

*accace*

# 2023 Tax Guideline

## Slovakia



# General information about Slovakia

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

**Capital:** Bratislava

**Area:** 49,036 km<sup>2</sup>

**Population:** 5.4 million

**Official language:** Slovak

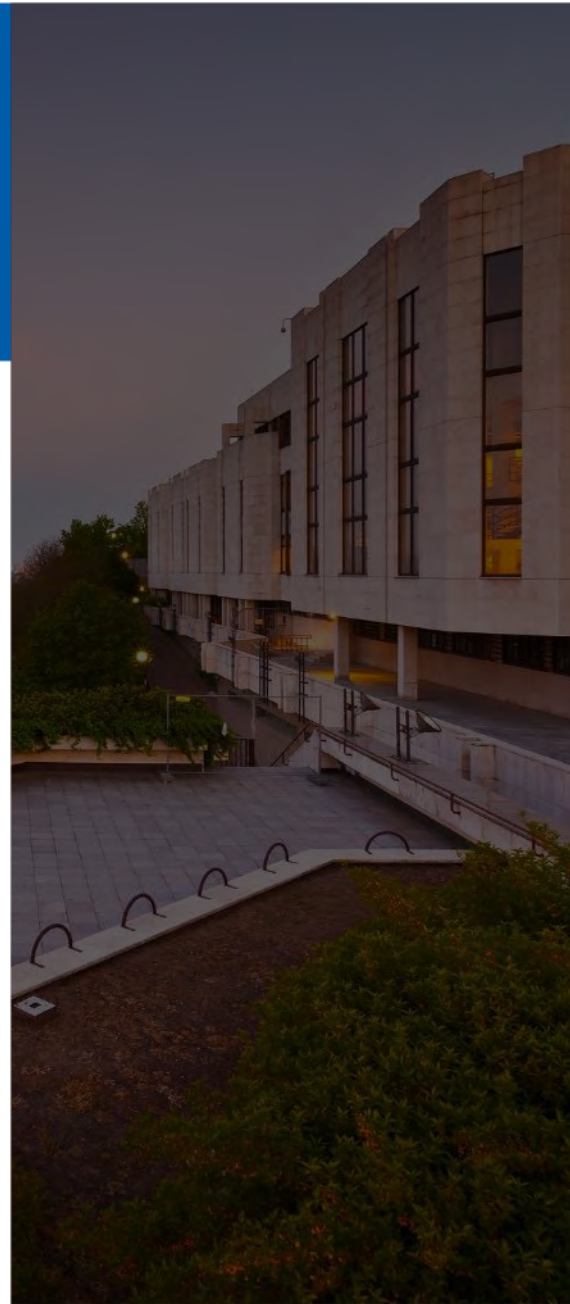
**Official currency:** EURO (starting January 1<sup>st</sup>, 2009)

**The head of state:** President

**GDP growth:** 3% in 2021 ([www.nbs.sk](http://www.nbs.sk))

**Membership:**

- European Union (2004)
- EU Schengen Agreement (2008)
- OECD (2000)
- UNO (1993)
- GATT/WTO (1993)
- NATO (1993) and some other international organisations



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## 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 1, 2004 to December 31, 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 1<sup>st</sup>, 2017 the single taxation system applies in the case of corporate shareholder only if the shareholder is based in other than non-cooperating 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.)

No real estate transfer tax is applied.

## Legal forms of business

The form of business		The minimum capital	Tax treatment	Tax rates
English	Slovak			
<b>General Partnership</b>	Verejná obchodná spoločnosť (v.o.s.)	---	Income tax base is calculated at the level of the partnership and then transferred to partners; tax is levied at the level of the partners.	15% / 19 % / 25% <sup>1)</sup> or 15% / 21% <sup>2)</sup>
<b>Limited Partnership</b>	Komanditná spoločnosť (k.s.)	EUR 250 / minimum deposit of limited partner	Tax resident, however, income tax base attributable to general partners is transferred to general partners and tax is levied at the level of general partners.	15% / 19 % / 25% <sup>1)</sup> or 15% / 21% <sup>2)</sup>  15% / 21% <sup>3)</sup>
<b>Limited Liability Company</b>	Spoločnosť s ručením obmedzeným (s.r.o.)	EUR 5,000 EUR 750 / minimum deposit of limited partner	Non-transparent, dividends from 2004-2016 profits not subject to tax, dividends from profits derived from 1/1/2017 subject to tax <sup>4)</sup>	15% / 21% <sup>5)</sup>
<b>Joint Stock Company</b>	Akciová spoločnosť (a.s.)	EUR 25,000	Non-transparent, dividends from 2004-2016 profits not subject to tax, dividends from profits derived from 1/1/2017 subject to tax <sup>4)</sup>	15% / 21% <sup>5)</sup>
<b>Simple joint stock company (new form introduced from 2017)</b>	Jednoduchá spoločnosť na akcie (j.s.a.)	EUR 1	Non-transparent, dividends subject to tax <sup>4)</sup>	15% / 21% <sup>5)</sup>
<b>Cooperative</b>	Družstvo	EUR 1,250	Non-transparent, dividends from 2004-2016 profits not subject to tax, dividends from profits derived from 1/1/2017 subject to tax <sup>4)</sup> .	15% / 21% <sup>5)</sup>
<b>Sole entrepreneur</b>	Živnosť	---	Tax liability of sole entrepreneur.	15% / 19 % / 25% <sup>6)</sup>

- 1) In case the general partners are individuals, progressive personal income tax rates (19%, 25%) apply, if total annual taxable value of business income of the individual exceeds EUR 49,790 (note: in 2020 the threshold was EUR 100,000). Otherwise, 15% tax rate shall apply.
- 2) In case the general partners are corporations, the corporate income tax rate of 21% applies, if total taxable revenues of the corporation exceed EUR 49,790 per tax period (note: in 2020 the threshold was EUR 100,000). Otherwise, 15% tax rate shall apply.
- 3) Tax base attributable to limited partners is taxed at the level of the partnership at 21% corporate income tax rate, if its total taxable revenues exceed EUR 49,790 per tax period (note: in 2020 the threshold was EUR 100,000). Otherwise, 15% tax rate shall apply.

- 4) Starting January 1, 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-cooperating state, the tax **rate of 35%** shall apply. Dividends paid to **foreign companies** based in non-cooperating states shall be subject to a **35% withholding tax** (note: In other cases exemption applies.)
- 5) If total taxable revenues of the legal entity exceed EUR 49,790 per tax period (note: in 2020 the threshold was EUR 100,000), the corporate income tax rate of 21% shall apply. Otherwise, the legal entity is entitled to apply reduced tax rate of 15%.
- 6) If total annual taxable value of business income of the individual exceeds EUR 49,790 (note: in 2020 the threshold was EUR 100,000), progressive income tax rates (19%, 25%) apply. Otherwise, reduced tax rate of 15% shall apply for taxation of business income.

## Social security and labour law aspects



### General social security and health insurance

Contribution for	Maximum base per month in EUR	Employee	Employer	Sole entrepreneur
Pension insurance	8,477 <sup>1)</sup>	4.00%	14.00%	18%
Disability insurance	8,477 <sup>1)</sup>	3.00%	3.00%	6%
Reserve fund	8,477 <sup>1)</sup>	-	4.75%	4,75%
Sick leave insurance	8,477 <sup>1)</sup>	1.40%	1.40%	4,4%
Accident insurance	No maximum	-	0.80%	-
Unemployment insurance	8,477 <sup>1)</sup>	1.00%	1.00%	2% <sup>2)</sup>
Guarantee fund	8,477 <sup>1)</sup>	-	0.25%	-
Health insurance <sup>3)</sup>	No maximum <sup>1)</sup>	4.00%	10.00%	14%
<b>TOTAL</b>		<b>13.4%</b>	<b>35.2%</b>	<b>49,15%</b>

1) The maximum assessment base was abolished as of January 1, 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 605.50 starting January 1, 2023.

2) The contribution is voluntary.

3) Starting from January 1, 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 1, 2011 to January 31, 2016. Also dividends paid out of profits generated before January 1, 2004 are subject to health insurance contributions. Starting from January 1, 2023 the maximum annual assessment base is EUR 72,660. Dividends paid out from profits generated from January 1, 2017 are not subject to health insurance at all.

Persons residing 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

Main features of employment relationship		Applicable law on labor
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	<ul style="list-style-type: none"> <li>▪ Act No. 311/2001 Coll. Labour Code</li> <li>▪ Act No. 461/2003 Coll. on social insurance</li> <li>▪ Act No. 580/2004 Coll. on health insurance</li> <li>▪ Act No. 663/2007 Coll. on minimum salary</li> <li>▪ Act No. 283/2002 Coll. on travel expenses</li> <li>▪ Act No. 124/2006 Coll. on safety and health protection at work</li> <li>▪ Act No. 82/2005 Coll. on illegal work and illegal employment</li> <li>▪ Act No. 125/2006 Coll. on labour inspection</li> </ul>
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 (1) of employee of 33 years and older (already from the year in which the employee reaches the age of 33) or (2) of a parent taking care of child	
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)	

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## Taxes on corporate income



### Corporate income tax – rates

#### Income and capital gains

21%

Is the rate of the **corporate income tax**.

15%

Is the **reduced tax rate**. Since January 1, 2021, taxpayers with taxable revenues not exceeding EUR 49,790 per tax period (note: in 2020 the threshold was EUR 100,000) are entitled to apply the 15% reduced tax rate.

This is the final tax burden on 2023 corporate profits in some cases because dividends paid out of 2023 profits are not taxed in the hands of shareholder if the shareholders are corporate and based in other than non-cooperating state.

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

#### Withholding tax on domestic payments

19%

Is the withholding tax rate, levied on income from participation certificates, certain debentures, vouchers and investment coupons; and interest from bank deposits and current accounts in general.

7%

Is the withholding tax rate applicable to dividends paid out from profits derived from January 1, 2017 by domestic companies to individual shareholders.

With effect from January 1, 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



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### 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 5,000 – 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 from January 1, 2014 to December 31, 2019 may be carried forward uniformly for 4 tax years. Tax losses derived before 2014 cannot be carried-forward anymore.

With respect to tax loss reported for the tax period beginning no earlier than January 1<sup>st</sup>, 2020, new rules apply. The condition of equality of tax loss deduction shall not apply anymore and at the same time, the period for its deduction is extended from 4 years to **5 years**. However, during the tax period, tax loss deduction of up to 50% of the tax base will be possible only, unless the taxpayer meets the definition of a “micro-taxpayer”.

## Intercompany dividends

# 0%

Dividends paid out of profits derived from January 1, 2004 are not subject to any tax in the hands of the shareholders.

# 21%

Dividends paid out of profits derived before January 1, 2004 are taxed at the standard 21% corporate income tax rate, if distributed after December 31, 2013. If conditions for reduced corporate income tax rate of 15% (which was introduced since January 1, 2020) are met, then reduced rate shall apply.

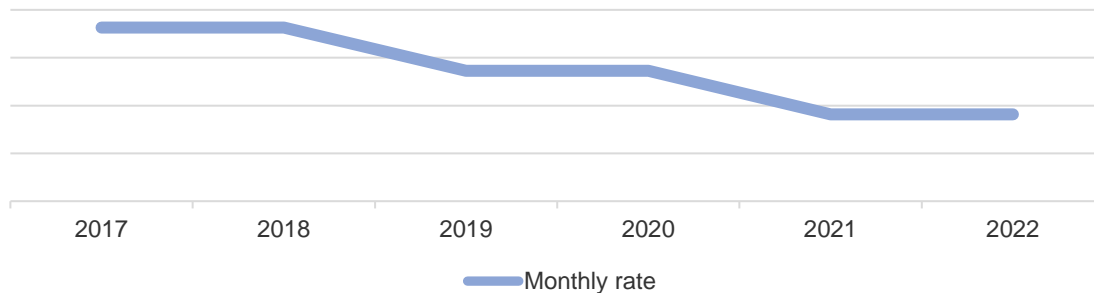
## Special taxes on corporate income

### Regulated industries

*(energy, insurance and reinsurance, public health insurance, electronic communications, pharmaceuticals, postal services, rail traffic, public water and sewer systems, air transport and health care services under special legislation)*

With effect starting September 1, 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 1, 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 started gradually decreased. In the period from 2019 to 2020 the monthly rate was **0.545%** and in the period from 2021 the rate is again **0.363%**.

## Banks

With effect from January 1, 2012, Slovak banks and branches of foreign banks operating in the Slovak Republic, established according to special legislation on banks, were subject to a bank levy. With effect from January 1, 2021 the bank levy was abolished.

## Insurance companies

Special levy on all forms of non-life insurance for insurance companies operating in Slovakia was introduced from 2017.

**8%** is the levy from the received insurance premiums, effective as of January 1, 2017.

According to the law effective until December 31, 2018, levy concerns only the agreements concluded after January 1, 2017. Starting from January 1, 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 December 31, 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 January 1, 2019: [New tax on non-life insurance premium introduced in Slovakia](#).

## Special Solidarity Contribution for Fossil Fuel Companies

In December 2022, new law introducing a new solidarity contribution levy for companies operating in the oil, gas, coal and refinery sectors was adopted.

The new solidarity contribution will be imposed on both companies that are tax residents of Slovakia and permanent establishments of foreign taxpayers in Slovakia operating in the sectors of extraction of different types of coal as well as gas and crude oil and its processing. These taxpayers will be required to pay in 2023 the solidarity contribution at a rate of 55% with reference to the base, which is the same as the tax base for corporate income tax purposes for tax period, which began in 2022.

The new solidarity contribution shall be subject to self-assessment and shall be paid within period for corporate income tax return filing. Payment by quarterly instalments is possible.

## 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 1, 2015, can be claimed if certain conditions are fulfilled.



In addition to the above mentioned, a special scheme was introduced with effect from January 1, 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 1, 2015.



Further, as from January 1, 2022, a new temporary measure in the form of an additional deduction for investments with higher added value (Industry 4.0) was introduced. The company will be able to reduce the tax base by an additional amount determined with reference to the tax depreciation of invested assets, depending on the fulfilment of the conditions defined in the Income Tax Act up to 55% of the tax depreciation. Since it is a temporary measure, it can only be used for an investment plan that will last in the tax periods 2022 – 2025. The total value of the investment must be more than seven times the average annual investment over the last three years and at least EUR 1 million. The deduction can be applied during the depreciation period, but no more than 10 consecutive tax periods.

## 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 1, 2004 until December 31, 2016 are not subject to any Slovak tax. Dividends paid out of profits generated before January 1, 2004 are included in the taxable base of the recipient and taxed at a standard tax rate of 21% (or from 2020 at reduced rate of 15% if applicable) unless rules implementing EU Parent-Subsidiary Directive applies. Dividends paid out of profits generated from January 1, 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-cooperating 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). Since 2020, the reduced rate of 15% applies instead of 21%, if specific income threshold conditions are met.

#### 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-cooperating 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, 2004 until December 31, 2016. Dividends paid out of profits generated before January 1, 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, 2017 shall be subject to a 35% withholding tax however only if the recipients are foreign companies based in non-cooperating state.

## Anti-avoidance rules

### Thin capitalization

Applicable on interest expenses arising in the tax period starting January 1, 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, leasing companies and subjects of collective investments. 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.

### Other interest limitation rules

By transposing Article 4 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") to the Slovak Income Tax Act in 2022, an additional rule on the limitation of interest costs in relation to creditors is introduced, which is to be effective from January 1, 2024. All resident legal entities and non-resident legal entities having a permanent establishment in Slovak Republic are covered, with the exception of some specific companies (e.g., financial institutions, financial agents, subjects of collective investments).

According to that rule, if the amount of net interest costs is higher than EUR 3,000,000, the tax base will increase by the amount by which the net interest costs exceed 30% of tax EBITDA. For those purposes, all interest costs and revenues are considered, not only toward the related parties. Moreover, interest costs will be interpreted broadly.

This rule will take precedence over the thin capitalization rule. This means that if conditions for application of this new rule are met, the thin capitalization rules will not be tested from 2024.

This new rule will be applied for the first time to net interest costs arising on the basis of contracts concluded after December 31, 2023, including amendments concluded after December 31, 2023.

## Transfer pricing

With effect starting January 1, 2015, the transfer pricing rules apply also between resident related parties. Until December 31, 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 [2023 Transfer Pricing Overview for Slovakia](#).

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## Hybrid mismatches

As a result of the implementation of the ATAD, the rules on hybrid mismatches were introduced in the national income tax law with effect from January 1, 2018. The aim of these rules is to prevent a situation between related parties that leads to double deduction or deduction without inclusion.

Later on, with effect from January 1, 2020, measures implementing the Council Directive (EU) 2017/952 (i.e., "ATAD 2") were introduced in the national tax law, while measures implementing Article 9a of that directive were adopted with effective date January 1, 2022. This directive aims to prevent the use of hybrid elements as a result of different tax assessments of financial instruments and taxpayers, particularly in the international context, leading to reduction of the tax liabilities.

## Exit tax

Introduction of rules on exit tax with effect from January 1, 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 1, 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 resident 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.

## Taxes on individual income



### Personal income tax – rates

The tax rates applicable for income derived in 2023 are:

**19 %**

Is the tax rate for an annual taxable income (except for income from business activity, capital and dividend income) of max **EUR 41,445.46**

**25 %**

Is the tax rate for an annual taxable income (except for income from business activity, capital and dividend income) of over **EUR 41,445.46**

**15 %**

Is the reduced tax rate for an income from a business activity, if its annual taxable value **does not exceed EUR 49,790** (note: in 2020 the threshold was EUR 100,000); otherwise, **19%** rate applies for taxable business income up to EUR 41,445.46 and **25%** rate applies to the amount, which is above that threshold

**Income from capital** is taxed at flat rate of **19%**. **Income from dividends** paid out of pre-2004 profits and profits derived from January 1, 2017 is taxed at **7%** (35% applies if dividends are from foreign sources of non-cooperating 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 or receiving medical treatment).

Starting from January 1, 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



rental income and income from the use of work and art performance



other income (e.g. income from occasional activities)

Starting January 1, 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 1, 2017. Starting with January 1, 2020, income from business activities and other independent professional activities is not aggregated, too and separate tax base shall be calculated on that income.

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 31<sup>st</sup>** 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 for pre-2020 tax losses is 4 years, and the losses must be carried forward evenly.

With respect to tax loss reported for the tax period beginning on January 1, 2020 or later, new rules apply. The condition of equality of tax loss deduction shall not apply anymore and at the same time, the period for its deduction is extended from 4 years to **5 years**. However, in the tax period, tax loss deduction of up to 50% of the business activity income tax base will be possible only, unless the taxpayer meets the definition of a “micro-taxpayer”.

## Personal deductions

Supplementary pension insurance contributions may be deducted up to EUR 180 per year if certain conditions are met.

From January 1, 2021, specific deductions with respect to expenses paid by individuals for services of spa resorts that have licence pursuant to special legislation, cannot be claimed any more.

Personal deductions can be claimed only with respect to active income (income from employment, business activities and other independent gainful activities). Starting with January 1, 2020, these deductions shall be claimed primarily with respect to taxable employment income.

## Advance payments

Individuals who conduct business activities other than those whose last known tax liability was EUR 5,000 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 active income (income from employment, business activities and other independent gainful activities). Starting with January 1<sup>st</sup>, 2020, basic personal allowances shall be claimed primarily with respect to taxable employment income. If taxable employment income is lower than is the amount of basic allowances, then the difference can be claimed with respect to taxable income from business activities and other independent gainful activities.

In 2023, the following annual basic personal allowances can be claimed:

## EUR 4,922.82

(21 times the living minimum\*) if the aggregate annual net active income is up to EUR 21,754.18

## EUR 10,361.36

EUR 10,361.36 (44.2 times the living minimum\*) less one fourth of the aggregate annual net income if the aggregate annual net income is higher than EUR 21,754.18. If the result is negative (i.e. if the aggregate annual net income exceeds EUR 41,445.44), the basic personal allowance cannot be claimed.

\* The living minimum applicable on January 1<sup>st</sup> of the tax year (EUR 234.42 for 2023)

### Dependent–spouse allowance

It can be claimed only with respect to active income (income from employment, business activities and other independent gainful activities). Starting with January 1, 2020, it shall be claimed primarily with respect to taxable employment income.

In 2023, allowance of up to EUR 4,500.86 can be claimed by a resident taxpayer whose spouse does not have annual taxable income and if the aggregated net active income of that taxpayer does not exceed EUR 41,445.46. If a spouse earns less than EUR 4,500.86, this allowance is calculated as the difference between EUR 4,500.86 and the spouse's actual income. If the taxpayer's annual net active income exceeds EUR 41,445.46, the allowance is gradually reduced to null, such that those whose annual income exceeds EUR 59,448.92 are not entitled to the allowance.

### Credits

Resident taxpayers having taxable employment or business income are entitled to a tax credit for each dependent child living in the same household with him. As from July 1, 2022, the condition of required minimum amount of active income, was cancelled. In 2023, a credit of

- EUR 140 can be claimed per child per month with respect to children up to 18 years old;
- EUR 50 can be claimed with respect to children older than 18.

If there is a specific meal allowance provided for a child up to 18 years old, there is no entitlement for a tax credit.

At the same time, the maximum amounts of tax credit were introduced, which depend on the number of children living in the same household. In 2023, they are as follows:

Number of dependent children	Maximum amount of tax credit (% from tax base from active income)
1	20
2	27
3	34
4	41
5	48
6 and more	55

Starting from January 1, 2018, the taxpayers are entitled also to a 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 1, 2004 until December 31, 2016. Dividends paid out of pre-2004 profits and profits derived starting January 1, 2017 are taxable at 7% or 35% if dividends are from foreign sources of non-cooperating 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.

## CFC rules to natural persons

The rules for controlled foreign companies (CFC) shall apply also to natural persons as from January 1, 2022 (the original proposal was from January 1, 2021). By applying the CFC rules, in Slovakia, the profit shares (dividends) in a CFC company shall be taxed at the moment of their potential claim of a natural person's taxpayer and not when they are paid. Income shall be allocated from the economic result as reported abroad.

The CFC means a legal entity or another entity with a corporate seat abroad, if the following conditions are met:



natural person alone or together with related persons has a direct, indirect or indirect derived share in the capital, voting rights or has the right to share in the profit of at least 10%, or has real control over this company and



the controlled foreign company is a taxpayer of a non-cooperating state or is a non-taxpayer of a non-cooperating country, but the effective taxation of income is less than 10%.

Income taxation shall be through a separate tax base, at 25 % or 35 % for non-cooperating countries. The taxpayer will be able to set off the tax paid in the following tax periods when the dividends are essentially paid.

## 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-cooperating 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 1, 2017 the withholding tax of 7% shall apply unless otherwise stated in the treaty; if the recipient is from non-cooperating state the rate of 35% applies unless treaty states otherwise.

## Value-added tax

### Value-added tax - rates

20%

is the **standard** VAT rate.

10%

is the **reduced** VAT rate.

0%

is the VAT rate on the export of goods and services. Under certain conditions, intra-community supplies of goods are zero rated as well.

### Value-added tax – general information

#### Legislation

The VAT rules are based on the principles of the Council Directive 2006/112/EC on the Common System of Value-Added Tax.

#### 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 25<sup>th</sup> 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 have 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.**

Starting from January 1, 2023, domestic taxable persons who perform exclusively exempted activities such as financial, insurance services, delivery and rental of real estate are allowed to voluntarily decide whether to register for VAT purposes after the turnover threshold has been reached.

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.

In the field of e-commerce and optional one stop shop schemes, as from July 1, 2021, the rules implementing the Council Directive (EU) 2017/2455 and Council Directive (EU) 2019/1995 entered into force.

### 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.

### Extra notification duties of bank accounts

Starting from November 15, 2021, a special notification obligation for VAT payers applies, for each bank account used for business purposes. All registered VAT payers are obliged to report the numbers of all own bank accounts (payment, deposit), which the VAT payer will use for business that is a subject to tax under the Slovak VAT Act. This obligation applies both to bank accounts held with a domestic payment service provider and to accounts held with foreign payment service providers.

Newly registered VAT payers will be required to comply with the reporting obligation immediately from the date on which they became VAT payers or immediately from the date on which they set up such an account after they have been registered as VAT payers by the tax office.

VAT payers will be obliged to notify also any subsequent change, addition, or cancellation of notified bank accounts without delay.

The purpose of this measure is to publish, starting from January 1, 2022, the list of VAT payers' bank accounts on the website of the Financial Directorate on a daily basis. Payment of the supplier's invoice to a bank account which was not listed at the time of payment may lead to the application of the tax guaranteeing institute. Therefore, customers should pay increased attention to the supplier's bank accounts, to which they will make the payment of invoices.

It also applies that tax office return the excess deduction only to one of the bank accounts notified to it by the VAT payer as part of the mentioned special notification obligation.

### Extra notification duties of payment service providers

The payment service providers should prepare for new notification duties starting from January 1, 2024 and this following the transposition of the Council Directive (EU) 2020/284 into Slovak VAT legislation with effect from January 1, 2024.

Domestic payment service providers will be required to keep records of payees and cross-border payments in connection with the payment services they provide for each calendar quarter, and at the same time to make these records available to the Financial Directorate of the Slovak Republic. These records will then be sent by each member state to the Central European Payment System (so-called CESOP), where they will then be cross-checked and evaluated.

The aim of this is to combat tax avoidance in the field of cross-border e-commerce, as well as to check the correctness of the amount of tax declared.

Read more information about [legislative changes in the area of VAT effective from 2023 and 2024](#) in our article.

## Other taxes

### Taxes on capital

#### Net worth tax

There is no net worth tax in Slovakia.

#### Real estate tax

**0.25% of the value**

Is the general rate of the land tax.

**EUR 0.033 per m<sup>2</sup>**

Is the general rate of the building tax and the apartment tax.

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.

#### Disclaimer

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- Tax compliance and filings, preparation and submission of statutory tax returns
- Preparation of EC Sales Lists and Intrastat
- Processing of tax liability payments to local authorities
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Accace Slovakia currently employs more than 120 professionals united by mutual drive for progress, new technologies and personal approach. Given our experience gained throughout the years, we have moved from a provider of traditional services to a strategic partner in consultancy and outsourcing – bridging the gap between needs and solutions. Accace Slovakia is trusted by start-ups, SMEs, and global businesses thanks to our comprehensive range of services in the field of accounting, taxes, law, payroll and HR solutions. We are proactive members of start-up and fintech communities. The legal services are covered by our law firm, Accace Legal. Within Accace group, we gather more than 800 experts and provide services to over 2,000 customers. You can find us in Bratislava, Košice and Trenčín.

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