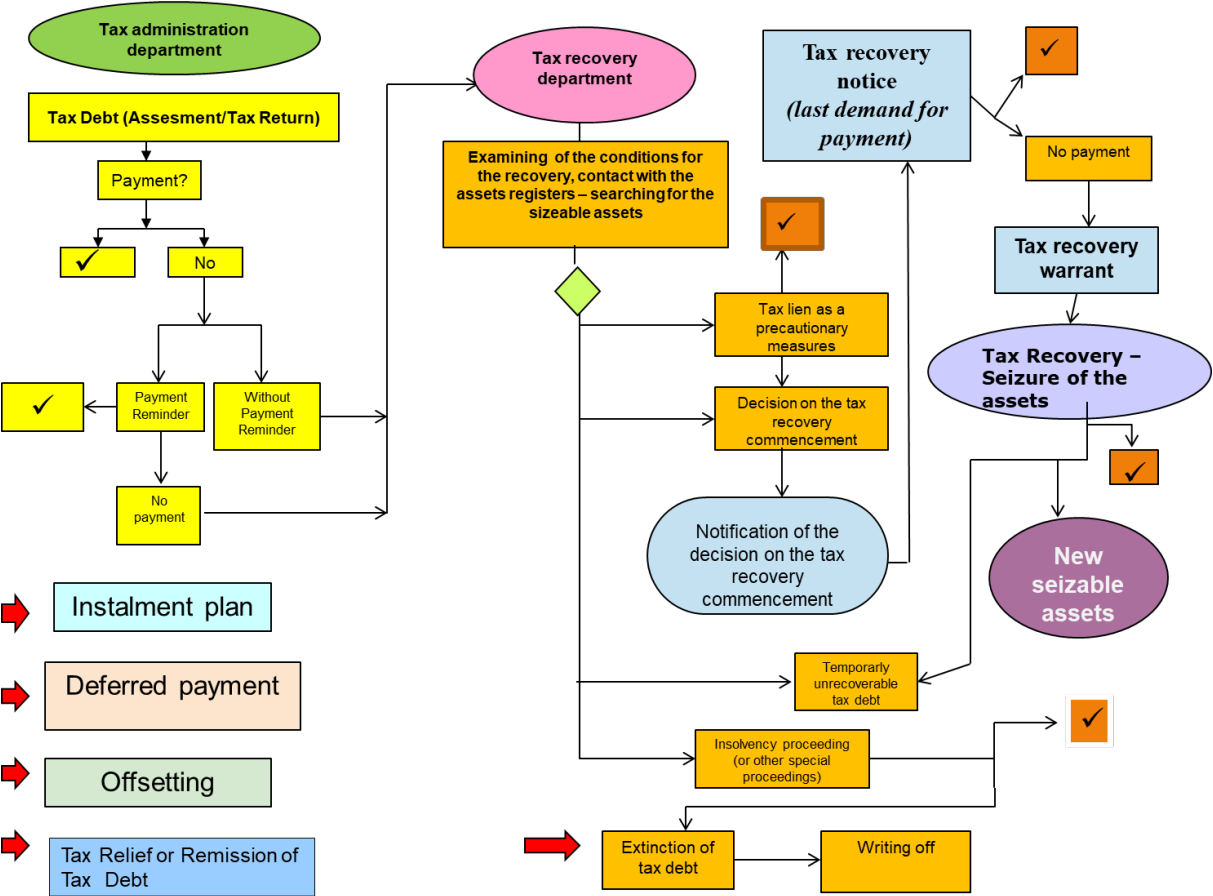


# Slovakian innovative approaches

**Jana Zaťko Ščepková**  
**Head of Tax Recovery Department , Financial Directorate of the Slovak Republic**

Before going into details regarding examples of innovated approaches, we would like to provide a global flowchart showing basic procedural steps after a tax debt occurs. The tax administrator is the one dealing with a tax debt on the first place. The law allows the tax administrator to send a **payment reminder** giving an additional period to pay the tax. Nevertheless, not every tax debtor deserves a second chance to pay the debt on a basis of a payment reminder. In general, this opportunity is only given to the first time debtors with debts not oversizing a threshold of 1000 euro.

A recovery strategy involves inter alia a special focus on a transfer of tax debt from tax administration department to the tax recovery officials (both as a part of a Tax Office). One speaks about few (5 – 15 working days) after a monthly financial statement. The aim is **to start the recovery processes as soon as possible, without giving debtors chance to get “insolvent” i.e. not owning any seizable assets**, with a particular focus on tax debts at crucial amount. Obviously, there are processes having a significant impact on the tax debt → insolvency, offsetting, instalment plans or offsetting approved, et.



## 1. E – seizure of bank accounts - an example how does the procedure looks like step by step:

The VAT was not paid in time or in an accurate amount. In the situation, the tax payer concerned is not deemed to be a “first time debtor”, he does not deserve a second chance to pay his debt in an additional period (on a basis of a payment reminder). The tax claim overdue, i.e. a tax debt is “transferred” from tax administration department to the tax recovery official competent in a very short time period. When speaking about the “transfer”, an IT system is meant hereby allowing the tax administrator to forward the tax debt along with an instrument permitting enforcement to the tax recovery official competent.

### What is happening with the debt after the tax recovery official takes responsibility?

In case the debt oversized a threshold of 3 000 euro, the tax recovery official shall examine assets (**in particular bank accounts, wage and salaries, real estate properties**) of the debtor within a period of **5 working days**, under the threshold mentioned above a period is 10 working days. When examining the financial situation of the debtor, tax recovery official is using an effective IT tool – **IPEX (informative support for tax recovery official)**.

IPEX involves crucial channels of an e – communication with the banks, Social Agency, as well as the Real Estate Register, Motor Vehicle Register. To focus on bank accounts → By clicking only on “one button”, an e-request is generated automatically and is being sent to all banks asking for information on bank accounts. Banks are reacting very quickly, (in some case the response is received within few hours) informing the recovery officials if there is a bank account of a debtor concerned, along with the information on the balance. A last innovation is an extension of the scope of information being received from banks. Further information providing by the banks on a basis of an e – requests: **a verification who is an owner of a particular account based on number of bank account already known, who is entitled to dispose with the funds held on the account, information on accounts opened as well as closed, credit and debit transactions within last 3 months.**

### What happens when the response from a bank indicates there is money on a bank account?

Tax recovery official **shall open a tax recovery proceeding as soon as possible**. No time limit is laid down in the law, nor in the internal regulation. Nevertheless, this obligation is under a duly supervision of the superiors (Heads of Tax Recovery Departments in the local Tax Offices, as well as Financial Directorate – Section for Tax Enforcement and Recovery).

The first step within a tax recovery proceeding is a “Decision on tax recovery proceeding ´s commencement”. In general, this decision is valid and enforceable on a day of its issuing. A debtor is never an addressee of the decision. It is to be notified to the institution keeping records of the debtor ´s assets, in this case – to the bank.

**The commencement of tax debt recovery proceeding imposes a ban in relation to the bank concerned not to allowed the debtor to dispose with the funds held on the account up to the amount of the debt.** Only exemption the bank may allow the debtor to dispose with the funds is the situation the debtor is willing to pay the debts – i.e. to transfer the money on a bank account state in the decision.

**What make this type of tax recovery method so effective is the fact, that** there are cases, a bank provides a response on bank accounts within a period of few hours after the e – request had been sent. The tax recovery official notifies the decision to a bank on a same day **also electronically**, i.e. the bank concerned is obliged to block the funds up to the amount of the debt on a same day or on a following day at the latest.

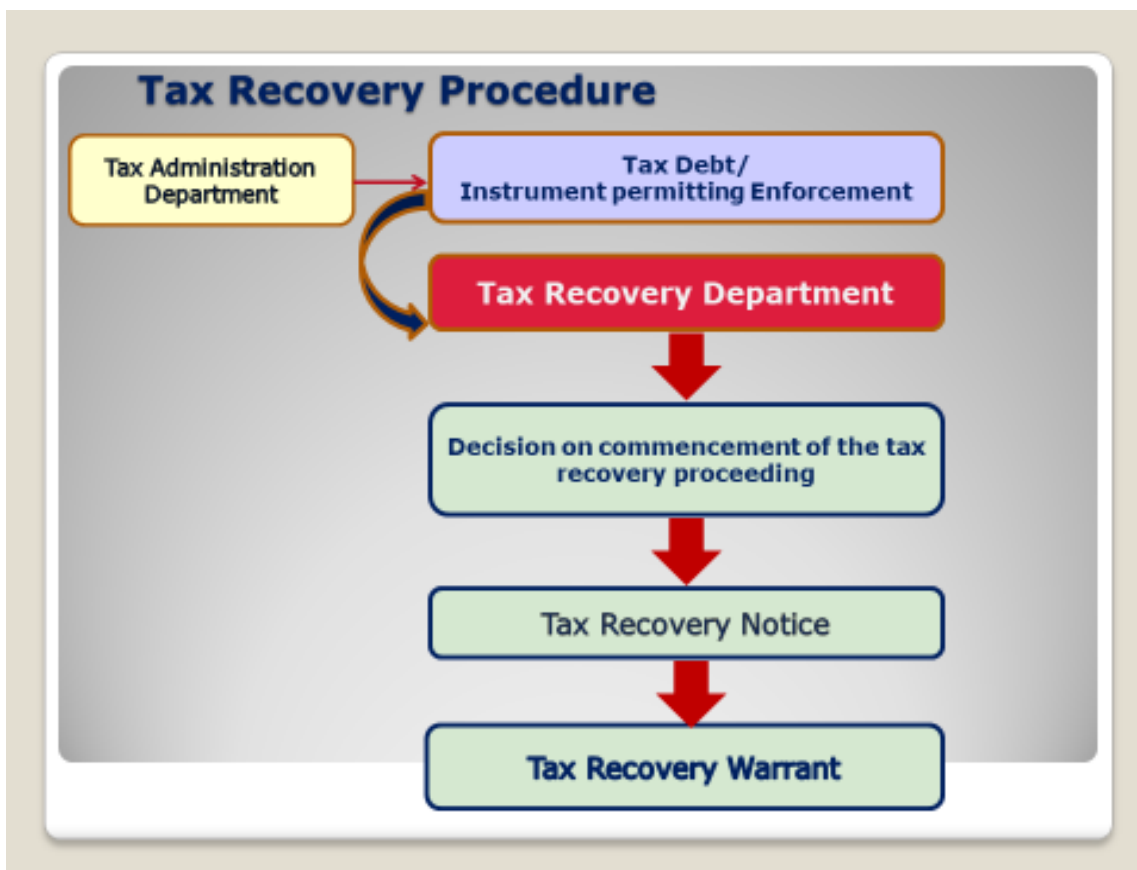
Afterwards the money is blocked, **a tax debt notice** shall be notified to a tax debtor informing him that the recovery procedure was opened. The notice gives the debtor also a possibility to pay the debt in order to avoid the tax recovery per se or to apply a legal remedy against the recovery proceeding (or both possibilities may be applied).

In case, there’s no payment or no appeal, on a basis of a **tax recovery warrant**, the bank shall transfer the money from a bank account to a tax recovery account.

**As all the documents issued within the recovery proceeding are notified electronically**, the whole procedure is carried out **very fast, very effective, in particular preventing debtors from a possible fraudulent behavior. It is also in favour of the debtor as for instance in case of a successful remedy, the money blocked are released very fast.**

**When speaking about seizure of bank accounts, few peculiarities are worth to be mentioned:**

- The tax recovery official is allowed to attach a bank account held on the name of debtor 's spouse (only in case the bank account is a part of a joint ownership of spouses).
- In case of a natural persons, 165 euro shall remain on a bank account, however only one time.
- The tax recovery proceeding may be opened also in case no money is held on the bank account.
- Blocking the funds as well as the tax recovery order is valid also with regard to the money, which may come on the bank account after the proceeding was commenced (up to the amount of the debt being recovered).
- After the debt was recovered, the bank unblocks the account automatically.



## 2. Deterrence of a driving license

Since 2020, a new recovery method may be used – **deterrence of a driving license of a tax debtor – natural person**. The tax recovery official is not allowed to carry out this recovery method in case where the debtor 's income is connected to the driving license hereof directly. For instance – bus drivers, taxi drivers, track drivers, professional drivers, etc. The debtor concerned shall duly proof this fact.

### How does the proceeding look like?

The procedure involves three main actions as in the case of seizure of bank accounts. In order to open the recovery procedure, tax recovery official shall issue the decision on commencement of the proceeding. However, in this case, the decision is not notified, it is involved in the recovery file. As a next procedural step, a tax notice is issued and notified to the tax debtor. This recovery method is carried out with a close cooperation with the Police, as **only the police is entitled to withhold the license per se**. Hence, the tax recovery warrant is notified to the tax debtor as well as to the Police Department responsible.

The impact on the willingness of the tax debtors to pay their debts is obvious as even tax debts not recoverable for a very long time had been paid by the debtors after launching this new method.

To date:	A number of tax recovery warrants (issued within tax recovery proceedings)	A total number of tax debts recovered
31.12.2020	1 403	111 969
31.12.2021	2 395	892 425
31.12.2022	2 770	1 219 018

### 3. Precautionary Measures before a tax claim assessment as well as before or within a tax audit

When applying measures in order to secure a “future tax claim” (i.e. a tax which is not yet assessed) or a tax claim (a tax not yet due) during a tax audit, for a long time it had been a competence of tax auditors.

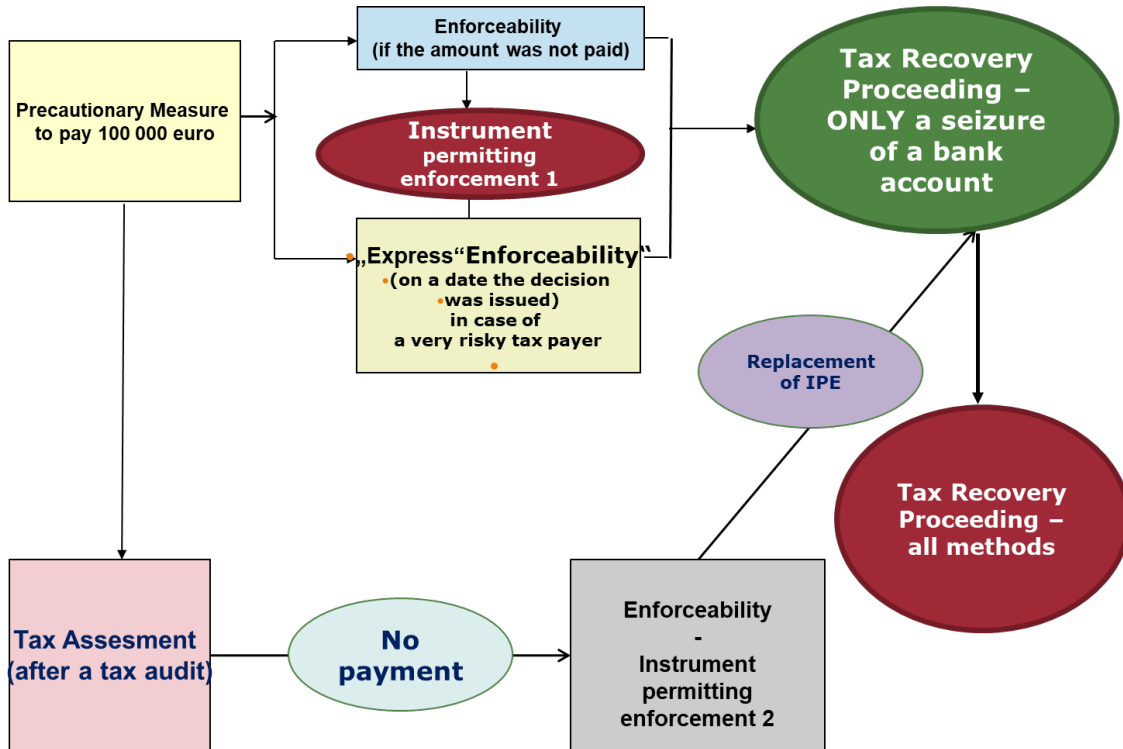
One of the precautions laid down in the Tax Code is based on **an order (decision) making a tax payer obliged to pay a particular amount on a tax administration’s account**. These funds are to be used to settle the future tax in case of a positive result of a tax audit. Few years ago, an only option how to put a pressure on taxpayers to fulfil the obligation to pay the precaution was a penalty charged by the tax auditor. **Therefore, a strategy had been modified and tax recovery officials had been involved in to the mechanism of precautionary measures.**

**In the first phase** (requiring also legislative amendments), **the decision on precautionary measures was deemed to be an instrument permitting enforcement**. Hence, the recovery official became entitled to open a tax recovery proceeding in case the funds to be paid as a precaution were not paid voluntarily. The Tax Code lays down explicitly that **an overdue precaution is to be recovered however only one recovery method may be used – an attachment of a claim arising from a bank account**. This is logical, as the aim of this approach was to have an effective tool to block the funds being transferred from bank accounts of taxpayers involved in “carousels” indicating a fraudulent behavior. As presenting under the point 1., a seizure of bank account is a very effective tool thanks to the e – communication with the banks. Making the whole mechanism even more faster and effective, the Tax Code stipulates that **in case of a significant risk, the decision on precautionary measures is valid and enforceable on a date of its issuing**. Therefore, in very risky cases the recovery proceeding along with blocking the funds on the bank accounts may be carried out on the same day the decision on precaution is issued.

There are two basic situations occurring:

- A. **The payment obligation laid down as a precaution is successful recovered** → the money recovered is withhold on a special bank account of a tax authority until a result of the tax audit is known, , i.e. until the tax is assessed. On a basis of a valid assessment, the funds are to be used to cover the tax.
- B. **If → at the moment of enforceability of the tax assessment decision the tax recovery proceeding is still pending ( i.e. the precaution had not yet been recovered)** → in accordance with the Tax Code, the assessment decision enforceable (i.e. the instrument permitting enforcement) replace the decision on precautionary measure in the pending tax recovery proceeding. **This is the only one circumstance when the lay allows a replacement of instruments permitting enforcement in the ongoing recovery proceeding**. The aim is to allow the tax recovery official to continue with carrying out the recovery actions including the use of all recovery methods without the need to open a next proceeding. This is crucial mainly in relation to the other creditors as the moment of commencement of the tax recovery proceeding is decisive also in relation of a possible concurrence of creditors (there is no priority treatment of tax claims).

**A brief flowchart illustrating the B. situation**



The second phase of an involvement of tax recovery officials into the precautionary measures procedure was launched in August 2021. The tax recovery officials became competent for applying precautionary measures. This applies for cases there is reasonable fear that a future tax or tax not yet due won't be paid or the recovery hereof will be jeopardized.\* Nevertheless, when applying precautionary measures under the circumstances mentioned, the impulse goes from tax auditors or from the Anti-Tax Fraud Department in the Financial Directorate. The result i.e. the decision on precautionary measures is always an outcome of an effective cooperation with further branches within the Tax Office – besides tax auditor, also tax specialists as well as tax administrators are involved in the whole mechanism.

The crucial purpose is to secure a future tax even before the tax audit – in case of a risky tax payers indicating a fraudulent behavior. What has been experiencing:  
 → a positive result is achieved only on a basis of a close cooperation between the tax audit and tax recovery department within the Tax Office,  
 → it is indeed worth to pay attention and effort in order to secure the tax at early stage not giving the taxpayer opportunity to transfer or to “hide” the assets.

\*Precautionary measures applying in order to secure the aim of a tax audit remain in the competence of tax auditors.