Investing in Slovakia

An overview of the current tax system | 2020

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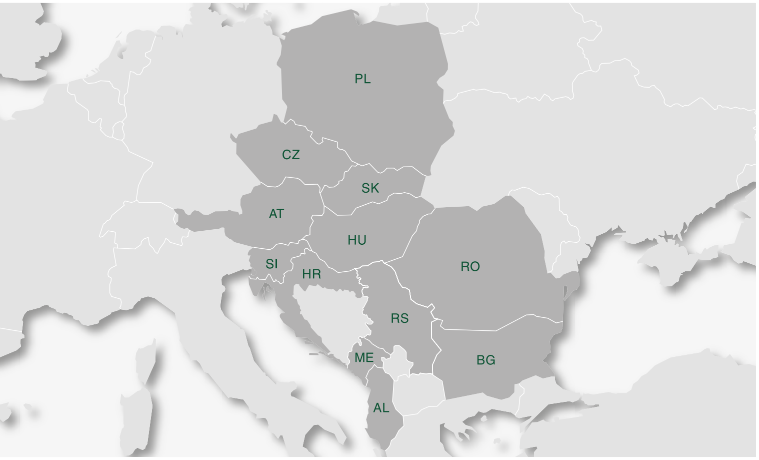

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Investing in Slovakia.
An overview of the current tax system.

The current developments within Central and Eastern European countries are accompanied by ongoing changes in tax systems. For investors, this means numerous new developments to take into account.

TPA's CEE Country Series covers 12 Central and South Eastern European countries, and gives an overview of the business environment and the most important new developments, including:

- Different types of business organisations, and their most important features
- Key details of corporate and personal income tax and VAT in each country
- Current tax allowances, reliefs and concessions
- Core provisions of double taxation agreements

In the TPA-Country Series there are booklets on Albania, Austria, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Serbia, Slovakia, Slovenia and Montenegro. Visit our website www.tpa-group.com, for detailed information and updates, or subscribe to our electronic newsletter at service@tpa-group.com

The information in these folders is based on the present legal situation and current administrative practice, and is therefore subject to change. The information is general in nature, and of necessity abridged: the booklets are not a substitute for individual, specific advice.

Our CEE experts will be happy to answer your questions in more detail.

Contents

Types of organisation

	Name in local language	*Registrable in commercial register / legal entity*	*Minimum capital*	*Sole-shareholder company*
Limited liability company	spoločnosť s ručením obmedzeným (s.r.o.)	yes	EUR 5,000, EUR 750 per shareholder	yes
Stock company	akciová spoločnosť (a.s.)	yes	EUR 25,000	yes
Simple stock company	jednoduchá spoločnosť na akcie (j.s.a.)	yes	EUR 1	yes
Cooperative (with limited liability)	družstvo	yes	EUR 1,250	no
General partnership	verejná obchodná spoločnosť (v.o.s.)	yes	no	no
Limited partnership	komanditná spoločnosť (k.s.)	yes	no EUR 250 per limited partner	no
Registered branch office	organizačná zložka	yes	no	-
Permanent establishment	stála prevádzkáreň	no	no	-

	Capital tax / registration fees	*Written form / notarisation*	*Tax transparency*	*Registration with tax authorities*	*Statutory audit (revenues more than EUR 4,000,000, or total assets more than EUR 2,000,000, or more than 30 employees)*
Limited liability company	no / registration in commercial register	yes / yes	no	yes	if at least two of the thresholds are exceeded in two consecutive accounting periods
Stock company	no / registration in commercial register	yes / yes	no	yes	if at least two of the thresholds are exceeded in two consecutive accounting periods
Simple stock company	no / registration in commercial register	yes / yes	no	yes	if at least two of the thresholds are exceeded in two consecutive accounting periods
Cooperative (with limited liability)	no / registration in commercial register	yes / yes	no	yes	if at least two of the thresholds are exceeded in two consecutive accounting periods
General partnership	no / registration in commercial register	yes / yes	yes	yes	only if registered capital is registered in the Commercial Register and if at least two of the thresholds are exceeded in two consecutive accounting periods
Limited partnership	no / registration in commercial register	yes / yes	general partner, yes / limited partner, no	yes	only if registered capital is registered in the Commercial Register and if at least two of the thresholds are exceeded in two consecutive accounting periods
Registered branch office	no / registration in commercial register	yes / yes	no	yes	as part of any audit of the parent company
Permanent establishment	no / no	–	no	yes	as part of any audit of the parent company

Corporate income tax

Tax rate		15% Corporate income tax rate for corporations with unlimited or limited liability to tax with income (revenues) not exceeding the amount of EUR 100 000 21 % Corporate income tax rate for corporations with unlimited or limited liability to tax with income (revenues) exceeding the amount of EUR 100 000
Tax liability		
	Unlimited	Legal persons (a.s., j.s.a., s.r.o., v.o.s., k.s., cooperatives), branches and public sector institutions with their residence or management in Slovakia, on their world income
	Limited	Foreign legal persons neither resident nor managed in Slovakia, on their Slovak income
Financial year		Calendar year; different financial year possible, but must be reported to the tax office in writing in advance
Accounting		Double-entry bookkeeping
Loss carryforwards		
	Losses incurred from 2014 to 2019	Equally for 4 years; no loss carry backs
	Losses incurred from 2020	Up to 5 years and up to 50% of the tax base; no loss carry backs
Associated parties		For the purposes of the Slovak Income Tax Act, if a person or a subject has a direct or indirect interest in at least 25 % of the share capital, profit share or the voting rights of one or more legal persons, then the parties involved are all associated parties; also all parties within consolidated group or associated personally, or otherwise
Operating expenses		Expenses incurred to procure, secure or maintain business taxable income, and recorded in the taxpayer's books and records; expenses with character of personal consumption spent also for private purposes tax-deductible to a limited level, either in form of fixed expenses of 80 % or at documented level
	Transfer prices	Arm's length basis In general, the following methods are employed: Traditional transactional methods ▪ comparable uncontrolled price (CUP) method ▪ resale method ▪ cost plus method Transactional profit methods ▪ profit split method ▪ transactional net margin method obligation to keep records of the method used
	Interest on financing of acquisition of investment	Interest on financing of acquisition of investment are treated as tax deductible at the time of further sale of shares under the condition the sale of shares will not be exempted from tax; exception for brokers
	Debt / equity	Interest from loans from related parties recognized as tax deductible only up to a limited amount of a maximum of 25 % of earnings before interest, tax, depreciation and amortization (EBITDA); exception for leasing companies

Depreciation and amortization			
	Accounting		Depreciation methods: straight-line and reducing – balance, unit-of-production, or time-based – over the actual useful life
	Tax		Seven depreciation categories Tax depreciation may and in some cases has to be postponed component depreciation possible
		Group 0	2 years green cars (electric and plug-in hybrid vehicles)
		Group 1	4 years e.g. office equipment, cars, trucks, buses, telecom equipment
		Group 2	6 years e.g. machines, furniture, special-purpose trucks, cranes
		Group 3	8 years e.g. assets of technological nature (generators or transformers)
		Group 4	12 years e.g. small constructions, industrial machinery and – equipment, ventilation equipment, television and cable networks
		Group 5	20 years production types of buildings – e.g. civil engineering, trade and services, industrial buildings
		Group 6	40 years non- production types of buildings and constructions including hotels and administration buildings
Provisions			Provisions for untaken vacation including employer's share of social insurance contributions, and for emissions are deductible
Motor vehicle expenses			Depreciation: 4 years Acquisition cost: EUR 48,000 – restriction for tax depreciation
Non-deductible expenses			Income tax (including corporate income tax) Distributions of profit Expenses for personal use Entertainment and promotional expenses including alcoholic drinks besides wine in certain cases (exception: promotional articles with an individual value of no more than EUR 17) Expenses for unlawful activities Donations except humanitary aid Profit-related remuneration of Supervisory Board Shortages and damages in excess of compensation received (theft, damage to the property: only those losses resulting from natural disasters and those caused by persons unknown and confirmed by a police report are recognized)

Corporate income tax

	Taxes otherwise deductible (e.g., property tax) paid on behalf of others Other provisions and allowances Loss from sales of buildings and structures classified in the 6th depreciation group, land plots and personal cars Limit for tax-deductibility of depreciation of personal cars of EUR 48,000 Remunerations for recovery claims above 50 % of the recovered claims
Tax-deductible expenses after their payment	Charges for rental inclusive licence fees, consulting and legal services, marketing and other studies, market research, brokerage commissions, payments from “tax havens”, management fees, fines and penalties, interests on late payments, flat rate expenses recover linked to claiming receivable and severance payment at the beneficiary.
Withholding tax	Generally 19 %; a DTA can provide for a lower rate of taxation. Relief is generally by reduction at source. On payments to non-contracting states (e.g. off-shore countries) a withholding tax rate of 35 % applies.
Interest	At 19 %, or per applicable DTA; interest are exempt, if conditions of EU Interest and Royalty Directive for group purposes are met (25 % minimum participation and 24 month minimum holding period, even if conditions are met additionally, after the day of income payment). This also applies where the interest is paid or finally received by a permanent establishment.
Royalties	At 19 %, or per applicable DTA; royalties are exempt, if the conditions of EU Interest and Royalty Directive for group purposes are met (25 % minimum participation and 24 month minimum holding period, even if conditions are met additionally, after the day of income payment). This also applies where the interest is paid or finally received by a permanent establishment.
Dividends	Nil for distribution of profits generated for the years 2004 – 2016; 19 % on distributions of profits before 2004, per applicable DTA and the EU Parent-Subsidiary Directive for group purposes (25 % minimum participation, no minimum holding period), 35 % on distributions of profits for the year 2017 and later to non-contracting states.
Direct collection	19 %, except for payments to taxpayers in other EU member states Only in the absence of withholding tax, i.e., primarily for services rendered in Slovakia where a permanent establishment may come into being and for rents in Slovakia, a tax return must be filed None, if advance payments on account of the tax are made

Disposal gains on the transfer of shares in commercial companies and membership rights in cooperatives	Exempted from tax where at least 10 % of shares are held for more than 24 months after date of acquisition, in case of shares acquired before 1.1.2018 the period of 24 months starts 1.1.2018. Company selling the shares fulfils significant functions in Slovakia, manages and carries the risk related to the ownership of the shares, enough personal and material resources are available for these functions.
Dividend income	Is not subject to income tax in Slovakia for legal persons except dividends received from non-contracting states (35 %)
Goodwill amortization	Goodwill can be amortized in statutory financial statements. For tax purposes, goodwill can be amortized and considered in the taxation base over 7 consecutive years.
Group taxation / pooling	Not possible
Exit tax	The movement of tax residency, transfer of assets and business activities outside Slovakia (no change of ownership) will be subject to exit tax. The tax rate is 21 %.
Hybrid mismatch rules	Legislation include actions for prevention of: 1. deduction of expenses without including them into taxable income 2. multiple deduction of expenses by more associated parties without multiple taxation of relating income

Income tax

Tax rate	Tax rate of 19 %; tax rate of 25 % applicable to the tax base which exceeds 176.8 times the subsistence minimum (for 2020: tax base exceeding approx. EUR 37,163.36 per year) ie this applies if the gross income exceeds approx. EUR 42,913.81 per year or approx. EUR 3,576.15 per month; tax rate of 15% applicable to entrepreneurs with income (revenues) not exceeding the amount of EUR 100,000; tax rate of 7 % on dividends (dividends received from SK companies or contracting states) or 35 % on dividends (dividends received from non-contracting states). Separate tax rate of 19% from capital income.
Tax liability	
Unlimited	Natural persons, with their residence (other than occasional accommodation available) or their habitual abode in Slovakia, on world income (except as provided under applicable DTA)
Limited	Natural persons, who have neither their residence nor their habitual abode in Slovakia, on certain income in Slovakia
Tax assessment period	Calendar year
Income categories	Income from 1. Employment 2. Self employment (including income from rental and leasing, and agriculture and forestry)

Income tax

	3. The special tax base from capital assets 4. Other income (sale of shares, sales of securities, sale of immovable properties, cryptocurrency income, etc.)
Accounting	double or single-entry bookkeeping Simplified tax records possible
Loss set-offs	Losses may be set off only within and between business and self-employment income categories
Loss carryforwards	
Losses incurred from 2014 to 2019	Equally for 4 years; no loss carry backs
Losses incurred from 2020	Up to 5 years and up to 50% of the tax base; no loss carry backs
Operating expenses	Expenses incurred to procure, secure or maintain business taxable income, and recorded in the taxpayer's books and records; expenses with character of personal consumption spent also for private purposes tax-deductible to a limited level, either in form of fixed expenses of 80 % or at documented level
Tax allowable expenses	None except for statutory social insurance
Lump sum option	Taxpayers with income from business and self-employment income categories, use of the work of art and art performance: flat rate deduction of 60 % for business expenses is possible, however, only up to the amount of EUR 20,000 per year Only if not registered for VAT
Motor vehicles	Depreciation over 4 years Acquisition cost: EUR 48,000 – restriction for tax depreciation
Green cars	Depreciation over 2 years
Disposal gains on the transfer of shares in commercial companies and membership rights in cooperatives	Always taxable, except where holdings acquired before 1 January 2004 are disposed of more than 5 years after date of acquisition
Disposal gains on real property	Tax-free, provided disposal takes place more than 5 years after acquisition, or after the property ceased to constitute business assets.
Withholding tax	As a general principle, a DTA can provide for a lower rate of taxation, and relief is generally by refund or reduction at source. Evidence of residence required.
Interest	19 % or applicable DTA
Royalties	19 % or applicable DTA
Dividends	Tax rate of 7 % is applicable when dividends are distributed from SK entities or applicable DTA Tax rate of 35% when dividends are distributed to non-contracting states.

Filing dates and deadlines

Annual tax returns	
Corporate income tax	To be filed by 31 March of the following year (extension until 30 June possible if announced in writing, and until 30 September for income derived from foreign sources). In case of a financial year other than the calendar year, within 3 months of the end of the financial year (extension by further 3 months possible if announced in writing, for income derived from foreign sources by 6 months). For taxpayers in bankruptcy or liquidation, extension by a maximum of 3 months can be granted upon written application filed no later than 15 days prior to the deadline for the filing of the tax return.
Personal income tax	To be filed by 31 March of the following year (extension until 30 June possible if announced in writing, and until 30 September for income derived from foreign sources). For taxpayers in bankruptcy an extension by a maximum of 3 months is possible upon written application filed not later than 15 days prior to the deadline for the filing of the tax return.
VAT returns	Monthly, quarterly if two criteria are met: ▪ being registered for VAT purposes for at least 12 months ▪ turnover for the previous 12 months below EUR 100,000 until 25th day of the following calendar month
VAT Control Report	Monthly, quarterly (based on the VAT taxation period) together with the VAT return, until 25th day of the following calendar month.
EC Sales List	Monthly, quarterly if value of goods delivered to another EU member state in respective and also four previous calendar quarters did not exceed EUR 50,000; until 25th day of the following calendar month.

Other taxes

Business tax	none
Wealth tax	none
Special levy on business in regulated sectors	Levy base is earnings before taxes. Special levy is payable when the accounting profit exceeds EUR 3,000,000. The annual amount of levy is calculated by multiplying levy base and levy rate. Levy base is calculated by multiplying the accounting profit and coefficient (regulated income divided by total income). Levy rate for year 2020 is 0.545%, and from 2021 0,363%.
Special bank levy	The amount of levy is calculated by multiplying levy base and levy rate. Levy base is amount of bank's liabilities reported in balance sheet less the amount of equity, if its value is positive, value of long-term financial resources provided to the foreign bank branch and value of subordinated debt. Levy rate is 0,4% from the levy base.

Other taxes

Insurance tax		The 8 % non-life insurance tax shall be paid from insurance premium
Local taxes		Property tax (land and buildings), dog tax, taxes on the use of public space, lodgings, vending machines, electronic games, vehicle access to historic city centres, atomic facilities, local development tax and motor vehicles. Subject to certain thresholds, payments in advance are required under the Motor Vehicles Tax. Subject to local development tax is a building construction in the municipality for which has been issued a valid building permission. The levy rate is in the amount of 3 to 35 EUR/m² of realised floor area (selected types of buildings are not a subject to development tax).
Excise taxes		
	Petroleum products	yes (tax rates: EUR 555/1,000 l, EUR 597.49/1,000 l, EUR 481.31/1,000 l, EUR 393/1,000 l, EUR 111.50/1.000 kg, EUR 182/1,000 kg, EUR 100/1.000 kg)
	Beer	yes (basic tax rate: EUR 3.587/hl/percentage of real alcohol content; reduced rate for small independent brewery: EUR 2.652/hl/percentage of real alcohol content)
	Wine	yes (still wine: EUR 0/hl, sparkling wine: EUR 79.65/hl, sparkling wine with not more than 8.5 % alcohol: EUR 54.16/hl, still fermented beverage: EUR 0/hl, sparkling fermented beverage: EUR 79.65/hl, intermediate products: EUR 84.24/hl)
	Alcohol (spirits)	yes (basic rate: EUR 1,080/hl of 100 % alcohol, reduced rate: EUR 540/hl of 100 % alcohol)
	Tobacco products	yes (cigars and cigarillos: EUR 76.70/kg, tobacco: EUR 76.70/kg, cigarettes: combined rate: EUR 64.10/ thousand pieces + 23 % from the cigarettes price, minimal rate for cigarettes EUR 0.1001/piece, smokeless tobacco products: EUR 76.70/kg)
	Electricity, coal and natural gas	Electricity: EUR 1.32/mWh. Coal: EUR 10.62/tonne Natural gas: EUR 1.32/mWh, or EUR 9.36/mWh, Compressed natural gas: EUR 0.141/kg or EUR 0.01989/kg

Tax regulations

Advance rulings	Binding advance rulings only in specific areas of corporate income tax, income tax and VAT possible
Penalties for late payment	Penalty interest (e.g. on late payment of tax liabilities): 4 times European Central Bank (ECB) base rate Minimum 15 % pa. (applies from 1 January 2010)
Criminal provisions	On audit: penalty of 3 times ECB base rate pa. on the difference between tax liability based on regular tax return and liability as calculated by finance officer, minimum 10 % pa. (minimum 1 % on the tax difference, maximum up to tax difference) Penalty of 2 times ECB base rate pa. on the difference between tax liability based on regular tax return and tax liability based on additional tax return submitted within 15 days after the tax audit is announced, minimum 7 % pa. (minimum 1 % on the tax difference, maximum up to tax difference) Penalty of ECB base rate pa. on the difference between tax liability based on regular tax return and tax liability based on additional tax return filed before tax audit, minimum 3 % pa. (minimum 1 % on the tax difference, maximum up to tax difference) Penalty for late submission of tax return: maximum of EUR 16,000, at least EUR 30. In case of tax administration by municipality maximum of levied tax (however maximum of EUR 3,000), at least EUR 5. Penalty for failure to register with tax authorities: maximum of EUR 20,000, at least EUR 60. Penalty for failure to announce to tax authorities: maximum of EUR 3,000, at least EUR 30. In case of tax administration by municipality maximum of levied tax or fee (however maximum of EUR 3,000), at least EUR 5. Penalty for non-filing, late filing or for filing of incorrect data of VAT Control Report: maximum EUR 10,000. Penalty for repeated failure: maximum EUR 100,000.
Electronic communication with public authorities	The legal entities and individual entrepreneurs with their seat in the Slovak Republic have the obligation to communicate with the public authorities via electronic mailboxes. The electronic mailbox will be established automatically and free of charge to each legal entity registered in Commercial Register of the Slovak Republic, including registered branches of foreign entities.

Tax concessions

Direct		no
Indirect		
	Income tax concessions	Certain gains on disposal
	Research & Development	Super costs deduction: ▪ additional deduction from tax base by the amount of 200 % of costs incurred during the implementation of R&D project ▪ additional deduction from tax base by the amount of 100 % of R&D costs increase between the years (moving average for last two years is calculated)

Tax concessions

		Patent box: ▪ exemption up to 50 % of revenues related to licence fees charged based on internally developed intangible assets (software, marks, etc.) ▪ exemption of part of revenues related to the sale of goods produced using the internally developed intangible asset
	Allowances and deductions	Taxpayer’s annual personal allowance between EUR 4,414.20 and EUR 0, tapering to nil since 1 January 2007. The personal allowance can only be used for the taxpayer's so-called “active incomes” (from employment and self-employment). Taxpayer’s annual spouse allowance: between EUR 4,035.84 and EUR 0. The spouse allowances can only be used for the taxpayer’s so-called “active incomes” (from employment and self-employment). Additional conditions have to be fulfilled, e.g.: ▪ spouse has to live with the taxpayer in the common household and is taking care of a child, or ▪ spouse is unemployed, or ▪ spouse is disabled Contributions to supplementary pension fund as taxpayer’s annual allowance up to EUR 180, if new contract or amendment to old contract on supplementary pension savings is concluded after 31 December 2013. Annual allowance on paid bath treatments up to EUR 50. Monthly child allowance, EUR 22.72 per child. (EUR 45,44 up to 6 years of child's age)
Grants		In Slovakia there are basically two types of government aid: 1. The European Union’s **Structural Funds** and 2. **Individual state aid** (investment incentives)
	Structural Funds	The current Structural Funds program runs from 2014 to 2020. The following objectives have been established for the period: 1. Investment for growth and employment 2. European territorial cooperation On the basis of the “Common Strategic Framework” (CSF), each Member State should prepare, in cooperation with its partners, and in dialogue with the Commission, a Partnership Agreement. The Partnership Agreement should translate the elements set out in the CSF into the national context and set out firm commitments to achieving the Union objectives through the provision of ESI Funds. The Partnership Agreement should set out guidelines to ensure alignment with the Union strategy for smart, sustainable and inclusive growth as well as with the Fund-specific goals according to the treaty-based objectives, in order to ensure effective and efficient implementation of the ESI Funds and arrangements for the partnership principles and an integrated approach to territorial development.

		Within the Partnership Agreement the following operational programmes have been approved: ▪ Research and Innovations ▪ Integrated Infrastructure ▪ Human Resources ▪ Quality of Environment ▪ Integrated Regional OP ▪ Effective Public Administration ▪ Rural Development ▪ Fisheries ▪ Technical assistance For each fund the following is planned: 1. Strengthening the research, technological development and innovation 2. Enhancing the access to, and use and quality of, information and communication technology 3. Enhancing the competitiveness of SMEs, of the agricultural sector (for the EAFRD) and of the fishery and aquaculture sector (for the EMFF 4. Supporting the shift towards a low-carbon economy in all sectors 5. Promoting adaptation with regards to climate change, risk prevention and management 6. Preserving and protecting the environment and promoting resource efficiency 7. Promoting sustainable transport and removing bottlenecks in key network infrastructures 8. Promoting sustainable and quality employment and supporting labour mobility 9. Promoting social inclusion, combating poverty and any discrimination 10. Investing in education, training and vocational training for skills and lifelong learning 11. Enhancing the institutional capacity of public authorities and stakeholders and efficient public administration The regulations applicable during the period 2007 - 2013 are no longer valid, and for 2014 - 2020 the following regulations apply: Regulation (EU) No. 2015/1839 of the European Parliament and of the Council of 14 October 2015 amending Regulation (EU) No. 1303/2013 of the European Parliament and of the Council of 17 December 2013 Regulation (EU) No. 1301/2013 of the European Parliament and of the Council of 17 December 2013 Regulation (EU) No. 1304/2013 of the European Parliament and of the Council of 17 December 2013 Regulation (EU) No. 1299/2013 of the European Parliament and of the Council of 17 December 2013 Regulation (EU) No. 1302/2013 of the European Parliament and of the Council of 17 December 2013 Regulation (EU) No. 1300/2013 of the European Parliament and of the Council of 17 December 2013 Regulation (EU) No. 1305/2013 of the European Parliament and of the Council of 17 December 2013 Slovakia has been divided into the following local administration units: NUTS I, NUTS II and NUTS III. NUTS I covers the whole area of Slovakia NUTS II: West Slovakia, Central Slovakia, East Slovakia and Bratislava region

Tax concessions

		NUTS III: Bratislava region, Trnava region, Nitra region, Trencin region, Banska Bystrica region, Žilina region, Košice region, Prešov region The following NUTS 2 regions are proposed for eligibility from 1 July 2014 to 31 December 2020 with a maximum aid intensity of 35 % GGE (gross grant equivalent): ▪ SK03 Central Slovakia ▪ SK04 East Slovakia The following NUTS 2 region is proposed for eligibility from 1 July 2014 to 31 December 2020 with a maximum aid intensity of 25 % GGE: ▪ SK02 West Slovakia According to Annex I of the Regional Aid Guidelines, three of these four NUTS 2 regions, namely Central Slovakia, East Slovakia and West Slovakia, have a GDP per capita that is below or equal to 75 % of the EU average. Those regions are therefore eligible for regional aid under the derogation of Article 107(3) (a) of the Treaty for the Functioning of the European Union (hereinafter "TFEU"). The fourth NUTS 2 region, SK01 Bratislava region, does not qualify for regional aid, neither under the derogation of Article 107(3) (a), nor under the derogation of Article 107(3) (c) of the TFEU.
	Internal government aid	As provided in Act No. 358/2015 Coll. governing state aid, as amended by later provisions, and Act No. 57/2018 Coll. governing investment aid, as amended by later provisions Forms of investment aid: ▪ Grants for the acquisition of property and intangible assets ▪ Income tax and corporate income tax concessions ▪ Subsidies for new jobs ▪ Subsidies for real estate acquisition or exchange by public authorities (e.g., the State, municipalities) Sources of investment aid: ▪ Slovak Ministry of Economics ▪ Slovak Ministry of Transport, Construction and Regional Development ▪ Slovak Ministry of Finance ▪ Slovak Ministry for Labour, Social Security and the Family ▪ Owners and managers of real estate (e.g., the State, municipalities) Recipients of investment aid are natural or legal persons – businesses resident in Slovakia, registered in the trade or commercial registries, who will be making an investment in Slovakia. Investment aid supports: ▪ Industrial production ▪ Technology centres ▪ Strategic services centres ▪ Transport and travel www.nsrr.sk www.finance.gov.sk www.economy.gov.sk

Immovable property

Tax depreciation in general		
	Scheduled depreciation	straight-line only Assets are assigned to one of the three asset depreciation categories (Group 4, Group 5 or Group 6). Depreciation spread over 12, 20 or 40 years
	Additional depreciation	Not available
Depreciation categories		
	Land	No depreciation
	Buildings	Office buildings, hotels, museums, etc.: 40 years Factories, engineering buildings: 20 years Pre-fabricated buildings, etc.: 12 years
Special depreciation		In case immovable property is rented, depreciation is limited by revenue from the rent
Maintenance expenditure		Ongoing costs
Technical upgrades		Increase in cost of acquisitions
Write-ups		Not allowable
Property transfer tax		no
Property tax		Domestic land, buildings and apartments and rooms not used as apartments.
	Basis of assessment: land	Value of the land per square meter, times its area
	Basis of assessment: buildings	m^2 of developed area Residential property and non-residential areas: m^2 of the area
	Tax rates	Land: 0.25 % on the basis of assessment Buildings: EUR 0.033/m^2 of developed area Apartments and non-residential premises: EUR 0.033/m^2 of floor space The legislation sets out the framework for taxation only: details determined by individual municipalities annually In the case of buildings, basements are also subject to taxation
Real estate funds		Act No. 203/2011 Coll. governing collective investment and investment funds Special real estate funds are expected to invest their assets primarily in properties and interests in property companies. Object of taxation: income of property management company managing real estate funds Investors are only taxed on disposal of their fund units Withholding tax on income from securities in the property holding company

Social insurance

Social insurance			Distinction between health insurance (provides services) and social insurance (provides cash benefits); for all employees
Contribution ceiling			Since 1.1.2017 there is no ceiling for monthly contribution for health insurance. Monthly contribution ceiling for sickness insurance and guarantee fund: EUR 7,091 Monthly contribution ceiling for retirement, invalidity and unemployment insurance and the reserve fund: EUR 7,091 No contribution ceiling for accident insurance
Self-employed persons			
	Basis of assessment		Income tax assessment basis divided by 1.486
	Health insurance		14 % (7% for disabled persons), 10 % (5% for disabled persons) of dividends from profits earned for the years from 2011 till 2012. 14 % of dividends from profits earned for the years from 2013 till 2016
	If income in excess of EUR 6,078		
		Sickness insurance	4.4 %
		Retirement insurance	18 %
		Disability insurance	6 %
		Accident insurance	no
		Unemployment insurance	no (optionally, 2 %)
		Guarantee fund	no
		Reserve fund	4.75 %
	Total contributions		47.15 % (49.15 %)
Employed persons			
	Basis of assessment		gross income
	Health insurance		4 % (2% for disabled persons) employee, 10 % (5% for disabled persons) employer. 10 % (5 % for disabled persons) of dividends from profits earned for the years from 2011 till 2012, 14 % of dividends from profits earned for the years from 2013 till 2016
	Sickness insurance		1.4 % employee, 1.4 % employer
	Retirement insurance		4 % employee, 14 % employer
	Disability insurance		employee and employer 3 % each
	Accident insurance		0.8 % employer
	Unemployment insurance		employee and employer 1 % each
	Guarantee fund		0.25 % employer
	Reserve fund		4.75 % employer
	Total contributions		The employee‘s contributions total 13.4 % and the employer‘s contributions total 35.2 %

General managers

Civil law		Service agreement, possibly contract of employment, etc.
Health insurance		Employee: as for other employees, 4 % (2% for disabled persons) employee, 10 % (5% for disabled persons) employer 10 % (5 % for disabled persons) of dividends from profits earned for the years from 2011 till 2012. 14 % of dividends from profits earned for the years from 2013 till 2016 except dividends related to stocks, which are traded at a stock exchange
Social insurance		Employee
	Sickness insurance	1.4 % employee, 1.4 % employer
	Retirement insurance	4 % employee, 14 % employer
	Disability insurance	3 % each for employee and employer
	Accident insurance	0.8 % employer
	Unemployment insurance	1 % each for employee and employer
Income tax		Employee: 19 % and 25 % income tax; tax rate of 25 %, which is applicable to the tax base which exceeds 176.8 times the subsistence minimum (for 2020: tax base exceeding approx. EUR 37,163.36 per year), ie this applies if the gross income exceeds approx. EUR 42,913.81 per year or approx. EUR 3,576.15 per month.
VAT		
	Employee	no VAT
	Self-employed	VAT
Work permit		Work permit is not required for EU and EEA country nationals but obligatory for Third country nationals. Both, EU and EEA country nationals and Third country nationals are obliged to inform Central Office of Labour, Social Affairs and Family by special paper form of their work activities in Slovakia up to 7 working days from the start of their work activities. Registration is the responsibility of the employer.
Residence permit		Citizens of EU and EEA countries must register their and their family members' stay within 10 days of arrival (other nationals, within 3 days). The registration is processed with the Slovak foreign police. No residence permits are required for citizens of EU countries, but persons may apply for residence permits for stays lasting longer than three months.
Liability		Personal liability for negligence in the execution of duties
Minimum remuneration		Under the Slovak Commercial Code general managers are permitted to carry out their duties without remuneration.

VAT

Tax rates	Standard rate: 20 % Reduced rate 10 %, e.g. for supply of antibiotics, pharmaceuticals, books, printed newspapers, magazines, periodicals, selected fruit and vegetable, basic foods, such as meat, milk, bread, accomodation services etc.	
Supply of goods	Supply of goods and withdrawal for private use (self supply) are taxable.	
Place of supply of goods	Principally the place where the item is located at the time disposal is transferred (static supply). In case of dispatch/transportation by the supplier or purchaser: the place where dispatch/ transportation begins (moving supply). Importation from third country: If the supplier owes the import VAT – import country In case of transportation by ship, airplane, railroad within the EU: the place of dispatch Special regulations apply for chain transactions and triangular transactions.	
Supply of services	Supply of services and private use / supply of servi-ces without consideration (self-supply) are taxable	
Place of supply of services	Differentiation is made between services rendered ▪ to taxable persons (“Business to Business”, “B2B”) or ▪ to non-taxable persons (“Business to Customer”, “B2C”). For purposes of determining the place of the supply of services, ▪ taxable persons (within the EU holding a VAT registration number) and ▪ non-taxable legal entities holding a VAT registration number will be considered as “taxable persons”.	
▪ Basic rule	**B2B**	**B2C**
	Place of recipient (The place where the recipient of services has established his business)	Place of supplier (The place where the supplier of services has established his business)
▪ Special cases	**B2B**	**B2C**
Supplies of services by intermediaries	Place of recipient (basic rule)	Place of the underlying transaction
Property services	Place of the property	Place of the property
Cultural, artistic, scientific, educational, sports, entertainment or similar services, like services in connection with fairs and exhibitions including services of the respective organizers	Place of recipient (basic rule)	Where the services are physically carried out

Other services concerning the right of admission and related other services for events like fairs and exhibitions	Place of the event	Where the services are physically carried out
Passenger transport	Distances covered	Distances covered
Transportation of goods (without intra-community portion)	Place of recipient (basic rule)	Distances covered
Intra-community goods transportation	Place of recipient (basic rule)	Place of departure of the transport
Ancillary transport services	Place of recipient (basic rule)	Where the services are physically carried out
Appraisal and processing of movable tangible objects	Place of recipient (basic rule)	Where the services are physically carried out
Restaurant and catering services	Where the services are physically carried out	Where the services are physically carried out
Restaurant and catering services in connection with intra-community passenger transport	Place of departure	Place of departure
Hiring of means of conveyance for up to 30 days	Where the means of transport is actually put at the disposal of the customer	Where the means of transport is actually put at the disposal of the customer
Hiring of means of conveyance for over 30 days	Place of recipient (basic rule)	Where non-taxable person is established
“Listed services” to third country customers	Place of recipient (basic rule)	Where non-taxable person is established
Telecom, broadcasting, TV and electronic services	Place of recipient (basic rule)	Where non-taxable person is established in case that the value of supplied services exceeds 10 000 EUR; the Mini One Stop Shop - MOSS - scheme possible

Reverse Charge (reversal of tax liability)	For all supplies of services, work supply, supplies of goods by a foreign person Special regulation (among others) for building services
Requirements	The supplier of the service or goods has in Slovakia no domicile or habitual abode, nor a permanent establishment involved in supplying the service. The recipient of the supply of services or goods is a taxable person registered in Slovakia (even for non-taxable activities), or Slovakian non-taxable legal entity.
Consequences	Invoice without VAT, indication of the reverse charge, VAT registration numbers of the supplier and the recipient The recipient owes the VAT.

VAT

Domestic Reverse Charge (reversal of tax liability)		Iron waste, scrap-iron, investing gold, buildings or its parts and domestic building lots, if supply is not tax free; mobile phones and microprocessors in case the tax base exceeds EUR 5,000, some agricultural commodities, iron and steel and selected iron and steel commodities, supply of construction works, building or parts of buildings under construction, goods with assembly and installation considered as a construction work.
Tax exemption		Important differentiation concerning input VAT deduction
	Zero rated (Input VAT deduction is applicable in spite of VAT-free supply of goods and services)	▪ Exports of goods ▪ Cross-border passenger transport ▪ Intra-community supply of goods ▪ Supply of selected commodities (crude oil, petrol, diesel) from customs warehouse, special warehouse and tax warehouse ▪ Intra-community acquisition of goods; applicable under the certain conditions
	VAT exemption (Input VAT deduction is not applicable)	▪ Sales of banks, insurance companies and pension funds ▪ Health care services ▪ Social welfare services ▪ Education and teaching services ▪ Cultural services ▪ Services in connection with sports and physical education
Real Estate		
	Rent	Renting of immovable property is VAT exempt; the lessor can opt for tax liability besides the renting of building used for residential purposes; however renting of accommodation facilities, renting of premises and sites for parking of vehicles, renting of permanently installed equipment and machinery and renting of safes always with VAT
	Sale	Revenues from the sale of real property (except building lots) are VAT exempt. Sale of buildings including building lots is tax-exempt if the sale takes place 5 years after ▪ the first commissioning approving use of the building, or 5 years after the start of the first use of the building ▪ the commissioning approving use of the building which approve the change of usage of building/change of conditions of usage of building, if the costs for works exceeds 40 % of value of building before start of such works. In this case the seller can opt for tax liability. Sale of flats, apartmants or non-residential premisis is tax exempt if the sale takes place 5 years after: ▪ the first commissioning approving use of the flat, apartman, non-residential premises or 5 years after the start of the first use of the flat, apartman, non-residential premises, ▪ the commissioning approving use of the flat, apartman, non-residential premises, which approve the change of usage /change of conditions of usage of flat, apartman, non-residential premises, if the costs for works exceeds 40 % of value of flat, apartman, non-residential premises, before start of such works. In this case the seller can not opt for tax liability.

Leasing		
	Financial leasing	Leasing agreements are to be considered as supplies of services. Exceptions: The transfer of goods based on a leasing agreement stipulating that ownership of the goods is acquired at the latest upon payment of the last instalment (obligation to sell and to buy the leased goods) is to be considered as supply of goods.
	Operating Leasing	Supply of services
Special VAT regime "Cash Accounting"		
	Consequences	▪ VAT liability arises on the day when payment from customer is received for goods or services delivered, ▪ the right to deduct the input VAT arises on the day when the incoming invoice is paid to the supplier, impact on VAT payers using standard VAT regime: input VAT can be claimed after the payment of incoming invoice to a supplier using cash accounting VAT regime
	Requirements	▪ Slovak established entities (i.e. seat, place of business or fixed establishment in Slovakia), ▪ turnover cannot exceed the amount of EUR 100.000 in the previous calendar year and current year, ▪ written notification in advance to Slovak Tax Office
	Application	▪ cash accounting VAT regime applies on supply of goods and services for consideration with delivery place in Slovakia, where the supplier is liable for VAT, ▪ cash accounting VAT regime does not apply on deliveries of goods to another Member State, export of goods, IC acquisition of goods, import and delivery of goods and services where reverse charge mechanism is applicable
Input VAT refund for Slovakian taxable persons within the EU		Regulations concerning input VAT amounts (initially for input VAT ex 2009) invoiced in another EU member state. Application for refund is no longer required to be made at the foreign tax authorities, instead: Electronic application to be made by the Slovakian taxable person at its competent Slovakian tax office at the latest by 30 September of the following year. Filing of original invoices is only necessary if required by fiscal authorities of the respective member state.
Foreign taxable persons		Taxable persons without domicile or permanent establishment in Slovakia In general deduction of input VAT done by foreign taxable person is only possible via refund procedure. In case foreign taxable person performs transactions, which require VAT payments

		to Slovakian tax authorities, input VAT can be deducted via VAT return. Minimum amount of refundable input VAT: EUR 400 (EUR 50 if the refund period coincides with the calendar year)
	Registration	Registration required before the start of operations in Slovakia – with exceptions if transfer of tax liability is possible Retroactive registration is possible.
	Input VAT refund for taxable persons domiciled in the EU	Regulation concerning input VAT ex 2009: If no sales are made in Slovakia, electronic application at the competent tax office in the EU member state (originating country) of the taxable person.
	Input VAT refund for taxable persons not domiciled in the EU	If no sales are made in Slovakia, refund must be applied by 30 June of the following year. Official form to be used, accompanied by the original invoices, confirmation of registration for VAT (documentation of registration as business), not older than a year; minimum amount of refundable input VAT: EUR 50; competent tax office: Bratislava
	VAT Control Report	Detailed information regarding all incoming and outgoing invoices.
	EC Sales List	Information regarding intra community supply of goods and services, also within the triangular transactions.
	Quick fixes	▪ New regulation for call-off stock regime ▪ Completing of rule for chain transactions ▪ VAT ID number and completed EC-Sales list as substantive conditions for VAT exemption by intra-community supply ▪ Unified proof of intra-community supply

Mergers & Acquisitions

Financing		
	Subordinate debt (mezzanine capital)	The use of subordinate debt is allowed.
	Interest expense for acquisition financing	Interest expense on a loan used for acquisition of shares is considered as tax deductible in the taxable period, in which shares are sold, provided that the income from sale of shares will not be exempted. Exception in case of brokers.
	Interest expense on subordinate debt (mezzanine capital)	At present no legal regulations for subordinate debt (mezzanine capital) exist in Slovakia.
	Acquisition debt push down (the debt is transferred to the subsidiary after the acquisition)	At present no legal regulations exist. Interests on loans are generally considered as tax deductible. Interest expense on a loan used for acquisition of shares (even indirect) is considered as tax deductible in the taxable period, in which shares are sold, provided that the income from sale of shares will not be exempted. Exception in case of brokers.
Squeeze-out options		
	Possibility to exclude minority shareholders	It is possible to squeeze out minority shareholders on condition that the majority shareholder owns a minimum of 95 % of both registered capital and voting rights in the company. This applies only to companies whose shares are listed on the regulated stock exchange.
Capital gains – corporations and partnerships		
	Sale of shares in a joint stock corporation	Exempted from tax where at least 10% of shares are held for more than 24 months after date of acquisition, in case of shares acquired before 1.1.2018 the period of 24 months starts 1.1.2018. Company selling the shares fulfils significant functions in Slovakia, manages and carries the risk related to the ownership of the shares, enough personal and material resources are available for these functions.
	Sale of shares in a limited liability company	Exempted from tax where at least 10% of shares are held for more than 24 months after date of acquisition, in case of shares acquired before 1.1.2018 the period of 24 months starts 1.1.2018. Company selling the shares fulfils significant functions in Slovakia, manages and carries the risk related to the ownership of the shares, enough personal and material resources are available for these functions.
	Sale of interest in a partnership	The direct sale of an ownership interest in a limited or general partnership is not possible legally. It is usually effected by retirement of an existing partner and entry of a new partner. The gain on such a transaction is subject to tax.
	International participation exemption	No exemption for capital gains.
Sale of business (enterprise)		
	Definition	The sale of a business (enterprise) as a whole is possible.
	Accounting and tax treatment	Assets and liabilities transferred are valued in the financial accounts of the purchaser at fair value (substantiated by expert opinion). For tax purposes, acquired assets and liabilities are valued at fair value.
	Goodwill	The positive difference between acquisition price and fair value of the acquired assets and liabilities represents goodwill.
	Goodwill amortization	For financial accounting purposes, goodwill may be amortized. For tax purposes, goodwill can be considered in the taxation basis allocated over 7 consecutive years. Goodwill or badwill recorded at fair value must be included in the tax base distributed over a maximum of 7 years.
Mergers		
	Types of mergers described by commercial law	Merger or split

	Valuation for tax purposes	In case of a merger or split (winding-up without liquidation), the legal successor records assets and liabilities in fair value (exception in case of special cases of cross-borders mergers where also historical value might be applicable for tax purposes).
	Valuation in financial accounting	On the date of a merger or split (winding-up without liquidation), the difference between net book values of assets and liabilities and their fair values determined by the market price, qualified estimate, or expert opinion, shall be posted to the respective accounts of assets and liabilities. A remaining difference is to be recognized as goodwill, with a counter-entry to the account gains or losses from revaluation upon mergers, takeovers and splits.
	Goodwill amortization	Goodwill may be amortized for financial accounting purposes. Goodwill or badwill recorded at fair value must be included in the tax base distributed over a maximum of 7 years.
	Tax treatment of the revaluation	The valuation reserve resulting from valuation at fair value may be considered in the taxable base either fully in the year of the merger or allocated over 7 consecutive years. However, under certain circumstances the allocation must be ended prematurely, e.g. in case of a capital increase, a dividend distribution or if over 50 % of the asset from which the valuation reserve originates is sold. If no allocation takes place the amortization can be continued using the increased acquisition cost and does not have to be restarted.
Contributions (transfer of assets into the capital of a company)		
	Contribution in kind	Only such property may be contributed in kind whose economic value can be determined by an official appraiser.
	Tax treatment	Contributions in kind are recorded at fair value. The resulting valuation reserve is to be treated accordingly. The valuation reserve originating from valuation at fair value can either be fully considered in the taxable base in the year of the contribution, or can be allocated over 7 consecutive years. Under certain circumstances, however, the allocation must be ended prematurely, e.g. in case of a sale of over 50 % of the asset from which the valuation reserve originates. If no allocation takes place the amortization can be continued using the increased acquisition cost and does not have to be restarted.
	Goodwill amortization	For financial accounting purposes, goodwill may be amortized. Goodwill or badwill (valuated at fair value) has to be considered in the taxable base allocated of a maximum of 7 years.

Double taxation agreements

The right to taxation in the event of sale of interests in property companies is subject to differing provisions. In accordance with the OECD Model Agreement, for those countries for which there is a "yes" in the real estate clause column the right to taxation in the case of share deals lies not with the country of residence of the vendor but with the country in which the property is situated.

Country	*Effective date*	*Real estate clause*	*Dividends %*	*Interest %*	*Licence %*
Armenia	01.02.2017	yes	5/10	10	5
Austria	12.02.1979	no	10	0	0/5
Australia	22.12.1999	no	15	10	10
Belarus	05.07.2000	no	10/15	10	5/10
Belgium	13.06.2000	no	5/15	0/10	5
Bosnia and Herzegovina	17.04.1983	no	5/15	0	10
Brazil	14.11.1990	no	15	10/15	15/25
Bulgaria	02.05.2001	no	10	10	10
Canada	18.12.2001	no	5/15	10	0/10
China	23.12.1987	no	10	10	10
Croatia	14.11.1996	no	5/10	10	10
Cyprus	30.12.1980	no	10	10	0/5
Czech Republic	14.07.2003	no	5/15	0	0/10
Denmark	27.12.1982	no	15	0	0/5
Estonia	29.03.2006	yes	10	10	10
Ethiopia	26.02.2018	no	5/10	5	5
Finland	06.05.2000	yes	5/15	0	0/1/5/10
France	25.01.1975	no	10	0	0/5
Georgia	29.07.2012	yes	0	5	5
Germany	17.11.1983	no	5/15	0	5
Greece	23.05.1989	no	19	10	0/10
Hungary	21.12.1995	no	5/15	0	10
Iceland	19.06.2003	no	5/10	0	10
India	13.03.1987	yes	15/25	15	30
Indonesia	30.01.2001	no	10	10	10/15
Iran	01.05.2018	yes	5	5	7,5
Ireland	30.12.1999	yes	0/10	0	0/10
Israel	23.05.2000	no	5/10	2/5/10	5
Italy	26.06.1984	no	15	0	0/5
Japan	25.11.1978	no	10/15	10	0/10
Kazakhstan	28.07.2008	yes	10/15	10	10
Korea	08.07.2003	no	5/10	10	0/10
Kuwait	21.04.2014	no	0	10	10
Latvia	12.06.2000	yes	10	10	10
Lithuania	16.12.2002	yes	10	10	10
Libya	21.06.2010	yes	0	10	5
Luxembourg	30.12.1992	no	5/15	0	0/10
Macedonia	27.04.2010	no	5	10	10
Malta	20.08.2000	yes	5	0	5
Malaysia	11.04.2016	yes	0/5	10	10
Mexico	28.09.2007	yes	0	10	10
Moldova	17.09.2006	yes	5/15	10	10
Mongolia	01.01.1979	no	0	0	0

Double taxation agreements

Country	*Effective date*	*Real estate clause*	*Dividends %*	*Interest %*	*Licence %*
Netherlands	05.11.1974	no	0/10	0	5
Nigeria	02.12.1990	no	12,5/15	15	10
Norway	28.12.1979	no	5/15	0	0/5
Poland	21.12.1995	no	0/5	5	5
Portugal	02.11.2004	no	10/15	10	10
Romania	29.12.1995	no	10	10	10/15
Russia	01.05.1997	no	10	0	10
Sweden	08.10.1980	yes	0/10	0	0/5
Switzerland	23.12.1997	no	0/15	5	0/10
Serbia and Montenegro	15.10.2001	no	5/15	10	10
Singapore	12.06.2006	yes	5/10	0	10
Sri Lanka	19.06.1979	no	15	10	0/10
Slovenia	11.07.2004	no	5/15	10	10
Spain	05.06.1981	no	5/15	0	0/5
South Africa	30.06.1999	no	5/15	0	10
Syria	27.02.2010	no	5	10	12
Taiwan	24.09.2011	yes	10	10	5/10
Tunisia	25.10.1991	no	10/15	12	5/15
Turkey	02.12.1999	no	5/10	10	10
Turkmenistan	26.06.1998	yes	10	10	10
Ukraine	22.11.1996	no	10	10	10
United Arab Emirates	01.04.2017	yes	0	10	10
United Kingdom	20.12.1991	no	5/15	0	0/10
USA	30.12.1993	yes	5/15	0	0/10
Uzbekistan	17.10.2003	no	10	10	10
Vietnam	29.07.2009	no	5/10	10	5/10/15

Notes

TPA Group

In tax advisory, auditing and advisory, not only the phrase "other countries, other customs" is valid but also other markets, other legislation, other languages and much more. Therefore, we await you on-site with high-quality consultancy, know-how and an understanding for your individual situation.

Because even if everything else is different, one aspect should remain the same: your corporate success.

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