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Tax Law in Slovakia under the Influence of Pandemic, Digital Transformation and Inflation[1]

Miroslav Štrkolec*

* Dean, Associate Professor, Pavol Jozef Šafárik University in Košice, Faculty of Law, Department of Financial Law, Tax Law and Economy, Kosice, Slovakia, e-mail: miroslav.strkolec@upjs.sk

Abstract: Tax law, as a branch of law belonging to the hard core of public law, is one of its branches that are characterised by instability rather than the stability of its rules. The reasons for the frequent changes in tax law can be found not only in political agendas and the economic view of taxes, but equally in external impacts, to which the legislature tries to respond promptly. The paper aims at clarifying the competing views on the position of tax law in the legal system and defining its functions, as they have been interpreted differently in different periods of social development. The paper then examines the significant changes in tax law in recent years, triggered by the Covid-19 pandemic, digital transformation and inflation, and assesses the extent to which these changes contribute to the fulfilment of the core, the fiscal function of taxes.

Keywords: tax law, pandemic, digital transformation, inflation

1. Introduction

Taxes are a crucial source of revenues for public budgets in modern economies. This is also the case in the Slovak Republic, whose economy is based on the principles of a socially and ecologically-oriented market economy (Article 55/1 of the Constitution of the Slovak Republic). The meaning and purpose of taxes, as well as fees and other types of revenues for public budgets, is to ensure that public budgets receive sufficient revenues to meet their expenditure requirements. Naturally, taxes and fees may only be levied by law or on the basis of a law (Article 59/2 of the Constitution of the Slovak Republic), in accordance with the principle of "Nullum tributum sine lege". It can be clearly deduced from the above that, in order for (in particular) taxes to fulfil their core function, States must create a legal environment that enables them to do so in accordance with the principles of constitutional law. Taxes, as an instrument of power, interfere in the property sphere of the obliged persons and serve as an instrument of the State or the local self-government, intending to take away part of their legally acquired property. They can therefore also be seen as a public payment obligation that is not matched by a right to receive consideration.

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Given the nature of taxes, it is clear that these payments are not and cannot be made on the basis of voluntariness but, on the contrary, on the basis of coercive power, through tax laws. The primary purpose of tax laws is to create a legal environment that ensures the generation of revenues for public budgets to an extent that enables the various tasks and functions of public entities to be carried out.

Based on the above, we will focus on areas in this paper. First, also using the method of historical interpretation, we will take a closer look at tax law as a branch of law and at the functions that are attributed to taxes. These, in their current form, can undoubtedly be seen as a product of historical development, as they have changed and evolved as the socio-political order has evolved. Of course, although taxes have essentially been part of the life of society since ancient civilisations, it is not possible to go back to such a distant history for the purposes of this paper. We will therefore only look at the functions of taxes over the last hundred years or so, taking into account the different models of government systems and the nature of the economy.

The second phenomenon that we will look at in more detail are three external factors identified by us that have had a significant impact on tax law in recent years and, to some extent, on other branches of law. These are the Covid-19 pandemic, digital transformation and inflation and their impacts on tax regulation. In addition to the historical method already mentioned, in this paper we will use the methods of description, analysis and synthesis. The aim will be to test the hypothesis that taxes, as their regulation by tax laws changes under the influence of the pandemic, digital transformation and inflation, continue to fulfil their primary fiscal function.

2. Tax law and functions of taxes yesterday and today

Tax law as a separate branch of law has been forming in the Slovak Republic, and partly also in other countries in the so-called Visegrád Four, especially in the last twenty years or so. We are aware that this is not yet a generally accepted conclusion, but rather an opinion competing with the view that tax law is subsumed under financial law (Karfíková et al., 2018, p. 77). The issue of the subsumption into or, on the contrary, the exclusion of tax law from the financial law system, is essential. This issue is perceived in Slovakia – and particularly within the Košice school of tax law, which is also represented by the author – somewhat differently from other countries in Central and Eastern Europe. The strengthened position of tax law within the financial law system has, in the course of a few years, outgrown the previous boundaries of financial law. Nowadays, tax law is on an equal footing among the branches of law in Slovakia (Babčák, 2022, p. 48). This is true for tax law as a branch of law, a branch of study and a branch of science as well (Štrkolec, 2022a, p. 182). Finally, this view, although not held by the majority, is also expressed by a number of academics in the Czech Republic and Poland. As one example, we can refer to the words of the renowned Czech professor M. Bakeš, who states that the understanding of tax law as a separate branch of law can undoubtedly be described as a new phenomenon in law on the threshold of the 21st century (Bakeš, 2009). Similarly, in Poland, the authors A. Gomułowicz and J. Małecki stated many

years ago that tax law should be perceived as a separate branch of law and its science as a separate legal science (Gomułowicz & Małecki, 2004, p. 142). Moreover, these views also appear in the works of other representatives of the science of tax law (Etel et al., 2010; Radvan, 2020, p. 21).

For the purposes of this paper, however, it is more important to look at the functions of taxes and tax law as they have been perceived at different stages of social development. Of course, we are aware that the notions of the "functions of taxes" and "functions of tax law" are not identical. However, neither can they be separated on purpose, since the individual functions of taxes are not and cannot be accomplished without the corresponding regulation of taxes by tax laws. In other words, taxes cannot fulfil their functions without tax law. In countries respecting human rights and fundamental freedoms, adequate legal regulation is the instrument which, in a constitutionally compliant manner, imposes on taxes the functions which they are intended to fulfil. This is, after all, not only a consequence of the above-mentioned national regulation, but also of the international conventions on human rights and fundamental freedoms. Typically, in this respect, reference may be made to Article 1 of the Protocol to the Convention for the Protection of Human Rights and Fundamental Freedoms, which, on the one hand, guarantees the right to the peaceful enjoyment of property, but, on the other hand, allows States to enforce such laws as they deem necessary to secure the payment of taxes or other contributions or penalties.

For the purposes of this paper, we will thus consider the functions of taxes in three periods of historical development: 1. the First Czechoslovak Republic in the interwar period; 2. the socialist period of the centrally planned economy; and 3. taxes after 1989.

From the period of the First Czechoslovak Republic, we can point out, for example, the works of Professor V. Funk, according to whom the primary purpose of taxes was fiscal, consisting of ensuring the existence and development of the economy of the State as well as private entities. Other purposes, such as national economic interests, limitation of consumption of the population, or promoting health were perceived as secondary (Funk, 1929, pp. 67–68). In the period of the centrally planned economy, other functions of taxes were highlighted, such as redistributive, controlling, stimulating, stabilising and accumulation roles (Slovinský et al., 1985, pp. 134–135; Girášek, 1981, p. 49). However, it was the accumulation function that was most close in content to what we now perceive as the core of the fiscal function, namely the provision of resources for the public budgets. For certain reasons, however, the notion of fiscal function was described as inappropriate (Slovinský et al., 1985, p. 133). Paradoxically, the social function of taxes was also mentioned in works from that period, which allows the differentiation of the amount of tax burden according to the family, social and other circumstances of taxpayers (Slovinský et al., 1985, p. 134).

Finally, in the current period of the market economy, the fiscal function is again typical and crucial for taxes, which is mentioned as the first or the most important one (Babčák, 2022, p. 25; Radvan, 2020, p. 23). The fiscal function of taxes in its present-day understanding means that taxes are to generate sufficient financial resources for public budgets in order to fund state and other public needs. In addition to the primary fiscal function of taxes, they of course nowadays also fulfil other functions (e.g. allocative, regulatory or control functions), but, as a rule, the social function does not appear among

them. In our opinion, three broad factors influence the provision of sufficient tax revenues for public budgets – and thus the real fulfilment of the fiscal function of taxes (Štrkolec, 2017, pp. 16–17):

1. Creating the basic elements of the legal construction of taxes, which determine, in relation to each tax, its payer, object, base and rate, or also other elements such as the due date of the tax, the increase or decrease in the tax rate, the increase or decrease of the tax itself, the exemption from tax, etc. The basic and other elements of the legal construction of taxes are contained in the substantive tax laws. From the point of view of the budgetary significance of each tax forming the tax system of the Slovak Republic, it is particularly crucial how the tax object and the tax base are formulated by law. The tax object defined by a law determines which economic actors, processes or benefits will be subject to taxation. The tax object may therefore be, for example, income, property or consumption. The tax base is then a quantitative expression of the tax object such as the amount of income, the size of property or the price of consumption. However, substantive tax law (it would probably be more appropriate to say substantive tax law relations) is not implemented by itself but needs procedural tax law for its implementation. This fact leads us to the second determinant of the generation of revenues for public budgets.
2. The second determinant is the efficient performance of tax administration based on the existence of precise procedural laws enabling such performance. The fiscal function of taxes can only actually fulfil the crucial significance attached to it if there is a proper procedural law formulation to achieve this function of taxes. Efficient tax administration, or its efficient performance, is one of the basic principles that should govern the tax and/or fee system (Bakeš, 2005, p. 38).
3. The third determinant is the simplicity and unambiguity of tax laws. This is because the simplicity of taxation is related to the efficiency of taxation. The more complicated the laws are, the more inaccessible the actual collection of taxes becomes (Bujňáková, 2005, p. 71). A complicated law is not only complicated for taxpayers but also for tax administration authorities. It may sound paradoxical at first hearing, but a minimalist and restrained approach by the legislature to the scope of the tax law-making process may lead to more efficient tax collection. From this perspective then, it is obvious that simplicity and clarity of tax laws have a significant effect on ensuring sufficient tax revenues for public budgets. Conversely, unclear, incomprehensible or confusing laws, as well as their changes, are naturally among the causes of tax evasion (Kubincová, 2015, p. 332).

3. The Covid-19 pandemic and impacts on state budget revenue

In order to define the importance of tax revenues for the state budget, it is useful to compare the pre-pandemic period with the pandemic period, based on the figures

according to the relevant state budget laws. However, it should not be forgotten that the state budget laws are teleological in nature and set out the objective to be achieved but not the methods or means of achieving it. These, in relation to the achievement of the required amount of tax revenues for the state budget, are set out in particular by tax laws (in the field of substantive, as well as procedural law).

The total state budget revenues for *2019* amount to EUR 15.497 billion. The tax revenues amount to approximately EUR 12.464 billion, i.e. about 80% of the total state budget revenues, which include income tax in the amount of EUR 2.952 billion, value added tax in the amount of EUR 6.629 billion, and excise duties in the amount of EUR 2.417 billion (State Budget Act 2019).

The total state budget revenues for *2020* amount to EUR 14.366 billion. The tax revenues amount to approximately EUR 11.546 billion, i.e. about 80% of the total state budget revenues, which include income tax in the amount of EUR 2.731 billion, value added tax in the amount of EUR 6.361 billion, and excise duties in the amount of EUR 2.204 billion (State Budget Act 2020).

The total state budget revenues for *2021* amount to EUR 15.806 billion. The tax revenues amount to approximately EUR 11.798 billion, i.e. about 75% of the total state budget revenues, which include income tax in the amount of EUR 2.089 billion, value added tax in the amount of EUR 7.038 billion, and excise duties in the amount of EUR 2.438 billion (State Budget Act 2021).

The total state budget revenues for *2022* amount to EUR 21.471 billion. The tax revenues amount to approximately EUR 15.845 billion, i.e. about 73% of the total state budget revenues, which include income tax in the amount of EUR 4.261 billion, value added tax in the amount of EUR 8.796 billion, and excise duties in the amount of EUR 2.512 billion (State Budget Act 2022).

The above figures do not include revenues collected under personal income tax, as they are the revenues for local self-government budgets in the Slovak Republic. According to the current legal situation, personal income tax revenues (except for withholding tax) are divided only between municipalities and higher territorial units in the ratio of 70% (municipalities) and 30% (higher territorial units). According to the available data, the revenues from this shared tax were EUR 3.426 billion in 2019 and EUR 3.736 billion in 2021.

Several facts can be deduced from the above data:

- a general year-on-year decline in the share of tax revenues for the state budget in its total revenues over the period examined (80%–75%–73%)
- a significant drop in income tax revenue (2019–2021), followed by a significant increase in this revenue (2021–2022)
- stable or partially increasing value added tax revenue
- substantially flat and stable excise duty revenue

These indicators are, to a significant extent, also the result of the Covid-19 pandemic, which affected them in several ways. In particular, there was a major economic slowdown as a result of the anti-pandemic measures taken in the context of the state of emergency or the extraordinary situation. The closure of businesses or the significant reduction in

their business activities in spring 2020 or at the turn of 2020 and 2021 contributed significantly to the decline in their productivity, which ultimately translated into lower income tax revenue. On the other hand, it can be seen that consumption levels remained broadly stable, as reflected in the non-reduction of the general tax on consumption (value added tax) and selective excise duties.

However, in order to further understand the reasons for the decline in tax revenues for the state budget during the pandemic, it is necessary to go back in time to the period of its beginnings. One of the first laws adopted in response to the first wave of the Covid-19 pandemic was the so-called *Lex Covid* in the financial sector, namely Act No. 67/2020 Coll. on certain emergency measures in the financial sector in connection with the spread of the dangerous contagious human disease Covid-19. In this context, it can be stated that the legislature responded flexibly, especially to the needs of taxpayers, by adopting a number of measures temporarily favouring the position of taxpayers in tax administration. For example:

1. suspension of tax audits at the taxpayer's request
2. suspension of tax proceedings at the taxpayer's request
3. limitation of liability for administrative offences committed during the pandemic
4. postponement of tax enforcement during the pandemic
5. postponement of the deadline for filing income tax returns for the period after the pandemic
6. exemption from the obligation to pay advance income tax in situations where the taxpayer's year-on-year sales had fallen by at least 40%
7. explicit recognition of the cost of testing for Covid-19 as a tax deductible expense
8. temporary application of the zero VAT rate on FFP 2 and FFP 3 masks
9. postponement of the deadline for filing local tax returns (real property tax, dog tax, tax on vending machines and tax on non-winning gaming machines)

Even without a deeper analysis of the impacts of the individual measures, it is clear that these measures in their entirety meant a decrease in tax revenues for the public budgets, especially in 2020, but, as it follows from the above, the impacts were also felt in 2021. The above-mentioned measures were either of a general nature, and thus applicable to all taxes (1–4), or they were specifically related to particular taxes belonging to the tax system of the Slovak Republic.

As far as the general measures are concerned, the suspension of tax audits in principle led to their later closure and, in the case of a detected tax difference, also to the later drawing up of a tax audit report. Similarly, the suspension of tax proceedings (in particular assessment proceedings) led to the later issue of decisions which could become an enforcement title. The same conclusion applies to the postponement of tax enforcement, which stopped, or more precisely temporarily delayed, the flow of recovered tax arrears to the state budget.

Other measures were related to specific taxes, most of them focused on income tax. The postponement of the deadline for filing tax returns naturally led to later tax payments.

Non-payment of advance income tax in turn not only suspended the expected flow of tax payments to the state budget, but also, indirectly, to the budgets of local self-governments, which are the recipients of the shared personal income tax. Similarly, the recognition of testing costs as a tax-deductible expense could significantly reduce the tax base and thus the tax liability, particularly for large employers employing hundreds or thousands of employees, since, during the state of emergency, employees could only perform their work obligations at the employer's establishment if they had a negative test result for Covid-19.

However, there were also measures that were rather symbolic in nature, without a significant impact on the extent of the tax liabilities of obliged persons in relation to the public budget revenues. These symbolic measures included in particular the temporary application of the zero VAT rate on FFP 2 and FFP 3 masks.

A number of partial conclusions can be drawn from the above. Taxes, as a legal instrument intended to take away part of the property from obliged persons and, at the same time, as a major source of revenues for public budgets, suddenly gave way during the pandemic to requirements which, at that time, not only seemed necessary in the interests of protecting public health, but also, in a certain sense, in the interests of social reconciliation. This corresponded to the State's efforts to accommodate at the same time the needs of taxpayers and employers, who were, in effect, put in the position of being unable to continue to do business, earn income and pay taxes on that income from one evening to the next.

4. Digital transformation

In the last few years, new technologies have significantly changed the ways in which the real market and economy are considered (Uricchio, 2016, p. 84). The phenomena that the digital economy brings with it were something that national legal systems did not foresee (Štrkolec & Hrabčák, 2021, p. 64), and this is also why the digital revolution is beginning to be seen as a material source of law (Hrabčák et al., 2021, p. 12).

It can be stated that, regardless of the degree of changes that the development of new technologies will bring in the future, it is clear that technological development will have a major impact on the shape of tax systems. The possible range of these changes is wide and includes a spectrum of new tax institutions, ranging from the introduction of some new types of taxes that will organically complement the "traditional" forms of taxation (income tax, general tax on consumption) to a complete "rebuilding" of tax systems on the basis of priority taxation by new forms of "digital taxes" (Štrkolec, 2021, p. 379). Research into these new challenges for tax law can be conceived in several areas:

1. taxation of activities based on advanced digital technologies
2. taxation of the sharing economy
3. taxation of virtual currencies

In relation to the taxation of the digital economy, it can be noted that the proposals for the taxation of digital services and the supply of goods, which have not yet been

implemented, respond to two fundamental questions. The first question is: "where to tax?" – in other words, how to ensure the power to lay and collect income taxes for a country where taxable income is generated through digital services by an entity that has no direct material presence in that country. The second question is: "value creation?" – namely, to whom to attribute taxable income in digital business models based on intangible assets, data and information. Despite some scepticism, we persist in the view that reaching a multilateral agreement at OECD level is the preferred option for regulating the tax law relationships arising from the taxation of income from digital services.

The sharing economy (or also the collaborative economy, collaborative consumption, or the so-called "peer-to-peer" economy) is a phenomenon of the digital or online age, the main principle of which is the lending of existing resources between persons carrying out the sharing economy in such a way that the process results in a profit for those persons. These are not new activities, but still the sale of goods and the provision of services on the basis of supply and demand. The peculiarity of the business transactions carried out within the collaborative economy is the extension of the originally bilateral relations to a third entity, a digital platform, which mediates the transaction in question (Bachňáková Rózenfeldová, 2022, p. 1). In view of the undoubtedly rapid development of Internet-based digital platforms and the provision of "sharing" services, the issue of international as well as national regulation of the sharing economy comes to the fore. This issue can be addressed separately or as part of a "package" of changes introduced for the taxation of digital services.

The third area closely linked to advanced digitisation is the issue of virtual currency. Virtual currencies are, by their very nature, a unit of value that is captured in cryptographic form. The introduction of virtual currencies was enabled by the development of a technology called blockchain, which was originally proposed by Satoshi Nakamoto as the basis for "an electronic payment system based on cryptographic proof instead of trust". The introduction of this decentralised payment system made it possible to make payments using tokens called "Bitcoin" and other digital assets and crypto assets. From a tax law perspective, these new objects of economic relations pose a number of legal challenges. Among the most prominent of these is the question of the legal nature of digital assets and crypto assets, which we addressed in previous research and concluded that they are neither money nor currency. They can be seen as other assets, which possess certain distinctive features, such as an intangible nature, an asset in the digital environment, a decentralised and only partially regulated status, a basis in cryptographic practices and DLT technology, the transactional capacity and the ability to serve as means of payment by consensus of the parties involved and, the prevailing absence of a link to legal tender (Popovič et al., 2020, pp. 222–226; Popovič & Sábo, 2021, pp. 44–45; Štrkolec, 2022b, p. 108–109).

Building on the above background, a closer look can be taken at the Slovak legislature's response to these challenges in recent years:

1. In relation to the taxation of the digital economy, the Slovak Republic is still among those countries that have not proceeded to the taxation of digital services or digital advertising. International or European solutions come into consideration, but undoubtedly also unilateral ones, which have been attempted in the last

few years by some countries, such as France, Spain and the United Kingdom. The Ministry of Finance of the Slovak Republic declares that it is not considering the introduction of a national digital services tax, but is waiting for a comprehensive and harmonised solution at the EU level, not only as regards the DST (digital services tax) version, but also a compromise in the DAT version, (i.e. only the digital advertising tax, Hrabčák & Stojáková, 2020, pp. 22–25).

2. The taxation of income generated in the sharing economy is, after all, somewhat further away in the Slovak Republic than the taxation of digital services. The amendment to the Income Tax Act by Act No. 344/2017 Coll., in force from 1 January 2018, established a legal definition of digital platform as a hardware or software platform necessary for the creation and management of applications. At the same time, for the purposes of determining the source of income of non-resident taxpayers, it was established that the repeated mediation of transport and accommodation services through a digital platform is also considered to be the performance of activities with a place of business in the Slovak Republic. This created the basic prerequisites for the taxation of income of digital platform operators in the Slovak Republic. This was later followed by the amendment to the Act on International Assistance and Cooperation in Tax Administration, made by Act No. 250/2022 Coll., which introduces, with effect from 1 January 2023, a reporting obligation and automatic exchange of information reported by platform operators. The amendment implemented the DAC 7 Directive in the Slovak Republic. However, in relation to digital platforms, we can also point to the current regulation of the accommodation tax (Act No. 582/2004 Coll., amended by Act No. 470/2021 Coll.), which, with effect from 11 December 2021, introduces the institution of the taxpayer's representative. This is a person who mediates paid temporary accommodation between the taxpayer and the taxable person through the operation of a digital platform. Such a taxpayer's representative may enter into an agreement with the municipality under which they will subsequently collect the tax from the taxable person and pay it to the tax administrator's account.
3. By the amendment to the Income Tax Act by Act No. 213/2018 Coll., in force from 1 January 2019, the sale of a virtual currency became a taxable transaction and the income from its sale became taxable income. For the purposes of the Income Tax Act, the sale of virtual currency means an exchange of virtual currency for property, an exchange of virtual currency for another virtual currency, an exchange of virtual currency for the provision of a service, or a transfer of virtual currency. The Act also regulates the rules for determining the tax base, the application of tax deductible expenses and the method of determining the entry price of virtual currencies. As regards the basic rules for the taxation of income from the sale of virtual currency, it is necessary to distinguish between the income of natural persons – non-entrepreneurs – and that of entrepreneurs. The income of a natural person from the sale of virtual currency is other taxable income under Section 8 of the Income Tax Act. The tax base includes the income from the sale of virtual currency less the expenses

> demonstrably incurred to generate it. These may include actual expenses demonstrably incurred for mining (energy, software, hardware) or the price paid for the acquisition of the virtual currency if it is acquired by purchase. The situation is different for entrepreneurs who sell virtual currency that is their business property. In such a case, the income from the sale of virtual currency is treated as part of the tax base of the business income under Section 6 of the Income Tax Act. The tax deductible expenses of a natural person – entrepreneur include expenses in the amount of the aggregate of the entry prices of virtual currencies under Section 25b of the Income Tax Act in the taxable year in which the sale takes place. The tax deductible expense is the acquisition price if the virtual currency was acquired by purchase or the fair value if the virtual currency was acquired in exchange for another virtual currency (Štrkolec, 2022b, p. 110).

Again, several partial conclusions can be drawn from the above. Taxes, as the main source of revenues for public budgets in the Slovak Republic, have so far only slowly and to a limited extent burdened the activities carried out in the digital world. The digital tax has not yet been introduced, digital platforms are taxed, but the question is whether the current legislation allows for their effective taxation at all (Simić, 2022, p. 134–139), and finally, virtual currencies (or the income from their sale) are subject to taxation, but the revenue from them is marginal. In this regard, reference can be made to the available data, according to which the share of declared income from the sale of virtual currencies in other income under Section 8 of the Income Tax Act oscillated between 0.39% and 1.06% in 2018–2020, and between 0.02% and 0.07% in the same period for all personal income (Putera, 2022, p. 91). It therefore appears that *de lege lata* the practical dimension of taxation of income from the sale of virtual currencies is at least problematic, and only a marginal part of taxable income is subject to real taxation.

5. Inflation

Finally, the third external factor with an impact on tax law, especially in the current year 2022, is rising inflation, which increased in the Slovak Republic to 14.2% in September 2022. It is not the aim of this paper to examine its causes in detail or to suggest stabilisation mechanisms. We will therefore only take a closer look at some of the already approved or forthcoming changes in tax law that are related to this phenomenon. These can be seen in two areas; the first is the State's (government's) efforts to help the population deal in particular with rising prices, and the second is the need to find sufficient coverage of the necessary resources.

With regard to the State's efforts to help the population with, among other things, the consequences of inflation, mention may be made in particular of Act No. 232/2022 Coll. on the financing of children's leisure time, and amending certain acts, among others, the Income Tax Act. This Act was approved by the National Council of the Slovak Republic despite the veto of the President of the Slovak Republic. From our point

of view, the essential change to the Income Tax Act made by this Act, in force from 1 July 2022, is the increase in the child tax bonus from EUR 22.17, or EUR 44.34 (for a child under 6 years of age) per month, to:

- EUR 40 per month for a child over 15 years of age and EUR 70 for a child under 15 years of age, for the period July to December 2022
- EUR 50 per month for a child over 15 years of age and EUR 100 for a child under 15 years of age, with effect from 1 January 2023

Although there are some corrective mechanisms in the amendment related to the maximum amount of the tax bonus, the aim of its authors, according to the explanatory memorandum, was to improve the financial situation of families with children, since the tax bonus reduces the tax. In other words, a higher tax bonus means a lower tax. Of course, this measure will have a significant negative impact on public administration budget revenues. In this regard, the anticipated decrease in public budget revenues may reach 500 million in the year 2023. Ultimately, however, the local self-governments will suffer the most from this measure, since the higher tax bonus per child will reduce the personal income tax collected, which, as a shared tax, is a crucial source of revenues for municipalities and higher territorial units. The budgetary coverage of this revenue shortfall is not yet known.

The second group includes so far only the proposed changes to tax laws, the declared aim of which is, on the contrary, to increase the tax revenues of the public administration budget, in particular the state budget. This is all in order to ensure budgetary coverage of the higher expected expenditure in 2023, not only in connection with the above-mentioned Act No. 232/2022 Coll. (which increased not only the tax bonus but also the child benefit and introduced a new payment called the child leisure allowance), but also in other contexts. For example, the following draft laws are currently in the legislative process:

1. A draft law on taxing a benefit obtained as a result of the special situation on the oil market. The government's draft law of May 2022 envisaged a revenue of EUR 57 million in 2022 and about EUR 23 million in 2023 and 2024, on the basis that the tax object is the economic benefit obtained as a result of the special situation on the oil market. The proposed tax rate is 30% of the tax base. Although the draft law has passed its first reading in the legislative process, it is generally not expected to be adopted.
2. A draft law on a tax on a special construction was introduced in August 2022. The purpose of the draft law is to introduce a new tax on a special construction used for the transportation of gas. It was therefore a proposal to introduce a gas pipeline tax. The tax should be based on the length of the pipeline in kilometres and the proposed tax rate is EUR 6,000 for each (even incomplete) kilometre of pipeline. The positive impact on the state budget is estimated at EUR 92 million in 2022 and EUR 126 million in 2023–2025.
3. Another draft law, which amends Act No. 530/2011 Coll. on the excise duty on alcoholic beverages, is also of August 2022. The draft law simply increases both the basic and reduced rates of the tax on alcohol by 30% compared to the current situation. The impact on the state budget has not been quantified.

What partial conclusions can be drawn from the above? First of all, the conclusion is that through tax laws, which should primarily fulfil a fiscal function, the State is implementing, in addition to budgetary policy, a pro-family or social policy. However, in our opinion, this should not be implemented primarily by tax laws, but rather by social security laws. The purpose of tax laws is the materialisation (generation) of the revenues for public budgets, not the withdrawal of resources from public budgets, as has been done by increasing the tax bonus. On the other end of the spectrum, there are the so far unsuccessful draft laws that aim to generate new tax revenue sources for public budgets, or to increase the existing ones. The problem, however, is not only their questionable passage through the National Council of the Slovak Republic, but also, ultimately, their marginal dimension.

6. Conclusion

In the introduction to the paper, we stated that our aim would be to verify the hypothesis that taxes, as their regulation by tax laws changes under the influence of the pandemic, digital transformation and inflation, would continue to fulfil their primary fiscal function. This hypothesis has been confirmed to only a limited extent, namely in relation to the taxation of digital platforms or income from the sale of virtual currency. However, we also note here that the revenues generated by the taxation of the new phenomena of the digital economy are far from being at a level that is commensurate with the scale of activities of the various actors in the digital space.

In relation to most of the tax regulations examined, however, the hypothesis has not been confirmed. In fact, under the influence of the pandemic, digital transformation and inflation, taxes partly cease to fulfil their primary fiscal function, which gives way to other objectives or functions. Typical cases are the above-mentioned changes brought about by the Covid-19 pandemic, or the changes brought about by the efforts to support families through the increased tax bonus. These changes were not primarily intended to ensure sufficient revenues for public budgets (which is the basic purpose of taxation as such), but rather to help businesses and the population to overcome the negative effects of the pandemic and inflation, also by reducing or postponing tax liabilities. To paraphrase Professor Funk, these changes instead exhibit the socio-political function (purpose) of taxation in order to meet the demands for social justice (Funk, 1929, p. 69).

Of course, the above conclusions apply only to taxes under the influence of the external phenomena examined. In general, taxes are and will remain a crucial source of revenues for public budgets, especially for the state budget.

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