2019 TAX GUIDELINE

Slovakia
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ABOUT ACCACE 21
Location: The Slovak Republic is located in Central Europe, bordered by Austria, the Czech Republic, Hungary, Poland and Ukraine.

Capital: Bratislava

Area: 49,036 km²

Population: 5.4 million

Official language: Slovak

Official currency: EURO (starting January 1st, 2009)

The head of state: President

GDP growth: 3.4% in 2017 (www.nbs.sk)

Membership:

- EU Schengen Agreement (2008)
- OECD (2000)
- UNO (1993)
- GATT/WTO (1993)
- NATO (1993) and some other international organisations
LEGAL FORMS OF BUSINESS

General rules on purchasing of real estate

The real estate investor can acquire Slovak real estate by way of an asset deal (e.g. direct acquisition of real estate) or a share deal (e.g. acquisition of a corporation owning real estate).

Share deal

In case investment is done through a resident corporation it is worth mentioning that with respect to profits derived from January 1st, 2004 to December 31st, 2016 Slovakia has a single taxation system, i.e. corporate profits were fully taxed at the company level and distributed profits are not taxed in the hands of the corporate or individual shareholders. With respect to profits derived from January 1st, 2017 the single taxation system applies in the case of corporate shareholder only if the shareholder is based in other than non-contracting state.

General and limited partnerships are also legal entities for corporate income tax purposes. However, general partnerships are taxed only on income that is subject to withholding tax and their other profits are taxed in the hands of the general partners. Limited partnerships are subject to corporate income tax only on the income attributable to the limited element of the partnership, and the other part of the income is taxed in the hands of the general partners.

Asset deal

Foreign entities (natural or legal) may directly acquire real estate in Slovakia, except from:

- Land belonging to the Agricultural or Forest Land Sources located outside district build-up area (some exceptions are allowed)
- Specific real estate property purchase of which is limited by law (e.g. caves, rivers, etc.)
Legal forms of business

<table>
<thead>
<tr>
<th>The form of business</th>
<th>The minimum capital</th>
<th>Tax treatment</th>
<th>Tax rates</th>
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</thead>
<tbody>
<tr>
<td>English</td>
<td>Slovak</td>
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<tr>
<td>General Partnership</td>
<td>Verejní obchodná</td>
<td>Income tax base is calculated at the level of the partnership and then</td>
<td>19 % / 25%</td>
</tr>
<tr>
<td>Partnership (v.o.s.)</td>
<td>spoločnosť</td>
<td>transferred to partners; tax is levied at the level of the partners.</td>
<td>21% (1) or</td>
</tr>
<tr>
<td></td>
<td>Ver.</td>
<td></td>
<td>21% (2)</td>
</tr>
<tr>
<td>Limited Partnership</td>
<td>Komanditná</td>
<td>Tax resident, however, income tax base attributable to general</td>
<td>19 % / 25%</td>
</tr>
<tr>
<td>Partnership (k.s.)</td>
<td>spoločnosť</td>
<td>partners is transferred to general</td>
<td>21% (1) or</td>
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<tr>
<td></td>
<td>(k.s.)</td>
<td>partners and tax is levied at the level of general partners.</td>
<td>21% (2)</td>
</tr>
<tr>
<td></td>
<td>EUR 250 / minimum</td>
<td></td>
<td>21% (3)</td>
</tr>
<tr>
<td></td>
<td>deposit of limited partner</td>
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<td></td>
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<tr>
<td>Limited Liability Company</td>
<td>EUR 5,000 / EUR</td>
<td>Non-transparent, dividends from</td>
<td>21%</td>
</tr>
<tr>
<td></td>
<td>750 / minimum</td>
<td>2004-2016 profits not subject to tax, dividends from profits derived from</td>
<td></td>
</tr>
<tr>
<td></td>
<td>deposit of limited</td>
<td>1/1/2017 subject to tax.</td>
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</tr>
<tr>
<td></td>
<td>partner</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Joint Stock Company</td>
<td>EUR 25,000</td>
<td>Non-transparent, dividends from</td>
<td>21%</td>
</tr>
<tr>
<td></td>
<td>(a.s.)</td>
<td>2004-2016 profits not subject to tax, dividends from profits derived from</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1/1/2017 subject to tax.</td>
<td></td>
</tr>
<tr>
<td>Simple joint stock company (new</td>
<td>Jednoduchá</td>
<td>Non-transparent, dividends subject</td>
<td>21%</td>
</tr>
<tr>
<td>form introduced from 2017)</td>
<td>spoločnosť na</td>
<td>to tax (4).</td>
<td></td>
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<tr>
<td></td>
<td>akcie (j.s.a.)</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>EUR 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooperative</td>
<td>Družstvo</td>
<td>Non-transparent, dividends from</td>
<td>21%</td>
</tr>
<tr>
<td></td>
<td>EUR 1,250</td>
<td>2004-2016 profits not subject to tax, dividends from profits derived from</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1/1/2017 subject to tax.</td>
<td></td>
</tr>
<tr>
<td>Sole entrepreneur</td>
<td>Živnosť</td>
<td>Tax liability of sole entrepreneur.</td>
<td>19 % / 25%</td>
</tr>
</tbody>
</table>

1) In case the general partners are individuals, progressive personal income tax rates (19%, 25%) apply.
2) In case the general partners are corporations, the corporate income tax rate of 21% applies.
3) Tax base attributable to limited partners is taxed at the level of the partnership at 21% corporate income tax rate.
4) Starting January 1st, 2017 dividends paid to individuals, residents and non-residents are subject to withholding tax at the rate of 7% if the applicable double tax treaty does not determine otherwise. If the recipient is an individual from the non-contracting state, the tax rate of 35% shall apply. Dividends paid to foreign companies based in non-contracting states shall be subject to a 35% withholding tax (note: in other cases exemption applies.)
### General social and health security

<table>
<thead>
<tr>
<th>Contribution for</th>
<th>Maximum base per month in EUR</th>
<th>Employee</th>
<th>Employer</th>
<th>Sole entrepreneur</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension insurance</td>
<td>6,678 1)</td>
<td>4.00%</td>
<td>14.00%</td>
<td>18%</td>
</tr>
<tr>
<td>Disability insurance</td>
<td>6,678 1)</td>
<td>3.00%</td>
<td>3.00%</td>
<td>6%</td>
</tr>
<tr>
<td>Reserve fund</td>
<td>6,678 1)</td>
<td>-</td>
<td>4.75%</td>
<td>4.75%</td>
</tr>
<tr>
<td>Sick leave insurance</td>
<td>6,678 1)</td>
<td>1.40%</td>
<td>1.40%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Accident insurance</td>
<td>No maximum</td>
<td>-</td>
<td>0.80%</td>
<td>-</td>
</tr>
<tr>
<td>Unemployment insurance</td>
<td>6,678 1)</td>
<td>1.00%</td>
<td>1.00%</td>
<td>2% 2)</td>
</tr>
<tr>
<td>Guarantee fund</td>
<td>6,678 1)</td>
<td>-</td>
<td>0.25%</td>
<td>-</td>
</tr>
<tr>
<td>Health insurance 3)</td>
<td>No maximum 1)</td>
<td>4.00%</td>
<td>10.00%</td>
<td>14%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>13.4%</td>
<td>35.2%</td>
<td>49.15%</td>
</tr>
</tbody>
</table>

1) The maximum assessment base was abolished as of January 1st, 2017 only for health insurance; for social insurance it was increased to 7-times the average wage in Slovakia. The minimum assessment base for the employee and the employer is not defined and; for the sole entrepreneur it is EUR 477 starting January 1st 2019.
2) The contribution is voluntary.
3) Starting from January 1st, 2011 it was introduced that dividends are also subject to the health insurance contributions if they are paid on the account of individuals obligatorily insured for health insurance purposes in Slovakia. This applies to dividends paid out of profits generated from January 1st, 2011 to January 31st, 2016. Also dividends paid out of profits generated before January 1st, 2004 are subject to health insurance contributions.
Starting from January 1st, 2019 the maximum annual assessment base is EUR 57,240. Dividends paid out from profits generated from January 1st, 2017 are not subject to health insurance at all.

Persons resident in the EU are subject to the provisions of EC Regulation 883/2004, which provide for the applicable social security regulation in the case of cross-border activities. If non-EU residents work in Slovakia or Slovak nationals work in a third country, a bilateral social security agreement may provide for the applicable social security legislation.

General comments on labour law

<table>
<thead>
<tr>
<th>Main features of employment relationship</th>
<th>Applicable labour law</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Act No. 461/2003 Coll. on social insurance</td>
</tr>
<tr>
<td></td>
<td>Act No. 580/2004 Coll. on health insurance</td>
</tr>
<tr>
<td></td>
<td>Act No. 663/2007 Coll. on minimum salary</td>
</tr>
<tr>
<td></td>
<td>Act No. 283/2002 Coll. on travel expenses</td>
</tr>
<tr>
<td></td>
<td>Act No. 124/2006 Coll. on safety and health protection at work</td>
</tr>
<tr>
<td></td>
<td>Act No. 82/2005 Coll. on illegal work and illegal employment</td>
</tr>
<tr>
<td></td>
<td>Act No. 125/2006 Coll. on labour inspection</td>
</tr>
</tbody>
</table>

Contract type: Fixed-term contract, contract for indefinite period of time, contract on reduced working hours, contract on home-work and tele-work, temporary assignment agreement, work performance agreement, agreement on work activity, agreement on student job

Contract must include: Job description, place of work, start date, payment conditions, pay day, working hours, holiday duration, length of termination notice period

Working time: 40 hours per week (subject to some exceptions in case of specific working environments)

Holiday entitlement per year: 20 days and 25 days in case of employee of 33 years and older (already from the year in which the employee reaches the age of 33)

Other comments: Trial period (max. 3 or max. 6 months for employees directly subordinated to chief executive officers), statutory rules in case of employment termination, termination period (minimum of 1, according to duration of the labour relationship 2 or 3 months)
Corporate income tax – rates

Income and capital gains

Corporate income tax is levied at a rate of 21%. This is the final tax burden on 2019 corporate profits in some cases because dividends paid out of 2019 profits are not taxed in the hands of shareholder if the shareholders are corporate and based in other than non-contracting state.

Starting January 1st, 2018, a minimum corporate tax (so-called tax licenses), which was introduced in 2014, is abolished.

Withholding tax on domestic payments

Withholding tax of 19% is levied on income from participation certificates, certain debentures, vouchers and investment coupons; and interest from bank deposits and current accounts in general. Withholding tax of 7% shall apply to dividends paid out from profits derived from January 1st, 2017 by domestic companies to individual shareholders.

With effect from January 1st, 2011 the tax withheld is considered to be a final tax rather than an advance payment of tax. The only exemption from this rule applies to income from participation certificates.

Corporate income tax – general information

Residence

A company is treated as resident if it has its legal seat or place of effective management in the Slovak Republic.
Tax period
Calendar year or the business/financial year

Taxable income
Resident companies are taxable on their worldwide income, including capital gains, unless exempted from tax. The taxable income is computed on the basis of the accounting profits and is adjusted for several items as described in the tax law.

Tax returns and assessment
The taxpayer has to calculate the tax due in the corporate income tax return (self-assessment). The deadline for filing the return is by the end of third month following the end of the tax period. The filing deadline may be extended by maximum 3 or 6 months (if part of a taxpayer’s tax base consists of foreign-source income).

Tax advancement
Quarterly, if tax paid for previous year was between EUR 2,500 – EUR 16,600. Monthly, if tax paid for previous year was higher than EUR 16,600. A new business entity established during the tax year (except if it is established by conversion, merger or division) is not required to make advance tax payments.

Deductions
As a general rule, expenses incurred in obtaining, ensuring and maintaining taxable income are fully deductible, unless they are listed as non-deductible items or items which are deductible only up to a limit set by the law.

Carry-forward of losses
Tax losses derived after January 1st, 2014 may be carried forward uniformly for 4 tax years. Tax losses derived before 2014 cannot be carried-forward anymore.

Intercompany dividends
Dividends paid out of profits derived from January 1st, 2004 are not subject to any tax in the hands of the shareholders. Other dividends are taxed at the standard tax rate of 21% if distributed after December 31st, 2013.

Special taxes on corporate income
Regulated industries (energy, insurance and reinsurance, public health insurance, electronic communications, pharmaceutics, postal services, rail traffic, public water and sewer systems, air transport and health care services under special legislation)
With effect starting September 1st, 2012 a temporary special contribution applies. The special duty has to be paid, even after 2016, despite the fact that it should be effective only until the end of that year.

The definition of the taxable base for special duty was amended with effect from January 1st, 2017 so that the duty applies only if the accounting result of at least EUR 3 million is reached and only on income from regulated activities.

The monthly rate was temporarily increased to 0.726% for the period from 2017 to 2018. Then the rate will be gradually decreasing so that in the period from 2019 to 2020 the monthly rate will be 0.545% and in the period from 2021 the rate will be again 0.363%.

**Banks**

With effect from January 1st, 2012, Slovak banks and branches of foreign banks operating in the Slovak Republic, established according to special legislation on banks, are subject to a bank levy. The rate of 0.2% annually shall not change during the period from 2017 to 2020. Starting 2021, the rate will be zero.

**Insurance companies**

Special levy on all forms of non-life insurance for insurance companies operating in Slovakia was introduced from 2017. The levy of 8% from the received insurance premiums became effective as of January 1st, 2017.

According to the law effective until 31 December 2018, levy concerns only the agreements concluded after 1 January 2017. Starting from 1 January 2019, there is a new legislation according to which the special levy will apply on all insurance agreements, regardless the date of the concluding of the agreement, if the insurance period starts to lapse after 31 December 2018.

Generally, the person liable to pay the Insurance Premium Tax shall be the insurance company, however, this obligation may concern also to policyholder (any person who concluded the agreement with the insurer), if this person pays the premium to a third-country insurance undertaking, which does not have a branch in the territory of the Slovak republic or to a legal person to which the costs of such insurance are recharged.

For further details, please see our eBook on Tax on non-life insurance premium from 1 January 2019: "New tax on non-life insurance premium introduced in Slovakia".

**Retail chains**

Starting from 1 January 2019, certain retail chains shall be obliged to pay an extra tax of 2.5% of their net turnover. This tax shall be paid quarterly.

It concerns retail chains, which have at least 25% of their net turnover from selling food to the final consumer and if they have their operations in at least 15% of the districts of the Slovak republic.

At the same time this extra tax does not apply to mass catering facilities, small and medium-sized enterprises, factory stores with net turnover coming from the sale of one class food and factory stores that are food producers and sell food to the final consumer.
Incentives

Corporate income tax relief can be provided under the Law on Investment Incentives. Certain corporate income tax relief can be provided also under the Law on Research and Development Incentives. The relief is subject to approval of the Ministry of Economy or Ministry of Finance, as the case may be. If a taxpayer does not claim corporate income tax relief under the Law on Research and Development Incentives, a special regime for research and development expenses, introduced with effect from January 1st, 2015, can be claimed if certain conditions are fulfilled.

In addition to the above mentioned, a special scheme was introduced with effect from January 1st 2018 for companies having income from commercial use of intangible assets (e.g. registered patents, software) developed by themselves or of so called embedded intangible assets (e.g. income from sale of products in which registered patent developed by the taxpayer is used). Such income shall be exempted up to 50% during the period of amortization of such intangible asset provided certain conditions are met.

For employers involved in vocational training of students, specific tax incentives were introduced with effect as of September 1st, 2015.

International aspects

Resident companies

Foreign income and capital gains - Resident companies are subject to tax on their worldwide income and capital gains. Taxable amount is generally calculated in the same way as in the case of domestic income.

Foreign losses - Losses of foreign permanent establishment (calculated based on Slovak tax rules) may be offset against domestic profits unless, on the basis of an applicable double tax treaty, the exemption method applies for double tax relief.

Dividend income paid by non-resident company - Dividends paid out of profits generated starting January 1st, 2004 until December 31st, 2016 are not subject to any Slovak tax. Dividends paid out of profits generated before January 1st, 2004 are included in the taxable base of the recipient and taxed at a standard tax rate of 21% unless rules implementing EU Parent-Subsidiary Directive applies. Dividends paid out of profits generated from January 1st, 2017 shall be included to a separate tax base and taxable at 35% tax rate; this applies only if the distributing company is based in a non-contracting state, otherwise exemption applies.

Double taxation relief - No unilateral double taxation relief is provided. Double taxation is relieved only on the basis of tax treaties.

Non-resident companies

Taxable income - Non-resident companies are taxed only on income derived from Slovak sources. They are generally taxed according to the rules applicable to residents. Income attributable to a Slovak permanent establishment is generally taxed at 21% rate through a tax return (self-assessment).
**Withholding tax** - Generally, 19% withholding tax or tax security is levied (unless limited under a tax treaty); an increased tax rate of 35% applies if the recipient is a resident of a non-contracting state (i.e. a state not on the “white list” published by the Slovak Ministry of Finance). For interest and royalty payments EU Interest and Royalties Directive was implemented.

**Dividend paid by resident companies to non-resident** - There is no withholding tax on dividends paid to non-resident companies out of profits derived by the distributing company as from January 1\(^{st}\), 2004 until December 31\(^{st}\), 2016. Dividends paid out of profits generated before 1 January 2004 are (unless rules implementing EU Parent-Subsidiary Directive apply) subject to a 19% final withholding tax, unless a reduced rate applies under a tax treaty. Dividends paid out of profits generated from January 1\(^{st}\), 2017 shall be subject to a 35% withholding tax however only if the recipients are foreign companies based in non-contracting state.

**Anti-avoidance rules**

**Thin capitalization**

Applicable on interest expenses arising in the tax period starting January 1\(^{st}\), 2015. All resident legal entities and non-resident legal entities having a permanent establishment in Slovak Republic are covered, with the exception of financial institutions and leasing companies. The deduction of interest expenses (including of other related expenses) on loans from related parties exceeding 25% of a company's earnings before interest, taxes, depreciation, and amortization is prohibited.

**Transfer pricing**

With effect starting January 1\(^{st}\), 2015, the transfer pricing rules apply also between resident related parties. Until December 31\(^{st}\), 2014, transfer pricing rules applied only to transactions concluded by residents with foreign related parties.

Mandatory transfer pricing documentation requirements exist, which generally follow the recommendations contained in the OECD Guidelines on Transfer Pricing and the EU Code of Conduct on Transfer Pricing Documentation.

For more detailed information read also our “2019 Transfer Pricing Overview for Slovakia”.

**Hybrid mismatches**

As a result of the implementation of the Council Directive (EU) 2016/1164 laying down rules against tax avoidance practices that directly affect the functioning of the internal market (this Directive is further referred to as “ATAD”), the rules on hybrid mismatches were introduced in the national income tax law with effect from January 1\(^{st}\), 2018. The aim of these rules is to prevent a situation between related parties that leads to double deduction or deduction without inclusion.

**Exit tax**
Introduction of rules on exit tax with effect from January 1st, 2018 was part of the implementation of the ATAD, too. Exit tax at rate of 21% shall apply to legal persons in the case of taxpayer's property transfer, taxpayer’s leaving or transfer of their business abroad.

In the case of taxation, the fiction of a property sale, or sale of the enterprise or its part should apply. The aim of taxation is to ensure that in the case of taxpayer's property transfer or changing tax residence abroad, the taxpayer will tax an economic value of all capital gains earned in Slovakia, even though this gain is not realized in the moment of leaving.

**Controlled foreign company**

In 2017, when implementing the ATAD, the CFC legislation was approved, as well, and this with effect from January 1st, 2019.

The CFC rules consist of assigning the income of a low-taxed controlled subsidiary company to its parent company. Part of the parent company's tax base will be the income of controlled foreign company to the extent to which the assets and risks are attributable to that income that are connected to main functions of the parent company.

As a controlled foreign company shall be treated the company or subject:

- in which the tax residence company by itself or together with associated enterprises has the holding of more than 50% or
- the proportion of the voting rights of more than 50% or
- profit-shares of more than 50%.

Concurrently, the corporate income tax paid by the controlled foreign company abroad is lower than 50% of the corporate income tax that the controlled foreign company would pay in the Slovak Republic after the tax base has been calculated in accordance with the Slovak law.

As the controlled foreign company is considered also the permanent establishment, while the first condition is not examined in this case.
Personal income tax – rates

The tax rates applicable for income derived in 2019 are:

▪ annual taxable income (except for income from capital and dividend income) up to EUR 36,256.38 is taxed at 19%
▪ annual taxable income (except for income from capital and dividend income) above EUR 36,256.38 is taxed at 25%
▪ income from capital is taxed at flat rate of 19%
▪ income from dividends paid out of pre-2004 profits and profits derived from January 1st, 2017 is taxed at 7% (35% applies if dividends are from foreign sources of non-contracting state)

Moreover, an additional tax of 5% is to be paid by the representatives of constitutional bodies (e.g. the President, Members of Parliament) on their employment income.

Certain types of income are not aggregated, but are subject to a final withholding tax of 19% or of 7% in the case of dividends paid out by domestic company.

Personal income tax – general information

Residence

Individuals who have their permanent residence or habitual abode in Slovakia are treated as residents. An individual has his habitual abode in Slovakia if he/she is present in Slovakia for at least 183 days (in aggregate) in a calendar year (except individuals who stay there for the purposes of studying, receiving medical treatment, or who cross the borders of the Slovak Republic on a daily basis or in the agreed upon intervals exclusively for the purposes of performance of his/her dependent activity, the source of which is located in the territory of the Slovak Republic).
Starting from January 1st, 2018 in addition to the above two mentioned criteria also the criterion of a real residence shall be examined. If an individual is provided with permanent accommodation on the territory of the Slovak Republic that does not only serve for occasional accommodation due to short-term visits, he/she will be treated as a resident, as well.

All other individuals are treated as non-residents.

**Taxable income**

Individuals who are residents for tax purposes in Slovakia are taxable on their worldwide income. Taxable income of an individual is usually calculated by aggregating the separate net results of the following income categories:

- employment income
- business, independent professional activities, rental income and income from the use of work and art performance
- other income (e.g. income from occasional activities)

Starting January 1st, 2016 income from capital is not aggregated but separate tax base is to be calculated on that income. Also dividend income is subject to a separate tax base as of January 1st, 2017. Specific exemptions and deductions apply for the purposes of determining the net result of each income category.

Dividends paid out of 2004-2016 profits are not subject to any tax.

**Tax period**

Calendar year

**Tax assessment**

Taxpayers deriving income that is not taxed through a withholding tax or are exempt have to file an income tax return by March 31st in the year following the tax year (self-assessment). The filling period may be extended upon certain conditions.

Taxpayers whose annual income does not exceed 50% of the amount of the basic allowance have to file a tax return only if losses are declared. Taxpayers having income only from a single employment are not required to file a tax return, if certain conditions are met.

**Losses**

Tax losses generated from business activities and other independent professional activities may only be set off against income derived from those types of activity. Losses that cannot be set off may be carried forward. The standard carry-forward period is 4 years, and the losses must be carried forward evenly.
Personal deductions
Supplementary pension insurance contributions may be deducted up to EUR 180 per year if certain conditions are met.

Further, individuals who paid for services of spa resorts that have licence pursuant to special legislation, can claim from 2018 deduction in the amount of maximum EUR 50 per year. Deductible item in the same amount can be claimed by taxpayer also for spouse and for child living with the taxpayer in the same household if certain conditions are met.

Advance payments
Individuals who conduct business activities other than those whose last known tax liability was EUR 2,500 or less are required to pay advance payments (quarterly or monthly as the case may be).

In the case of employment income, the employer is obliged to remit the tax to the tax authorities no later than on the fifth day after the wages were paid.

Allowances

Basic personal allowances
Basic personal allowance can be claimed only with respect to aggregate income from employment, business activities and other independent gainful activities. In 2019, the following annual basic personal allowances can be claimed:

- EUR 3,937.35 (19.2 times the living minimum*) if the aggregate annual income is up to EUR 20,507; and
- EUR 9,064.094 (44.2 times the living minimum*) less one fourth of the aggregate income if the aggregate annual income is higher than EUR 20,507. If the result is negative (i.e. if the aggregate annual income exceeds EUR 36,256.376), the basic personal allowance cannot be claimed.

* The living minimum applicable on January 1st of the tax year (EUR 205.07 for 2019)

Dependent–spouse allowance
Allowance of up to EUR 3,937.35 can be claimed by a resident taxpayer whose spouse does not have annual taxable income and if the aggregated income of that taxpayer does not exceed EUR 36,256.38. If a spouse earns less than EUR 3,937.35, this allowance is calculated as the difference between EUR 3,937.35 and the spouse’s actual income. If the taxpayer’s annual taxable income exceeds EUR 36,256.38, the allowance is gradually reduced to null, such that those whose annual income exceeds EUR 52,005.752 are not entitled to the allowance.

Credits
Resident taxpayers are entitled to a tax credit for each child living in the same household with him if his employment or business income exceeds EUR 3,120 for 2019 (six times the minimum salary, which is EUR 520 in 2019). In 2019, the credit can be claimed in the amount of EUR 22.17 per child per month.
Starting from January 1st, 2018, the taxpayers are entitled also to a new tax credit in the case they pay interests on a mortgage and certain conditions are met. Tax credit can be in the amount of 50% of paid interests in given tax period, up to EUR 400 per year. The amount of interest shall be calculated at maximum from EUR 50 000 per one domestic dwelling.

**International aspects**

**Resident individuals**

*Foreign source income* - Resident individuals are subject to tax on their worldwide income. Taxable amount is generally calculated in the same way as in the case of domestic income.

*Dividend income* - Foreign dividends are generally exempt if paid from profits derived by the distributing company starting January 1st, 2004 until December 31st, 2016. Dividends paid out of pre-2004 profits and profits derived starting January 1st, 2017 are taxable at 7% or 35% if dividends are from foreign sources of non-contracting state.

*Double taxation relief* - Income earned from employment performed abroad is exempt in Slovakia if the taxpayer can prove that such income has been taxed abroad. There is no other unilateral double taxation relief, but relief may be obtained under a tax treaty.

**Non-resident individuals**

*Taxable income* - Non-resident individuals are taxed only on their income derived from Slovak sources. Employment income derived by non-residents from employment performed in Slovakia for a period not exceeding 183 days in 12 consecutive months is exempt. The exemption does not apply to activities performed by artists or sportsmen, or through a permanent establishment. The income of non-residents is generally taxed according to the rules applicable to residents, unless a law or a tax treaty provides otherwise.

*Personal allowances* - Non-residents are entitled to the basic personal allowance (see above). In case their income from Slovak sources in the tax year is at least 90% of their total income, they are entitled also to the dependent-spouse allowance and tax credits.

*Withholding tax* - Generally, 19% withholding tax or tax security is levied (unless limited under a tax treaty); an increased tax rate of 35% applies if the recipient is a resident of a non-contracting state.

*Dividend income* - There is no withholding tax on dividends paid to non-resident individuals out of 2004-2016 profits. With respect to profits derived from January 1st, 2017 the withholding tax of 7% shall apply unless otherwise stated in the treaty; if the recipient is from non-contracting state the rate of 35% applies.
VALUE ADDED TAX

**Value added tax - rates**

**Standard rate:** 20%, reduced rate 10%.

Export of goods and services is zero rated.

Intra-Community supplies of goods are zero rated under certain conditions.

**Value added tax – general information**

**Legislation**


**Taxable person** - Legal entities and individuals that carry on an economic activity.

**Taxable event:**

- the supply of goods and services for consideration within the territory of Slovakia by taxable persons acting as such
- the intra-Community acquisition of goods for consideration within the territory of the Slovakia from another EU Member State
- the importation of goods into Slovakia

**Taxable amount**

Total consideration charged for the supply, excluding VAT but including any excise duties or other taxes and fees.
Tax period
Tax period for VAT is month or quarter, based on turnover for 12 previous consecutive calendar months. Compulsory tax period for new registered VAT payers is calendar month.

Tax assessment
Periodical VAT returns (monthly or quarterly, by the 25th day of the following month). The amount of VAT liability consists of the VAT due on supply of goods and services carried out by the entrepreneur less input VAT of the same period. In addition, taxable person carrying out intra-Community supplies or supplying services according to the basic rule for “business to business” services has to file an EC Sales List (that shows the VAT identification numbers of his business partners and the total value of all the supplies of goods and services performed by the entrepreneur) on a monthly or quarterly basis depending on the situation.

VAT ledger statement
From 2014, VAT registered persons are also obliged to file a recapitulative statement that contain details of transactions subject to VAT in Slovakia as well as of transactions where input VAT deduction is claimed.

VAT registration
The threshold for mandatory VAT registration for taxable person with registered office, place of business or fixed establishment in Slovakia is turnover of EUR 49,790 for a period of 12 previous consecutive calendar months. Taxable persons supplying real property (buildings, building land) have to register for VAT purposes if certain conditions are met. The voluntary VAT registration is possible as well.

In case of intra-community acquisition of goods from another EU-Member state, the taxable person not registered for VAT has to register for VAT before the value of those transactions cumulative exceeds EUR 14,000 in calendar year.

A taxable person (not registered as a VAT payer) has to register and pay output VAT or to report the supply of service in EC Sales List if the place of delivery for that service is:

- following the Article 44 of the Directive 2006/112/EC
- located in another EU-Member state as is the EU-Member state of supplier of that service
- person duty to tax will be the recipient of that service

VAT registration is mandatory for foreign taxable persons without registered office or fixed establishment in Slovakia before it carries out activity which is subject to VAT in Slovakia and „reverse charge” mechanism is not applied. A foreign taxable person that makes long-distance sales (mail order business) in Slovakia to any person that is not registered for VAT in Slovakia has to register for VAT in Slovakia before the total value of the goods / supplies reaches EUR 35,000 in a calendar year.

VAT group registration - Several taxable persons who have their seat, place of business or fixed establishment within the territory of the Slovak Republic and are connected financially, economically and organizationally, may be deemed as a single taxable person.
OTHER TAXES

Taxes on capital

Net worth tax - There is no net worth tax in Slovakia.

Real estate tax
This tax consists of land tax, building tax and apartment tax. The general rate of the land tax is 0.25% of the value. The general rate of the building tax and the apartment tax is EUR 0.033 per m2. The municipalities may increase or decrease these rates in accordance with local conditions.

Other business related taxes

Motor vehicle tax
Levied on motor vehicles and trailers in categories L, M, N, and O if registered in Slovak republic and used for business purposes.

Excise duties
Excise duties are levied on mineral oil, beer, wine, spirits, electricity, coal, natural gas and tobacco products.

Customs duties
Goods imported from non-EU countries are subject to import customs clearance.

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