

2% in Slovakia 2007

Back in autumn 2006

After big NGOs campaign called “Ľudia-ľuďom” (People to people) we succeed in saving the 2% mechanism for future (at least for short term future), although the government pushed through some changes we didn't agree:

1.) **The minimum amount people can assign has been increased from 20 Skk (app. 0,6 EUR) to 100 Skk (app. 3 EUR).** The government's reasons to increase were: high costs with dealing the small amounts of 20 to 100 Skk – bank transfer fees and the value of tax offices employment's time. We tried to ask them, how much costs tax offices the dealing with the tax statements we are required to fill every year, and if it is too high, then proposed to cancel the tax statements (**in joke**, just to explain to the government, that their count of costs is not the only way of looking at 2% mechanism and if people want to have the 2% mechanism with 20 Skk minimum, it is all about their money, because the people pay taxes...). We also counted how many people will loose the opportunity to assign, because their 2% are less than 100 Skk and ask the government, if these people were less valuable than other people just because they earn less and therefore they cannot assign 2%, although they want to. Especially in smaller villages in eastern part of Slovakia (where average wages are small) NGOs got their 2% from many people with amounts of 40-80 Skk and this money were valuable sources for their local activities.

2.) **3 activities were excluded from 2% mechanism:** NGOs active in
a) education
b) human rights protection and
c) saving environment

were from 2007 no longer eligible in receiving 2%. The government gave only reason to exclude Education: Organizations providing education should ask the Ministry of school for grants and support. The government gave no relevant reason the exclude Human rights protection and Saving environment. The exclusion of these 3 areas brought small tension to NGO sector: Some NGOs were happy to save 2% mechanism for them, but the rest NGOs were angry, because:

1. they lost the opportunity to receive 2% or
2. we felt the government's effort to break the NGO's consistence by partly weaken some of NGOs

3.) **The time period to publish the use of 2% was made longer to 16 months after the General Tax Authority publishes the final results of 2% for the year.** General Tax Office publishes every year no later than January 31st the list of all recipients of 2% from previous year with the exact amounts they received for that year. Each NGO, that in 1 year receives more than 100.000 Skk (app. 3.000 EUR) is required to publish in official Commercial Bulletin (published by the Ministry of Justice), how they spent the money. The time period before the change was 12 months (it is no later than January 31st on next

year), which made some problems, because it was short after the year finishes and some NGOs had not finished their accounting. As well if NGO received more than 1 million Skk (app. 30.000 EUR), they are required to publish the auditor's conclusion, which was very hard to get from auditors so early. Therefore the time period was made longer to 16 months after the General Tax Authority publishes its list (it is to no later than May 31st.)

As we were not happy with the exclusion of these 3 areas, we continued in talks and meetings with politicians and people from Ministries in order to

1. save the 2% mechanism for the future (because the government still tries to find the way to cancel it at least for the companies)
 2. find the way to have 3 excluded areas back in 2% mechanism
 3. find some solutions to make 2% mechanism better and more effective
 4. find other way of supporting NGOs
 5. find answers to some problems/unclear questions
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Year 2007

In the spring of 2007 we agreed with the people from Ministry of finance, that:

- 1.) they have nothing against the 3 excluded areas and if we have success with the Parliament, they will make no problems in accepting them back to the 2% mechanism,
- 2.) all planned changes in 2% mechanism we will discuss (regardless if we find agreement or not) before they push them to the Government or Parliament.
3. we will meet later in autumn to talk and probably find some new evolution for 2% mechanism.

Later in the spring the Parliament agreed to bring the Education back to 2% mechanism, so excluded stayed only Human rights and Environment.

Then we continued in our effort to bring the rest 2 areas back in 2% mechanism and prepared all the documents needed to make the amendment to our Income Tax Law (which deals with the 2% mechanism). But after the summer Parliament's Holiday in September the politicians refused to discuss our amendment in Parliament.

On September 2nd new registration for existing NGOs began by Notaries (NGOs that want to receive 2% must be registered every year in List of recipients published by Chamber of Notaries). The question was: Is there any way for organizations active in 2 excluded areas to register by notary on to receive 2%? Some organizations solved their own way, and registered as organizations providing education (especially Human rights organizations) or as Health care organizations (especially Environmental organizations). It was not the best solution, but they found the way to get 2% at least.

In October we met with people from Ministry of finance and found the solutions of problem with accepting the use the money from 2% to pay for administrative costs (wages, rent...). The solution is quite easy: Organizations can use the money from 2% to pay for administrative costs in the same level, as is the level of the projects financed from 2% money are to other projects that cannot be financed from 2%. (f.e. NGO has 3 projects with the budget of 10.000 Skk each. 2 projects can be financed form 2% and one cannot. It is 20.000 Skk from 2% to 10.000 Skk financed from other sources, which is the distribution 2:1 and therefore the organization can pay 2/3 of f.e. rent from 2% money.

Early in the winter time, the Parliament finally agreed to bring 2 excluded areas back in 2% mechanism and even expand it to new area: Science and Research. As well new legal form of organizations was added among organizations eligible to receive 2%: These organizations are called: Subjects of research and development (we are examining, what are these organizations).

Now, the eligible organizations are:

- a) civic associations
- b) foundations
- c) non investment funds
- d) non-profit organizations providing public benefit services
- e) purposeful organizations of churches or religious organization
- f) organizations with international characteristic
- g) Slovak Red Cross
- h) Subjects of research and development

And the supported areas are:

- a) saving and support of health; prevention, treatment and re-socialization of drugs addicted people in the field of health service and social services
- b) support of sport of children, young and handicapped
- c) providing social services
- d) saving of culture values
- e) supporting of education
- f) human rights saving
- g) saving and creating of environment
- h) science and research

These changes are effective as early as 2008 so the Human rights and Environmental organizations don't need to "hide" behind Education and Health care anymore.

Year 2008

On January 15th The Chamber of notaries published the List of 2% recipients for 2008, in which we can find 7891 organizations. Some of these organizations (app. 130, but the List is changing) will be excluded for 3 years from the List, because they didn't publish in Commercial Bulletin (or published later then the law requires) how they spent the 2% money in the past.

On January 31st the General Tax Authority published the List of NGOs with the amount they got from 2% in 2007. The final amount for all NGOs (2% recipients) is 1.27 billion Skk (app. 39 million EUR).