period" will apply, during which **no penalties will be imposed for certain breaches of the deadlines for issuing e-invoices and digital reporting**. However, the obligation to issue electronic invoices and to be able to receive electronic invoices sent via a delivery service (i.e. to arrange for a "digital postman") will not be affected by the proposed grace period. Clients should therefore complete the selection of their delivery service, testing of the Peppol - EN 16931 format and the setup of corrective invoices before the beginning of 2027.

From 1 July 2030, mandatory e-invoicing will also be extended to cross-border transactions. From that date, the obligation to submit VAT control statements and EC Sales Lists will be abolished.

TOP 2: DRAFT AMENDMENTS TO VAT ACT AND TAX PROCEDURE CODE

The amendment represents an extensive implementation of the rules introduced by the EU Directive – ViDA (VAT in the Digital Age). The changes will be introduced gradually, from the date of promulgation until 1 July 2030.

With effect from the date of promulgation, the value of **occasional rental of immovable property will no longer be included in the turnover for mandatory VAT registration purposes**. Transitional rules will allow taxpayers to apply for cancellation of their VAT registration by 31 January 2027 without having to meet the minimum 12-month registration period, provided that their registration resulted from the inclusion of such rental income in their turnover.

Changes will also be introduced in the area of voluntary VAT registration. In the case of voluntary registration, the tax authority will be entitled to examine the applicant's status as a taxable person in greater detail and **in cases of doubt, the registration period will be extended to 60 days**. The changes are expected to take effect from **1 January 2027**.

The changes relating to e-invoicing are presented in more detail in TOP 1.

The amendment extends and clarifies the special OSS and IOSS schemes. The aim is to enable businesses to comply with their obligations **through a single registration** and a single special VAT return **instead of having to register in each Member State.**

For selected services involving the **short-term, uninterrupted rental of accommodation** for a maximum of 30 nights to the same person, as well as passenger road transport services with a place of supply in Slovakia provided through a digital platform, the platform will be deemed to have received the service and subsequently supplied it to the customer itself.

A **broader application of the reverse charge mechanism** is proposed where goods or services with a place of supply in Slovakia are supplied by a foreign person not established in Slovakia to another person identified or registered for VAT in Slovakia (i.e. the reverse charge mechanism would also apply where the customer is not established in Slovakia and is registered pursuant to Section 5 or Section 7 of the VAT Act). **The provision is expected to take effect from 1 July 2028.**

In accordance with the requirements of the ViDA Directive, the amendment introduces a new special scheme for transfers of own goods under Sections 68ca to 68cc of the VAT Act. The new scheme is intended to allow businesses to report transfers of their own goods from one Member State to another without having to register for VAT in the Member State of destination. The provision is expected to take effect **from 1 July 2028.**

The application of the special scheme is optional for businesses. Businesses opting to apply the special scheme will be required to submit a notification in the Member State of identification (establishment), stating that they wish to apply the special scheme, and to file a special monthly VAT return (including nil returns). Where the special scheme is applied, the acquisition of own goods will be exempt from VAT in the Member State of destination (proposed Section 44(d) of the VAT Act).

Please note that the special scheme does not cover any subsequent supplies following the transfer of own goods, and such subsequent supplies may therefore still give rise to a VAT registration obligation.

The introduction of the special scheme is also linked to the abolition of the **special call-off stock arrangements**. Between 1 July 2028 and 30 June 2029, the existing arrangements may only be completed under the current rules if the dispatch or transport of the goods commenced no later than 30 June 2028.

Important changes are also planned as part of the amendment to the Tax Procedure Code. These include the introduction of the possibility to object to the expiry of an excess VAT deduction where the taxable person fails to enable a tax audit to be carried out within three months of its commencement, together with other related changes.

At this stage, this is still a government bill submitted to the Slovak Parliament on 27 August 2026. The wording of the provisions and their effective dates may therefore still change during the legislative process.

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TOP 3: FINANCIAL ADMINISTRATION REPORTS SUCCESSFUL TP AUDITS

The results of tax audits focusing on transfer pricing confirm that this area continues to be one of the priorities of the Slovak tax authorities. In the first half of 2026, the Office for Selected Economic Entities (ÚVHS) completed 16 corporate income tax audits focusing on intra-group transactions. Findings were identified in 15 cases, representing an **audit success rate of 93.75%.**

The total amount of audit findings exceeded EUR 57.4 million, of which more than EUR 52 million was directly related to transfer pricing. Only one audit was completed without additional findings.

These results indicate that the tax authorities are making increasingly effective use of analytical tools to identify taxpayers presenting a higher level of risk and to select cases for tax audits.

Transfer pricing has long been one of the key areas of focus for tax authorities, particularly in relation to large multinational groups. Audits primarily focus on transactions between related parties, with the tax authorities examining whether the terms and conditions of such transactions are consistent with the arm's length principle.

The published results send an important signal that companies engaging in significant intra-group transactions should pay particular attention to their transfer pricing documentation. Well-prepared documentation, supporting economic analyses and consistent documentation of individual transactions can significantly reduce the risk of disputes with the tax authorities and facilitate the tax audit process.

TOP 4: COMPANY CARS UNDER THE SCRUTINY

In July 2026, the Slovak Financial Administration launched a tax audit campaign targeting businesses that claimed a 100% input VAT deduction on the acquisition of passenger cars. The campaign follows the rules effective from 1 January 2026, under which a full VAT deduction may only be claimed if the following conditions are met:

- **the vehicle is used exclusively for business purposes,**
- **the taxpayer notifies the tax authorities, using a prescribed form, that the particular vehicle is used exclusively for business purposes,**
- **the taxpayer maintains an electronic logbook.**

If a company vehicle is also used for private purposes or if no logbook is maintained, only 50% of input VAT may be deducted, while the non-deductible VAT does not constitute a tax-deductible expense. These rules apply not only to VAT deducted on the purchase of a vehicle, but also to all vehicle-related expenses, including fuel, leasing and servicing costs.

Tax inspectors focus in particular on compliance with the reporting requirement, the maintenance of the mandatory logbook and evidence demonstrating the actual use of the vehicle. A mere declaration by the business is not sufficient. Electronic records documenting the use of the vehicle are particularly important, with the Financial Administration repeatedly pointing out that journeys between an individual's residence and workplace are generally not considered business use.

The audits are not limited to administrative checks. The Financial Administration has confirmed that, as part of its investigative activities, it also monitors the movement of selected vehicles on motorways and in public areas, focusing primarily on cases identified as higher risk.

Increased scrutiny can be expected in particular for companies with luxury passenger cars, a small number of employees and a relatively large fleet of company vehicles, where company vehicles are used by persons related to the owners or management, or where there are doubts as to whether the declared use of a vehicle corresponds to its actual use. Companies should therefore review, in particular, the quality of their mileage records and the documentation supporting their entitlement to a 100% VAT deduction.

TOP 5: AUTHOR'S FEE OR SALARY?

The Czech Supreme Administrative Court dealt with a case that is particularly interesting in light of the tax audits currently underway in Slovakia. The dispute between a music conservatory and the Czech tax authorities concerned the tax treatment of so-called author's fees paid to the school's employees. The case involved a conservatory which, in 2018, reduced its employees' working hours and salaries. At the same time, however, it entered into contracts for work with teachers and other staff members and paid them so-called "author's fees", leaving their overall income at approximately the same level as before.

The school argued that the author's fees were paid for the creation of teaching materials, model materials and other outputs beyond the employees' regular duties. The tax authorities, however, concluded that the payments did not constitute remuneration for independent creative activities, but rather a disguised supplement to the employees' salaries. During the tax audit, they found that the employees continued to perform the same activities as before, that their actual duties had remained virtually unchanged and that the alleged copyright works had not been credibly substantiated.

The court found that most of these activities constituted ordinary teaching duties, such as lesson preparation, preparation of curriculum plans, communication with parents, participation in staff meetings and preparation of students for concerts. The Supreme Administrative Court emphasised that the decisive factor is not the title or form of the contract, but the actual substance of the work performed. Where an employee works under the employer's instructions, personally performs activities forming part of the employer's core business and is economically dependent on the employer, the work constitutes dependent employment regardless of how the contractual relationship is formally designated.

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The court also noted that the system had been introduced unilaterally by the school's management with the aim of achieving cost savings and that several employees perceived the changes as being imposed on them. Another important factor was that the "author's fees" were paid regularly each month and corresponded in amount to the reduction in salary.

TOP 6: PILLAR TWO GENERATES LESS REVENUE THAN EXPECTED

Global minimum taxation under the Pillar Two rules generated worldwide additional tax revenues of EUR 79 billion to EUR 109 billion in its first year of implementation. While this is a significant amount, the result fell short of the OECD's original expectations. A few years ago, the **OECD estimated that Pillar Two would increase global corporate income tax revenues by approximately 9%. The actual increase, however, amounted to only 2.4% to 3.4%.**

What are the reasons behind the shortfall compared with the original forecasts?

- The implementation of the rules has been considerably slower and more limited than originally anticipated. Of the approximately 140 jurisdictions participating in the OECD project, only 55 countries have implemented the Pillar Two rules so far.
- The practical impact of the rules has been significantly limited by temporary exemptions, safe harbours and the exclusion of various items from the top-up tax base.
- The U.S.A. did not implement the OECD model in the form originally anticipated
- Profit shifting by multinational groups had already begun to decline before the introduction of Pillar Two. As a result, the amount of income potentially subject to top-up tax was lower in practice than assumed in the original estimates.

This increasingly raises the question of whether such a complex international system was necessary to achieve the intended objectives. OECD analysis suggests that a significant part of the increase in effective tax rates was driven by domestic minimum taxation rules adopted by individual countries rather than by the international coordination mechanism itself.

Pillar Two has undoubtedly generated additional tax revenues and established a global framework for the minimum taxation of large multinational groups. However, the gap between the original forecasts and the actual results raises questions as to whether the administrative burden and compliance costs are proportionate to the benefits achieved. For multinational groups, it therefore remains particularly important to monitor further developments regarding safe harbour rules and exclusions from the top-up tax base.

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TOP 7: END OF WITHHOLDING TAX IN THE EU?

The European Commission presented a package of measures (Omnibus) this summer aimed at simplifying tax rules across the EU, reducing the administrative burden on businesses and strengthening the competitiveness of the European economy. According to estimates, the proposed changes could save businesses approximately EUR 7.9 billion in tax compliance costs.

The most significant proposed change is the **abolition of withholding taxes on cross-border payments of dividends, interest and royalties between companies within the EU**. The Commission aims to remove one of the remaining barriers to cross-border investment and facilitate the free movement of capital within the Single Market. In practice, this should make financing and investment between companies operating in different Member States easier. The proposal also extends the withholding tax exemption for dividends to pension funds.

The package also includes further measures aimed at making it easier to do business in the EU. These include more favourable tax treatment of investment in research and development, simplified rules on the global minimum tax (Pillar Two) and controlled foreign companies (CFCs), adjustments to interest deductibility limitations, and more effective resolution of cross-border tax disputes. It is also proposed to extend tax-neutral treatment to all forms of cross-border corporate reorganisations recognised under EU law.

The package also includes a revision of the Directive on Administrative Cooperation in the field of taxation (DAC). The main objective is to reduce reporting obligations and eliminate duplicate reporting. This is expected to save businesses more than EUR 1 billion annually.

If the proposals receive the support of the Member States, they could bring about one of the most significant changes to the taxation of cross-border transactions in the EU in recent years.

TOP 8: PROFIT-SHIFTING HAS NOT DISAPPEARED

The latest OECD Corporate Tax Statistics 2026 report, published in July 2026, confirms that while efforts to combat profit shifting to low-tax jurisdictions have produced some results, the issue is far from resolved. Based on data from nearly 9,400 multinational enterprise groups operating across more than 60 jurisdictions, the OECD continues to identify a mismatch between where multinational enterprises conduct their economic activities and where they report their profits.

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Although some indicators suggest that the situation has stabilised compared with previous years, significant discrepancies remain between the location of profits and real economic activity, particularly in investment and financial centres.

The report also shows that multinational enterprise groups are becoming increasingly important for public finances. In 2023, large multinational enterprises accounted for an average of as much as 44.5% of corporate income tax revenues, compared with 42.8% in 2017. Corporate income tax revenues remain at historically high levels, accounting on average for 17.3% of total tax revenues in the jurisdictions covered by the analysis.

Although the implementation of the global minimum tax rules and other anti-tax avoidance measures are reshaping the international tax landscape, OECD data show that profit shifting between jurisdictions remains an issue that tax administrations and international organisations will need to continue monitoring in the years ahead.

TOP 9: LATE RECEIPT OF INVOICE = LOSS OF INPUT VAT DEDUCTION?

The judgment of the Court of Justice of the European Union (CJEU) of 12 March 2026 in Case C-521/24 Aptiv Services Hungary provides important guidance on the exercise of the right to deduct VAT on intra-Community acquisitions of goods in situations where the supplier issues or delivers the invoice with a significant delay.

In 2021, Aptiv Services Hungary claimed a VAT deduction in respect of intra-Community acquisitions of goods that had taken place as early as between 2016 and 2018. The reason was that the company had received the relevant invoices from its suppliers only after a considerable delay.

The Hungarian tax authorities, however, refused the deduction, arguing that the company should have filed amended VAT returns for the original tax periods in which the transactions had taken place. By that time, however, the deadline for filing such amended returns had already expired. The company argued that, without the invoices, it had been unable to exercise its right to deduct VAT earlier. It had also acted in good faith, had not committed any tax fraud and its right to deduct had not become time-barred. The CJEU considered whether a Member State may refuse a VAT deduction solely because it was claimed in a tax period other than that in which the VAT became chargeable.

In its judgment, the Court emphasised that the right to deduct VAT is a fundamental component of the VAT system and cannot be restricted solely on the basis of formal requirements.

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The Court therefore held that Hungarian legislation and administrative practice are contrary to EU law where they deny a VAT deduction solely because the taxable person claimed it in the period in which the invoices were actually received rather than retrospectively for the period in which the transaction took place. The judgment strengthens the protection of taxable persons in situations where the delay is caused by the supplier and confirms that formal deficiencies should not take precedence over the substance of the right to deduct VAT.

TOP 10: MEDIAN ADJUSTMENT OF TRANSFER PRICING RANGE

In July 2026, a Romanian appellate court referred a question to the Court of Justice of the European Union (CJEU) for a preliminary ruling in the Romagnetics Srl case (C-725/26), concerning the method used for transfer pricing adjustments. The Romanian tax authorities found that the company's profitability for the years 2018 to 2021 fell outside the interquartile range of comparable companies and therefore adjusted its revenues to the median of the range. Romagnetics argued that, under the OECD Transfer Pricing Guidelines, the adjustment should have been made only to the lower quartile, since any point within a sufficiently reliable range may satisfy the arm's length principle. The court of first instance, however, upheld the approach taken by the tax authorities, referring to Romanian rules under which the median is regarded as the "central market trend". The appellate court therefore asked the CJEU whether such a mandatory adjustment to the median of the arm's length range is compatible with the provisions of the Treaty on the Functioning of the European Union. The CJEU has not yet ruled on the matter; at this stage, the case concerns only a request for a preliminary ruling.

Our BMB team is dealing with a similar issue in a Slovak case, which is why we are closely monitoring developments in other jurisdictions as well.

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USEFUL LINKS

Pillar Two Analysis: https://academyoftaxlaw.com/pillar-two-revenue-misses-oecd-forecast-by-two-thirds-analysis (EN)

EC Tax Simplification package: https://taxation-customs.ec.europa.eu/news/european-commission-proposes-landmark-tax-simplification-package-streamline-compliance-and-boost-2026-06-24_en (EN)

OECD Corporate Tax Statistics 2026: https://www.oecd.org/en/publications/corporate-tax-statistics-2026_73af6222-en.html (EN)

Judgement Aptiv Services Hungary Kft. vs Nemzeti Adó- és Vámhivatal Fellebbviteli Igazgatósága: https://eur-lex.europa.eu/legal-content/SK/TXT/?uri=CELEX:62024CJ0521 (SK)

Judgement Církevní konzervatoř Německého řádu vs Odvolací finanční ředitelství: https://vyhledavac.nssoud.cz/DokumentOriginal/Html/784059 (CZ)

Case Romagnetics Srl (C-725/26): https://tpcases.com/romania-vs-romagnetics-srl-may-2026-court-of-appeal-of-oradea-case-no-c-725-26/ (EN)

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