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EVALUATION OF REVENUES, EBITDA, NET PROFIT, AND CORPORATE INCOME TAXES IN RELATION TO THE INCOME SIDE OF THE STATE BUDGET*

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Abstract. The effective operation of small, medium, and large enterprises is essential for society and the state budget. The efficiency of companies from an accounting and financial reporting perspective can be measured based on data presented in financial statements. The structure of financial statements is defined by the Decree of the Ministry of Finance of the Slovak Republic, and these statements also serve as a mandatory attachment to the corporate income tax return. According to the Accounting Act, legal entities' financial statements are published in the Register of Financial Statements, which is publicly accessible. The state aims to build a control system that ensures the monitoring of accounting and corporate income tax to secure the income side of the state budget. In the Slovak Republic, the control body for business entities is the Financial Administration of the Slovak Republic, including tax offices under its jurisdiction. This paper aims to highlight the correlation between achieved revenues, net profit, the EBITDA financial indicator, and corporate income tax with a focus on the results of the control activities of the Financial Administration of the Slovak Republic. The research involved 146,560 business companies, with the analyzed companies selected from the following sectors: retail, metalworking and metallurgy, construction, transport and logistics, vehicle sales and maintenance, electrical engineering, energy and mining, healthcare, and the automotive industry.

Keywords: financial statements; revenues; EBITDA; net profit; corporate income tax; income side of the state budget; tax audit

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1. Introduction

A financial statement in the Slovak Republic is defined as a structured presentation of facts that are the subject of accounting provided to users who utilize this information. The financial statement consists of the balance sheet, income statement, and notes. The definition and structure of the financial statement in Slovakia are based on the International Accounting Standards for Financial Reporting IAS/IFRS - 1 Presentation of Financial Statements to ensure uniformity for accounting entities that are required to account according to international

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accounting standards. The data presented in the financial statement provides informational resources for financial analysis and is also subject to tax audit (Frintrup et al., 2020).

This article offers an analytical view of revenues and an analysis of revenues, EBITDA, net profit, and corporate income tax in relation to the income side of the state budget. Attention is drawn to the importance of the efficient operation of small, medium, and large enterprises, as well as their connection to the income side of the state budget and the activities of tax offices that audit accounting and the correct calculation of corporate income tax obligations.

The state budget of every country represents a balance between the state budget's income and expenditures. The income side of the state budget includes corporate income tax. According to the State Budget Act for 2024 in the Slovak Republic, the planned income from all taxes is €18,633,856,000, of which income from corporate income tax represents €4,475,610,000, which means 24.01% of the total income.

2. Literature review

Accounting entities calculate the profit before tax as the difference between revenues and expenses, considering the provisions of the Income Tax Act. After this, accounting entities calculate the profit after tax (net profit). The financial statement is the primary informational resource for presenting economic information about a company's performance. The various parts of the financial statement are interconnected, which is also reflected in the triple accounting principle. The balance sheet, through the line item "profit after tax," provides information about net profit. This line item also serves as a connecting line between the balance sheet, income statement, and cash flow statement. The financial statement is the primary informational resource for financial analysis worldwide (Štangová et al., 2012; Farkaš, 2020; Šlosárová et al., 2020; Ogbeide et al., 2021; Bowen et al., 2024).

Financial analysis provides a wide range of financial indicators through which the economic health of business companies can be examined. For financial managers as well as shareholders of business companies, the most commonly used financial indicators are revenues, EBITDA, net profit, and corporate income tax (Sacer & Zyznarska-Dworczak, 2020; Frintrup et al., 2020; Pavic, 2020; Baker et al., 2021).

The state budget represents a balance of the state's income and expenditures, legislatively regulated each year by the State Budget Act. The income side, primarily consisting of direct and indirect taxes, plays a crucial role. Business companies are taxpayers of corporate income tax, and therefore, the efficient operation of these companies is an essential factor for the income side of the state budget. EU member states have similar structures for their state budgets but different corporate income tax rates. These topics are discussed by the authors of the following publications: Beck & Mozdzen, 2020; Cheben et al., 2021; Natalizi, 2020; Roca, 2021; Wijekoon et al., 2021; Lombardi et al., 2020; Miah et al., 2021; Silva et al. 2021. Other insights are presented by authors in their publications: Mi et al. 2016; Cachia, 2017; Pavic, 2020; Frintrup et al., 2020; Víghová, 2022.

3. Characteristics of Financial Statements in Relation to the Triple Accounting System

Business activities in the Slovak Republic are defined in the Commercial Code and the Trade Licensing Act as activities performed continuously, in one's own name, and on one's own responsibility, with the aim of generating profit. Business activities are associated with the obligation to maintain accounting records (Šlosárová et al., 2020). According to the Commercial Code, business entities registered in the Commercial Register are required to use double-entry accounting. According to the Accounting Act, they become accounting entities that must comply with the provisions of the Decree of the Ministry of Finance of the Slovak Republic No. 23 054/2002-92, which establishes detailed procedures for accounting and the framework chart of accounts for entrepreneurs using double-entry accounting. The final presentation of the accounting results is the financial statement, which is defined according to § 17(1) of the Accounting Act as a structured presentation of facts that are the subject of accounting, provided to users who utilize this information. The financial statement for entrepreneurs (for large and small enterprises) consists of a balance sheet, an income statement, and notes. These

parts of the financial statement are interconnected, and this interconnectedness is known as the triple accounting principle (Baker et al., 2021). This principle is illustrated in the Figure 1 below:

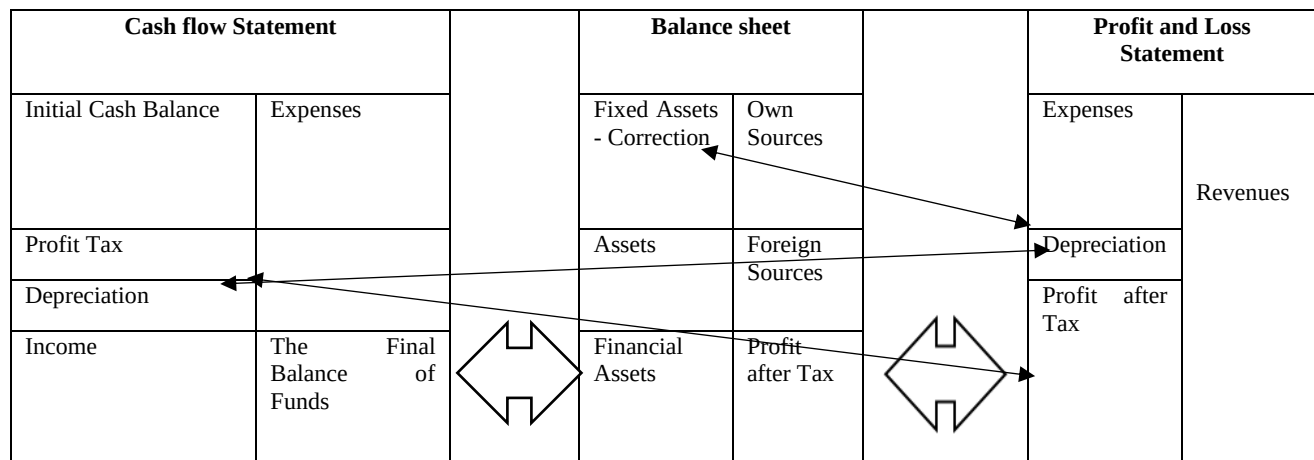


Figure 1. The Triple Accounting System (based on financial statements for small and large accounting units for entrepreneurs)

Source: Based on data from the financial statements of 146,560 business companies – www.finstat.sk

The diagram of the triple accounting system shows the relationship between the various parts of financial statements, specifically the cash flow statement, balance sheet, and income statement (Schultzová et al., 2018). The relationships can be observed in the reported net profit as well as the amount of depreciation (Farkaš, 2020). The net profit and depreciation figures appear in all the statements, and their amounts must be consistent.

The basic financial statements in the Slovak Republic, according to § 17(3) of Act No. 431/2002 Coll. on Accounting, as amended, are: the balance sheet, the income statement, and notes (the cash flow statement is also part of the notes, which must be prepared by large accounting units). Large accounting units are business entities that have a total asset value exceeding €4,000,000; their net turnover exceeds €8,000,000; and their average number of employees during the accounting period exceeds 50.

The income statement contains information on revenues (sales), profit before tax, profit after tax (net profit), as well as the amount of corporate income tax payable.

- **Revenues (sales)** represent, according to the Accounting Act, an increase in the economic benefits of an accounting entity during the accounting period, which can be reliably measured (Štangová et al., 2012).
- **Profit before tax** is calculated as revenues minus expenses.
- **Income tax** is divided into current income tax and deferred income tax. Current income tax represents an external settlement relationship of the accounting entity—specifically, the relationship with the state budget through the tax office. Current income tax is regulated by Act No. 595/2003 Coll. on Income Tax, as amended. Deferred tax represents an internal settlement relationship of the accounting entity (i.e., the relationship between accounting periods). Deferred income tax reflects that portion of the income tax expense that arises due to the obligation to pay income tax in the future and is accounted for in the period to which it relates in terms of time and substance; thus, the accrual principle, as a fundamental principle of double-entry accounting, is applied. At the same time, the amount of the reported profit after tax is also affected; accounting for the deferred tax liability prevents the distribution of profit to the owners, thereby applying the principle of prudence.
- **Profit after tax** represents the profit before tax minus the tax liability (both current and deferred) (Pavic, 2020).

The financial statements serve as the basis for calculating financial analysis indicators and are also an attachment to the corporate income tax return. Entities are required to submit these financial statements to the tax office

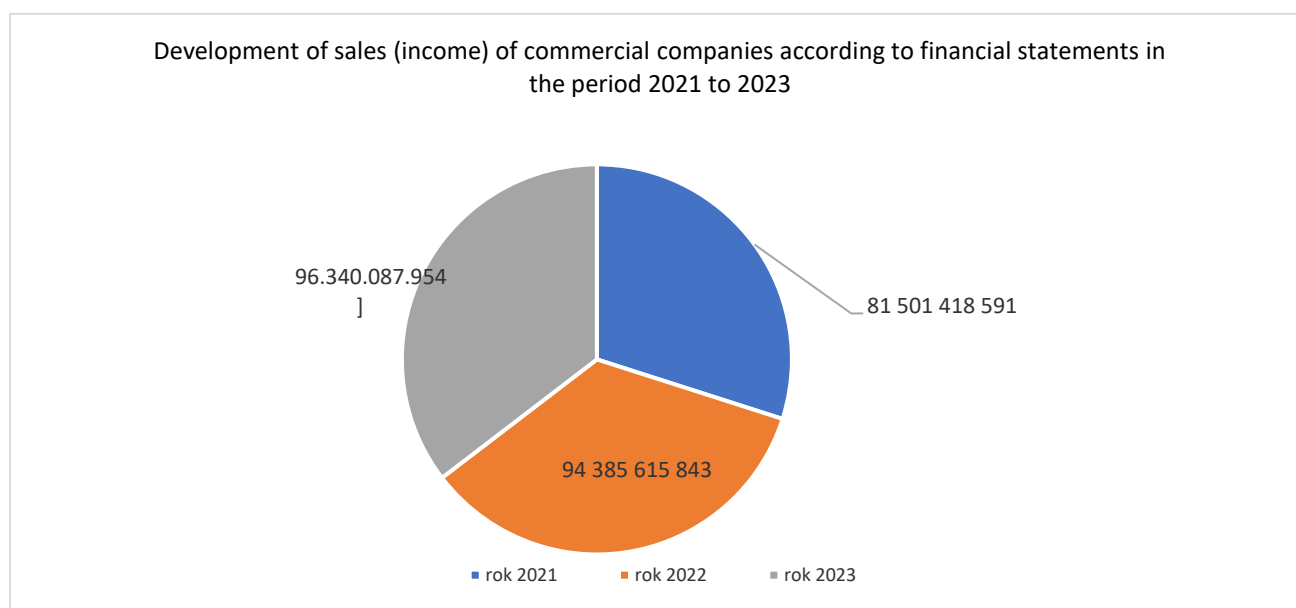
exclusively electronically within three months after the end of the accounting period, in accordance with § 49 (2) of Act No. 595/2003 Coll. on Income Tax, as amended.

4. Analysis of Revenues, EBITDA, Net Profit, and Corporate Income Tax Payable

Our research focused on business entities categorized by industry, with a total sample size of 146,560 companies. The specific industries are listed in Table 1. As part of the research, we conducted an analysis of revenues, EBITDA, net profit, and corporate income tax payable. The reason for selecting these indicators is their ability to provide insights into the efficiency of business operations.

Analysis of Achieved Revenues (Sales)

Revenues for accounting entities using the double-entry bookkeeping system are recorded according to accounting procedures under Class 6 – Revenues. These primarily reflect the realization of the entity's own outputs in relation to the external environment. Revenues also include changes in the inventory levels of internal stocks, the capitalization of internal services, and the recognition of subsidies, grants, and contributions. Revenues may also pertain to financial activities, including, but not limited to, revenues from the sale of securities and shares, interest income, foreign exchange gains, gains from the revaluation of securities, income from long-term and short-term financial assets, derivative operations, and other financial revenues. The accounting entity presents revenues in the income statement, serving as a fundamental basis for calculating the pre-tax profit (see Table 1). Additionally, the total revenue amount is reported in the corporate income tax return.



Graph 1. Sales (Revenue) Development

Source: Own processing based on data from the financial statements of 146,560 companies – www.finstat.sk

Graph 1 presents the revenue development of the analyzed accounting entities. Based on the results presented in the financial statements, there was an increase in revenue by €12,884,197,252 when comparing the accounting periods 2021/2022. Comparing the periods 2022/2023, an increase of €1,954,472,111 was observed. The reason for the revenue increase is that business operations have resumed strongly after COVID-19. Companies could conduct their production processes and sales of goods and services without restrictions.

Table 1. Revenue (Sales) Development in the 10 Largest Sectors in Slovakia
(Entities are ranked by the total revenue in the accounting period 2023)

Sector	Accounting period 2021	Accounting period 2022	Accounting period 2023	Comparison 2022/2023	Comparison 2023/2022
Wholesale	16 647 046 095 €	20 077 810 811 €	19 445 901 412 €	20,6 %	-3,1%
Retail	6 757 704 611 €	7 809 251 743 €	7 973 278 205 €	15,6 %	2,1%
Metal production and Metallurgy	7 567 226 703 €	9 003 157 825 €	7 948 789 076 €	19,0 %	-11,7%
Construction	5 482 148 436 €	6 640 325 573 €	6 940 303 085 €	21,1%	4,5%
Transport and Logistics	5 081 511 100 €	5 871 154 441 €	5 559 205 448 €	15,5%	-5,3%
Vehicle sales and maintenance	3 389 052 433 €	3 919 396 092 €	4 685 506 813 €	15,5%	19,5%
Electrical Engineering	3 480 756 645 €	3 697 495 823 €	3 818 189 355 €	6,2%	3,3%
Energy and Mining	2 710 322 448 €	2 978 135 950 €	3 779 342 596 €	9,9%	26,9%
Healthcare	2 881 303 051 €	3 218 850 899 €	3 615 701 194 €	11,7%	12,3%
Automotive Industry	2 692 336 374 €	3 054 780 708 €	3 521 088 256 €	13,5%	15,3%

Source: Based on data from the financial statements of 146,560 companies – www.finstat.sk

The research focused on the companies within the sectors listed in Table 1. The revenue growth, as measured by sales figures, can be observed in Table 1. The rate of revenue growth in the construction, wholesale, and retail sectors was higher in 2022 than in 2023. In 2023, a decline in the growth rate of revenue (sales) was recorded.

Analysis of the Financial Indicator EBITDA

The research also included an analysis of the financial indicator EBITDA, which is calculated as follows: profit before tax + depreciation + net book value of sold long-term assets and materials – sales from the disposal of long-term assets – sales from the disposal of materials (see Table 2). The practical application of the EBITDA financial indicator lies in its ability to reflect the operational performance of companies, making it one of the key indicators in financial analysis. Its main advantage is that it excludes certain items from profit, providing a more accurate picture of a company's core profitability and operational efficiency.

Table 2. Sum of the EBITDA Financial Indicator for the Years 2021, 2022, and 2023

Accounting Period	EBITDA
Year 2021	9.203.561.882 €
Year 2022	9.347.446.833 €
Year 2023	9.034.856.894 €

Source: Own processing based on financial statements of 146,560 companies; www.finstat.sk

The analysis indicates an increase in EBITDA of €143,884,951 for the period 2021/2022. However, for the period 2022/2023, businesses experienced a decrease in EBITDA by €312,589,939. The decline in EBITDA for the period 2022/2023 was due to a decrease in profit before tax in the analyzed companies.

Analysis of Net Profit (After-Tax Profit) and Corporate Income Tax Payable

The research results show how revenue development affects the financial indicator EBITDA and will influence the development of net profit, which is presented in Table 3.

Table 3. Development of Net Profit (After-Tax Profit) for Analyzed Companies

	Accounting period 2021	Accounting Period 2022	Accounting Period 2023
Profit after Tax (Net Profit)	4.993.615.760 €	5.496.210.314 €	4.674.814.831 €

Source: Own processing based on financial statements of 146,560 companies – www.finstat.sk

From Table 3, it is evident that when comparing the years 2021/2022, there was an increase in net profit of €502,594,554. In the comparison of the periods 2022/2023, there was a recorded decrease in net profit of €821,395,483 for the companies. This fact also impacts the companies' payable tax obligations.

Achieved revenues and net profit influence the calculation of companies' tax obligations. According to Slovak regulations, accounting entities calculate the pre-tax financial result using the formula: revenues minus expenses, based on double-entry bookkeeping data. This calculated financial result is then adjusted according to the provisions of Act No. 595/2003 Coll. on Income Tax, as amended, to determine the taxable base for corporate income tax and compute the payable income tax. The payable income tax represents the tax liability for the company and revenue for the state budget (see Table 4).

Table 4. Development of Payable Corporate Income Tax for the Years 2021, 2022, and 2023

Accounting Period	Payable Corporate Income Tax for Analyzed Companies in EUR
Year 2021	1.427.439.594
Year 2022	1.508.204.816
Year 2023	1.192.192.361

Source: Own processing based on financial statements of 146,560 companies; www.finstat.sk

The analysis of the selected 146,560 companies also focused on the payable corporate income tax. The payable corporate income tax of the analyzed companies showed an increase of €80,765,222 between 2021 and 2022, and a decrease of €316,012,455 between 2022 and 2023. Table 5 provides an overview of the payable corporate income tax by industry.

Table 5. Overview of Payable Corporate Income Tax by Industry

Industry	Accounting period 2021	Accounting Period 2022	Accounting Period 2023	Comparison 2022/2021	Comparison 2023/2022
Wholesale	151.983.407 €	190.766.536 €	145.567.949 €	25,5 %	-23,7 %
Energy and Mining	153.370.474 €	134.987.005 €	140.537.567 €	-12,0 %	4,1 %
Construction	65.598.898 €	90.185.383 €	78.584.339 €	37,5 %	-12,9 %
Healthcare	61.208.838 €	70.283.038 €	76.886.216 €	14,8 %	9,4 %
Retail	58.842.820 €	65.710.737 €	65.483.123 €	11,7 %	-0,3 %
Electrical Engineering	34.115.404 €	35.650.236 €	40.852.104 €	4,5 %	14,6 %

Source: Own processing based on data from www.finstat.sk

5. Results of Tax Audits Focused on Corporate Income Tax

The state budget represents the balance of the state's financial management for a specified accounting period, which is the calendar year (Beličková, 2010). It reflects the balance between revenues and expenditures. The revenue side of the state budget is significantly composed of tax revenues. In the Slovak Republic, taxes are collected, enforced, and controlled by the Financial Administration of the Slovak Republic through tax and customs authorities (Vighova, 2022).

Table 6. Structure of Corporate Income Tax Collection by Tax Authorities for the Period 2021- 2023

Tax Type/ Year	2021	2022	2023
Corporate Income Tax	2 904,59	3.863,35	4.315,70
Revenue to the State Budget	7.903,23	9.022,70	11.167,31

Source: Own processing based on the Financial Administration Annual Report 2023.

Data are expressed in millions of Euros.

Based on the data provided in Table 6, the share of corporate income tax revenue in the state budget for the year 2023 was 38.64%. This represents a decrease compared to 42.81% in 2022 and 36.75% in 2021.

Any government's responsibility is to ensure revenue for the state budget through various controls (Thusi & Matyana, 2024). Tax compliance and detecting illegal tax evasion play a crucial role in a country's economy, given that taxes constitute a significant portion of state revenue. In the Slovak Republic, tax audits focusing on corporate income tax are conducted by tax authority employees.

In 2023, tax auditors conducted a total of 6,859 audits. Of these, the most significant proportion was audited on Value Added Tax (VAT), totalling 4,713, which accounts for 68.7% of the total audits. There were 967 audits related to corporate income tax, 816 audits related to personal income tax, 17 audits related to income tax from dependent activities, 4 audits on motor vehicle tax, 340 audits focused on accounting, and 2 audits on other areas.

Table 7. Overview of Findings from Tax Audits Conducted by Tax Authorities for the Period 2021-2023

Year	Overview of the findings from the performed inspections						
	VAT	Corporate Income Tax	Personal Income Tax	Income Tax from Dependent Activities	Motor Vehicle Tax	Accounting Compliance Audits	Total
2021	390.089	222.161	10.811	664	32	857	624.614
2022	290.328	114.637	7.641	336	101	3.532	416.575
2023	182.220	228.017	7.360	641	27	460	418.725

Source: Prepared by the author based on the Annual Report on the Financial Administration for 2021 to 2023

Table 7 shows that the largest share of findings from the conducted tax audits pertains to corporate income tax (i.e., business entities).

Conclusion and Recommendations

1. As part of the research on revenues (sales), the financial indicator EBITDA, profit after tax (net profit), and payable corporate income tax, we found the following:

The subject of the research was the financial statements of 146,560 commercial companies. These companies were selected for analysis from the following sectors: retail, metalworking and metallurgy, construction, transportation and logistics, vehicle sales and maintenance, electrical engineering, energy and mining, healthcare, and the automotive industry.

- Revenues (sales) for commercial companies in the 2021/2022 accounting period increased by €12,884,197,252, and in the 2022/2023 accounting period, revenues also increased by €1,954,472,111.
- The financial indicator EBITDA showed an increase of €143,884,951 in the 2021/2022 accounting period, but a decrease of €312,589,939 in the 2022/2023 period.
- The net profit of the analyzed commercial companies increased by €502,594,554 in the 2021/2022 accounting period, but decreased by €821,395,483 in the 2022/2023 period.
- Payable corporate income tax for the analyzed companies increased by €80,765,222 in the 2021/2022 period, but decreased by €316,012,455 in the 2022/2023 period.
- The payable corporate income tax for the analyzed companies decreased by €316,012,455 when comparing the years 2022/2023.

The above results lead to the following recommendation for the analyzed companies: The increase in revenues did not lead to an increase in net profit or payable corporate income tax due to rising costs. Therefore, we recommend cost optimization in accordance with Act No. 595/2003 Coll. on Income Tax, as amended, for the analyzed companies to achieve higher net profit (profit after tax).

2. The conclusions drawn from the analysis of the Financial Administration of the Slovak Republic's audit activities, related to ensuring revenue for the state budget in the area of corporate income tax, are as follows:

- In 2023, the number of legal entities registered in Slovakia, according to the Financial Administration of the Slovak Republic, was 391,344. Out of this number, auditors conducted accuracy checks on the tax obligations of 967 legal entities.

- The amount of findings from the audits of legal entities in 2023 was €228,017,000.
- One focus of the audit activities in 2023 was on international transfer pricing (concerning large business entities), involving a total of 32 legal entities with international transactions, resulting in findings amounting to €105,430,000. Additionally, domestic transfer pricing (also concerning large business entities) was audited for 63 entities, with a total finding of €7,165,000.

Based on the above analysis, we recommend improving the efficiency of tax audits and increasing the number of audits conducted where there is a likelihood of findings. A means to achieve this trend is to initiate tax audits following local investigations where auditors have identified violations of the Income Tax Act or the Accounting Act.

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