



Doing business in
the Slovak Republic 2017

Introduction

The Moore Stephens Europe Doing Business In series of guides have been prepared by Moore Stephens member firms in the relevant country in order to provide general information for persons contemplating doing business with or in the country concerned and/or individuals intending to live and work in that country temporarily or permanently.

Doing Business in the Slovak Republic 2017 has been written for Moore Stephens Europe Ltd by BDR, spol. s r.o. In addition to background facts about the Slovak Republic, it includes relevant information on business operations and taxation matters. This Guide is intended to assist organisations that are considering establishing a business in the Slovak Republic either as a separate entity or as a subsidiary of an existing foreign company. It will also be helpful to anyone planning to come to the Slovak Republic to work and live there either on secondment or as a permanent life choice.

Unless otherwise noted, the information contained in this Guide is believed to be accurate as of 1 August 2017. However, general publications of this nature cannot be used and are not intended to be used as a substitute for professional guidance specific to the reader's particular circumstances.

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Contents

1. The Slovak Republic at a glance	1		
Geography and population	1	EU Structural Funds	18
History	1	Municipal support and industrial parks	18
Language & religion	2	SARIO	18
Climate	2	4. The accounting and audit environment	19
Politics and Government	2	Accounting regulations	19
Currency, time zone, weights & measures	3	Slovakian GAAP and IFRS	19
General economic outlook	3	Chart of Accounts	19
Automotive	4	Basic accounting principles	19
Electronics	4	Size category	20
SSC (shared services centre) / ICT	4	Financial statements	20
2. Doing business	5	Audit requirements	21
Main forms of business organisation	5	5. Overview of tax system	22
The limited-liability company	5	Overview	22
The joint-stock company	5	Principal taxes	22
The simple joint-stock company	7	6. Taxes on business	23
The joint-stock company with variable share capital	7	Corporate income tax	23
The general partnership	8	Scope and extent	23
The limited partnership	9	Company residence	23
Cooperatives	9	Taxable entities	24
Compulsory activation of e-boxes	11	Taxable income	24
Supranational legal forms of enterprise	11	Capital gains	24
European Economic Interest Grouping – EEIG	11	Deductions	24
European company (Societas Europaea)	11	Example	26
European cooperative society (Societas cooperativa europaea – SCE)	12	Dividends, interest and royalties	27
Labour relations & working conditions	12	Group taxation	28
Employment relations	12	Losses	28
The employer’s duties	13	Withholding taxes	28
The labour market	14	Thin capitalisation	28
Education	14	Transfer pricing	29
Social security	14	Country-by-country reporting (CbC)	29
Work permits	14	Controlled foreign company (CFC) rules	30
3. Finance and investment	15	Other significant anti-avoidance rules	30
Business regulation	15	Tax incentives	30
Intellectual property	15	Taxation of foreign operations	30
Banking	16	Rates of tax	30
Exchange controls	16	Tax returns and payment	30
Import / Export controls	16	Appeals	30
Investment incentives	16	Value added tax	30
Manufacturing projects	17	Taxable entities	31
Technology centres	17	Taxable activities	31
Shared service centres	17	Exempt supplies	32
Tourism	17	Rates of tax	32
Approval of aid	18	Registration	33
		VAT grouping	33
		Returns and payment	33

7. Personal taxation	34	8. Other taxes	40
Income tax	34	Local land taxes (property tax)	40
Territoriality and residence	34	Property transfer tax	40
Persons liable	34	Excise duties	40
Taxable period	34	Customs duties	40
Structure of income tax	34	Motor-vehicle tax	41
The family unit	34	9. Social security contributions	42
Taxation of employment income	34	Employers and employees	42
Taxation of personal business income	35	Self-employed contributions	42
The taxation of investment income	35	10. Moore Stephens in the Slovak Republic	44
The taxation of capital gains	36	Appendix 1: Double tax treaties	45
The taxation of other income	36	Comprehensive double taxation treaties	45
Withholding taxes	37	Double tax treaties: air transport and shipping	45
Allowances and deductions	37	Double tax treaties: estates, gifts and inheritances	46
Rates of tax	38	Treaties on administrative assistance	46
Returns and payment	38	Social security agreements	46
Appeals	39	Appendix 2: Moore Stephens around the world	47
Inheritance and gift taxes	39		
Wealth tax	39		

1. The Slovak Republic at a glance

Geography and population

Slovakia (officially, 'the Slovak Republic' – *Slovenská republika*) lies within the territory of Central Europe, with an area of 49 035 km². It is bordered by Austria to the west, the Czech Republic to the north-west, Poland to the north, Ukraine to the east and Hungary to the south. In this publication, the terms 'Slovak Republic' and 'Slovakia' will be used interchangeably.

Bratislava is the capital city of Slovakia. It is the capital not only for historical reasons, but also due to its strategic location. It lies only 68 km from Vienna, 325 km from Prague and 177 km from Budapest.

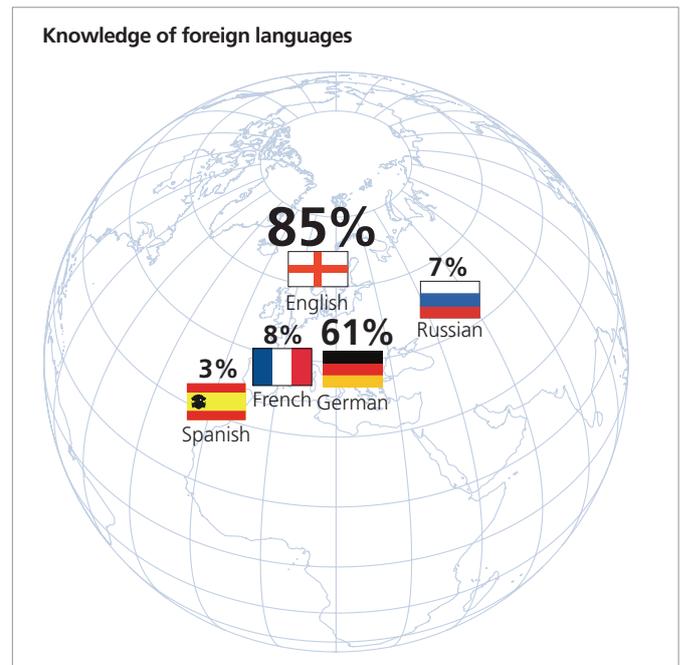
There are 2890 municipalities in Slovakia, of which 140 are towns. The largest cities are Bratislava and Košice, followed by Prešov, Žilina, Banská Bystrica, Nitra and Trnava. The Slovak Republic is divided into eight regions: Banskobystrický, Bratislavský, Košický, Nitriansky, Prešovský, Trenčiansky, Trnavský and Žilinský. As at 31 December 2015 the population of the Slovak Republic was 5 426 252, with a density of 111 inhabitants per km².

History

The first significant preserved documents on settlements in Slovakia come from the end of the Palaeolithic Age, circa 250 000 years ago. The first farmers appeared circa 5000 – 4000 BCE. At the end of the 4th century BCE, the first known ethnic group – the Celts – came to Slovakia, in several waves. Written references exist in Roman information sources about the presence of the Celts. In the 1st century BCE, the Dacians came to Slovakia, the Celts retreated further north and the Celtic and Dacian populations and cultures mixed. At the beginning of our era, Dacian and Celtic tribes were suppressed by German tribes. For example, the Vannius kingdom (Regnum Vannianum) was temporarily established in the current territory of Slovakia. Furthermore, the Danube formed one of the borders of the Roman Empire.

At the end of the 4th century CE, with the Migration of Peoples, many nations shifted within Slovakia. The first state of Slavs in the territory of present-day Slovakia was Samo's Empire (7th century), later the Principality of Nitra (at the beginning of the 9th century), which joined the Moravian Principality and established Great Moravia in 833. From the middle of the 10th century until the end of the 11th century, the territory of Slovakia was gradually included in Hungary, which became a part of the Austrian monarchy (Habsburg Monarchy) in 1526, and later Austria-Hungary (from 1867). After the disintegration of Austria-Hungary in 1918, Slovaks and Czechs established the Republic of Czechoslovakia. After the Second World War, Czechoslovakia fell under Communist rule, until the 'Velvet Revolution' overthrew the regime in 1989. In 1993, Czechoslovakia was peacefully dissolved, splitting into the Czech Republic in the west and the Slovak Republic in the east.

The Slovak Republic is a parliamentary democracy. From 1 May 2004, Slovakia has been a member of the European Union; and from 21 December 2007 it has been a member of the Schengen Area. On 1 January 2009, it became the 16th member of the European Monetary Union to join the eurozone, with the euro becoming the official currency, succeeding the Slovak crown (*koruna*).





Language & religion

The official language in Slovakia is Slovak, which belongs to the West Slavic group of Slavic languages. Hungarian, Roma, Ruthenian, Czech and other languages are spoken in some regions. Furthermore, the majority of the population are able to communicate in English and German.

Slovakia is mostly a Christian country. The largest religious affiliation is the Roman Catholics and the second largest group is represented by Greek Catholics. Other religious groups include Protestant denominations, Jews and others.

Climate

Slovakia has a continental climate with hot summers and cold winters. Average summer temperatures are over 25°C, but can be as warm as the mid -30s. Winter temperatures usually hover around 0°C, but can plummet to -15°C.

Politics and Government

The Slovak Republic was established on 1 January 1993 as one of the successors to the Czech and Slovak Federal (Federative) Republic. It is a parliamentary democracy, and its constitution guarantees equal rights for all citizens regardless of gender, religion, race, national origin, social status or political conviction.

The National Council of the Slovak Republic (*Národná rada Slovenskej republiky*) is a unicameral parliament and the country's main legislative body. The National Council has 150 members elected for four-year terms in direct elections by a party-list system of proportional representation, under which the whole country forms a single multi-member constituency. Parties have seats allocated to them in the Parliament according to the percentage share of the votes they obtain in parliamentary elections. Only a party with at least 5% of votes can obtain seats in the Parliament.

The President of the Slovak Republic is the Head of State, elected for a five-year term in a direct two-round election. The same person can be elected President for a maximum of two consecutive five-year terms. The current President is Mr Andrej Kiska (Independent), first elected in June 2014.

The Government of the Slovak Republic is the highest tier of executive power and consists of the Prime Minister, Deputy Prime Ministers and Ministers. The Government is formed on the basis of parliamentary elections. The Prime Minister is appointed and can be dismissed by the President. Upon the advice of the Prime Minister, the President appoints and dismisses other members of the Government. The Government is collectively responsible for the exercise of governmental powers to the Parliament, which may hold a vote of no confidence at any time. The Parliament can also pass a vote of no confidence in a single member of the Government. The current Prime Minister is Robert Fico, the leader of the centre-left SMER-SD party. He heads a coalition government of his own party, the right-wing, nationalist Slovak National Party and the interethnic centre-right Most-Híd party.

Currency, time zone, weights & measures

Slovakia uses Central European Time (UTC+1) and in 'summer', UTC+2 CEST (Central European Summer Time). The metric system and the Celsius temperature scale are in use.

The currency of the Slovak Republic is the euro. At the time of going to press (late November 2017), the euro was quoted against the US dollar at EUR 1 = USD 1.1927.

General economic outlook

On 1 May 2004, Slovakia became a member state of the European Union. Several years later, on 1 January 2009, it adopted the euro and became the 16th member of the European Monetary Union. The official exchange rate was SKK 30.1260 to EUR 1. Slovakia's membership of the eurozone brought stricter fiscal discipline, which resulted in economic stabilisation. The Slovak Republic is also a member of the UN, NATO, the OECD and the WTO.

The Slovak economy has shown varying rates of growth in the last few years: 2.4% in 2014, 4.3% in 2015 and 3.3% in 2016. The composition of growth is still balanced, with the main driving force moving from net exports to domestic demand. The unemployment rate is expected to continue falling from its 10-year peak in 2013, and inflation is expected to remain low. The public finance deficit is expected to remain at just under 3% of GDP.

Table 1 – Economic performance

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Inflation	7.5%	2.8%	4.3%	1.9%	3.9%	0.9%	0.7%	3.9%	3.6%	1.5%	-0.1%	-0.3%	-0.5%
Level of unemployment	14.3%	11.6%	10.4%	8.4%	7.7%	11.4%	12.5%	13.2%	14%	14.2%	12.4%	11.5%	9.7%
GDP growth	5.2%	8.5%	8.5%	10.4%	6.4%	-4.7%	4.0%	3.3%	3.4%	0.9%	2.4%	4.3%	3.3%

The Slovak Republic is proud of its industrial heritage, which provides a stable base for the development of some sectors, such as the automotive and the electronics industries. During the last few years, global corporations representing various sectors have chosen Slovakia as the best place for their expansion in the Central and Eastern European region.

Automotive

The Slovak automotive industry gives a home to three very different types of car producers: Germany's Volkswagen, France's PSA Peugeot Citroen and South Korea's Kia Motors. They are surrounded by well-established automotive-parts contracting networks, all of which are effectively interconnected. The sector produces various categories of vehicles, such as the Volkswagen Touareg Hybrid, the Porsche Cayenne, the Peugeot 207 and Kia's Sportage and Cee'd. In the 2016-2018 period, Britain's Jaguar Land Rover is expected to open a manufacturing facility in Slovakia. The new factory will be built near Nitra and is supposed to employ around 2000 people.

Electronics

Since 2000, electronics has become the fastest growing industrial sector in Slovakia. Electronics has become the second mainstay in the Slovak economy, after car production, and the second largest employer and exporter. Sony Foxconn, Samsung and AU Optronics are among the key electronics companies in Slovakia.

SSC (shared services centre) / ICT

The present centres of shared services, the so-called 'hotspots', are Bratislava, Košice and Banská Bystrica, while Trenčín, Žilina and Nitra are the likely shared-service hubs of the future.



2. Doing business

Main forms of business organisation

The limited-liability company

The most common form in which to do business in Slovakia is the limited-liability company (*spoločnosť s ručením obmedzeným*, abbreviated to spol. s r.o. or s.r.o.). The company's business name must contain the appendage *spoločnosť s ručením obmedzeným* or either of the two recognised abbreviations. The limited-liability company may be established by one person only (an exclusive natural entity), and any natural person may be the single member in a maximum of three companies. The maximum number of members is limited to fifty. The basic statutory capital is a minimum EUR 5000, and there must also be a contingency reserve from profits of up to 10% of the basic capital. The minimum subscription from a member is EUR 750, and the capital provided may take a monetary or non-monetary form (in which case, an expert valuation is needed,) in money's worth. Members are liable for the obligations of the company only to the amount of unpaid share capital.

Profit distribution method

Members are entitled to a share of the profits (a dividend) in proportion to their paid-up share capital, unless otherwise provided in the company's statutes out of distributable reserves. These consist of the company's retained earnings, decreased by contributions to the contingency reserve, other statutory reserves, and after covering losses from previous periods. The company may not pay interest on the share capital or interim dividends.

Governing organs

The company's supreme organ is the General Meeting of members; which must be held at least once a year. One or more directors, who may only be natural persons, act as the Executive Board of the company. An optional body is the Supervisory Board, which mainly supervises the activity of the executive board, reviews the financial statements and submits reports on its activity to the General Meeting.

Table 2 – Advantages and disadvantages of the s.r.o. form

Advantages	Disadvantages
Limited liability and low minimum capital	A natural person may be the sole member of no more than three such companies
Personal participation of a member in the company's management is not obligatory	The obligation to establish a contingency reserve, the use of which is strictly regulated
A single member (who may be a natural person) is sufficient to incorporate the company	A member may not alienate his shares without the agreement of the other members

The joint-stock company

The joint-stock company (*akciová spoločnosť*, abbreviated to akc. spol. or a.s.) is the typical corporate business form. The company's business name must contain the appendage *akciová spoločnosť* or either of the abbreviated forms. It may be established by at least two persons (natural or legal) or by a single legal person. Its minimum capital is divided into shares with a nominal value, and the sum of those values is equal to the nominal capital. The minimum share capital of an a.s. is EUR 25 000. The company must establish a contingency reserve of an amount of at least 10% of the share capital. The company is obliged to make contributions to this fund annually in an amount determined in the company's statutes, which is a minimum of 10% of net after-tax profit, until the reserve stands at the maximum amount stipulated, which may not be less than 20% of the nominal capital.

Joint-stock companies may be public or private companies. Public companies have all or some of their shares accepted for trading on a regulated market, located or operated in any member state of the European Economic Area. Stricter conditions apply to public joint-stock companies with respect to calling the General Meeting and informing shareholders.

Shares may take the form either of bearer shares (*akcie na doručiteľa*) or of registered shares (*zaknihované akcie*).

Rights and duties related to shares

A share is a security giving the shareholder the right to participate in profit-sharing, management of the company and any liquidation surplus. The shareholder also has the pre-emptive right to subscribe to new shares in proportion to the nominal value of shares held by him in current nominal capital. The company is liable in the event of a violation of its obligations for the whole of its property. The shareholder is not liable for the obligations of the company.

Table 3 – Rights and duties of members under the a.s. form

Rights	Duties
Indirect participation in management via elected organs: the executive board and the supervisory board	Pay up subscription to share capital in full within a fixed period
Participation in profits by way of dividend and liquidation surplus	Liability for the company's obligations up to the limit of unpaid share capital
Pre-emptive right of subscription to new share issues and/or convertible securities	

Governing organs

The supreme organ of a joint-stock company is the General Meeting of shareholders (members), which meets at least once annually, convened by the Executive Board. It approves the financial statements, decides on the most important aspects of the company's affairs, such as amendments to the statutes, increases or reductions of share capital, appointment and dismissal of directors, directors' remuneration and restructuring of the company. In contrast to similar regimes elsewhere, there is no quorum in law for the General Meeting, unless one is provided in the company's statutes.

The management of the joint-stock company is provided by the Executive Board, of which only natural persons may be members. The Executive Board, which has to have at least one member, takes decisions on all those aspects of the company's affairs as are not within the competence of the General Meeting. The Board prepares the company's financial statements for approval and reports on the business activities of the company, and the status of its assets, to the General Meeting. It is obliged to inform the Supervisory Board of all facts that could considerably affect the development of business activity and the condition of its assets.

The role of the Supervisory Board is to exercise supervision over the activities of the Executive Board. It has a minimum of three members, all of whom must be natural persons who are not also members of the Executive Board. If the company has more than 50 employees, the employees elect one-third of the Supervisory Board.

Profit distribution

The shareholder (member) has the right to a share in the company's profits by way of dividend, the exact amount of which is voted on by the General Meeting. Unless otherwise provided in the company's statutes, this share is determined by the proportion of the nominal value of the member's shares to the nominal value of shares of all shareholders. The right to dividends can be the subject of an independent transfer from the day of the General Meeting's decision on the distribution of profits to shareholders. The company may not buy back its shares from members.

Table 4 – Advantages and disadvantages of the a.s. form

Advantages	Disadvantages
Shareholders are not liable for the company's obligations	Higher requirement of executive personnel: at least 3 for the Supervisory Board and 1 for the Executive Board
It exists independently of its owners and managers	High minimum share capital and operating costs in comparison to other forms of business
There is no upper limit on the number of members	The need for a formal organisational structure
Shares are easily transferred	Less flexible decision making The need to create a contingency reserve

The simple joint-stock company

The simple joint-stock company (*jednoduchá spoločnosť na akcie*, abbreviated to j.s.a.) is a new form of company, which is effective in the Slovak Republic as of 1 January 2017. This new form of business is suitable particularly for start-ups and the main object is to improve, develop and rejuvenate the business environment in Slovakia. It may be established by a single person (natural or legal). Its minimum capital is divided into shares with a nominal value, and the sum of those values is equal to the nominal capital. The minimum share capital of a j.s.a. is EUR 1. The nominal value of the share may be denominated in eurocents or a combination of eurocents and euros.

The company's business name must contain the appendage *jednoduchá akciová spoločnosť* or the abbreviated form. In general, when specific issues are not regulated directly in the Commercial Code for a single joint-stock company, the appropriate provisions for the classical joint-stock company will also apply to the j.s.a. The simple joint-stock company contains features of both a limited-liability company and a classical joint-stock company.

The main advantages of the simple joint-stock company include the simple structure of the company and low capital requirements.

Shares may take the form of registered shares (*zaknihované akcie*) only.

Rights and duties related to shares

The company is liable in the event of a violation of its obligations for the whole of its property. The shareholder is not liable for the obligations of the company.

Governing organs

The same rules apply as for the classical joint-stock company, except the requirement to have a supervisory board, which in this case is optional.

Profit distribution

The same rules apply as for the classical joint-stock company.

The joint-stock company with variable share capital

A joint-stock company with variable share capital (*akciová spoločnosť s premenlivým základným imaním*) is a new type of collective investment entity, aimed at developing a capital market in Slovakia. This company form has been available since 18 March 2016.

Collective investment funds established no later than 17 March 2016 as other types of entity are entitled until 31 December 2016 to change its legal form to the new entity.

Shares in this type of company do not have a nominal value, but the share capital corresponds at any time to the real value of the company's assets. The minimum share capital of a joint-stock company with variable share capital is EUR 125 000.

A joint-stock company with variable share capital may issue and repurchase its own shares. Its share capital may also be increased or reduced without the approval of the General Meeting. It will be also able to issue new shares based on the interest of investors.

“The partnership agreement will usually provide on what proportions the partners share profits and losses; in the absence of such a provision, the law provides for profits and losses to be shared equally.”

Other aspects such as profit distribution, rights and duties correspond to those of a classical the joint-stock company.

The general partnership

The general partnership (*verejná obchodná spoločnosť*, abbreviated to *ver. obch. spol. or v.o.s.*) is the typical personal entity established by a minimum of two persons (legal or natural) with a view to doing business together under a common business name. The partnership's business name must contain the appendage *verejná obchodná spoločnosť* or either of the abbreviated forms. The partnership is liable for its obligations to the extent of all its property, while the partners guarantee the partnership's obligations to the extent of all their property, jointly and severally. Partnerships do not have a minimum statutory capital; the partnership agreement may, however, stipulate what capital a partner may have to contribute to the partnership.

Method of profit and loss allocation

The partnership agreement will usually provide on what proportions the partners share profits and losses; in the absence of such a provision, the law provides for profits and losses to be shared equally.

If the profit is distributed equally among the partners, they are entitled to interest on the amount of their contributed capital; otherwise, interest accrues pursuant to the Commercial Code (Article 502). The claim to interest prevails over the claim to the profit share, and interest is also payable in the event of a loss, unless otherwise provided in the partnership agreement.

Governing organs

All partners are authorised to act on behalf of or manage the partnership, but the partnership agreement may provide that only certain partners act as managers.

Table 5 – Advantages and disadvantages of the general partnership form

Advantages	Disadvantages
No minimum capital required	Minimum of two partners for the entire life of the partnership
Personal participation of partners in the management of the partnership	Unlimited liability of the partners for the partnership's obligations
Taxation at partner level, not at the level of the partnership	
Easier access to external sources of finance	

The limited partnership

The limited partnership (*komanditná spoločnosť*, abbreviated to *kom. spol. or k.s.*) combines features of the limited-liability company and the general partnership. The partnership's business name must contain the appendage *komanditná spoločnosť* or either of the two abbreviated forms. The partners may be natural or legal persons, and the partnership has two types of partners – general partners and limited partners; both types of partner must be present throughout the entire lifetime of the partnership.

The general partners have unlimited liability and are the only partners who may participate in the management of the partnership. Limited partners may not participate in management and their liability is limited to the extent of their unpaid capital contribution. There is no statutory minimum capital, except that limited partners must contribute at least EUR 250 each to partnership capital.

Profit and loss allocation

In the absence of a contrary provision in the partnership agreement, profits and losses must be equally shared between the general and limited partners, i.e. 50% of the profits or losses belong to the limited partners and 50% to the general partners. Among themselves, the limited partners will allocate profit or loss shares in the ratio of their capital contributions, whereas the general partners will have equal shares in their half of the profits or losses.

Governing organs

The unlimited partners together form the partnership's management board. On other matters they decide together with the limited partners by a simple majority of votes (each partner has one vote), but the partnership agreement may provide otherwise. The limited partners are entitled to examine the partnership's accounting books and records.

Table 6 – Advantages and disadvantages of the limited partnership form

Advantages	Disadvantages
No minimum capital required except in respect of limited partners	Complicated profit distribution
The combination of partnership and corporate features enables the partners to choose between personal participation in the management and capital contribution only	General partners have unlimited liability for the partnership's obligations
Taxation at partner level, not at the level of the partnership, for the general partners ¹	

Notes

¹ The limited partners are taxed at the partnership level (see Chapter 6).

Cooperatives

The cooperative (*družstvo*) is a legal entity with a long tradition in Slovakia. It is an association of an unlimited number of persons, established for the purpose of doing business or providing the economic, social or other needs of its members. The business name of the cooperative must contain the description *družstvo*. A cooperative must have at least five members unless at least two members are legal persons. The addition of other members, or the termination of current memberships, does not affect the duration of the cooperative, if the cooperative continues to satisfy the above conditions. The cooperative is liable for its obligations to the extent of all its property. Individual members are not liable for the obligations of the cooperative. The cooperative has a minimum nominal capital, to be subscribed by its members, of EUR 1250, which is the amount registered in the Commercial Register, whatever the actual (equal or greater) amount of the nominal capital. Therefore, the cooperative enables a high level of flexibility, because it is possible to enter and withdraw without the need to change the registered data in the Commercial Register. At its registration, the cooperative is obliged to establish a statutory non-distributable reserve of a minimum amount of 10% of the registered nominal capital. This must be supplemented each year by a minimum of 10% of the annual net profit until the reserve reaches one-half of the registered nominal capital. The statutes of the cooperative may stipulate a larger non-distributable reserve.

Profit allocation

Members’ meetings decide on what the level of profit distribution is to be among members. Unless otherwise provided in the statutes, a member’s share of the distributable profit is proportionate to the amount of his capital contribution.

Governing organs

The supreme governing organ of the cooperative is the Members’ Meeting, which meets at a frequency prescribed in the statutes, but this is normally at least once a year. The competencies of the Members’ Meeting include, for example, amendments to the statutes, the election and recall of members of the Executive Board and Inspection Committee, the approval of ordinary individual financial statements, as well as the restructuring or liquidation of the cooperative.

The Executive Board manages the day-to-day activities of the cooperative and decides on all issues that are not in the competence of a different body pursuant to law or the statutes. The Executive Board carries out the resolutions of the Members’ Meeting, and is answerable to it for its activities. Unless otherwise provided in the statutes, the Chair or Vice-Chair acts on behalf of the Executive Board. If a legal form is stipulated for a legal act carried out by the Executive Board, the signatures of a minimum of two members of the Executive Board are needed thereto.

The Inspection Commission is authorised to supervise all the activities of the cooperative and to discuss the complaints of its members. It is answerable only to the Members’ Meeting and is independent of the other organs of the cooperative. The Inspection Commission has a minimum of three members. It gives opinions on the financial statements that the cooperative is obliged to prepare pursuant to specific regulations, and to the proposal of profit distribution or the proposal to cover the loss of the cooperative. The Inspection Commission notifies the executive Board of any detected insufficiencies and requests that they be rectified. The Inspection Commission meets as needed, but at least a minimum of once every three months.

The statutes of a cooperative with fewer than 50 members may provide that the competences of the Management Board and the Inspection Commission are to be carried out by the Members’ Meeting. In that case, the statutory body is the Chair, or another member authorised by the Members’ Meeting acts as a chief executive.

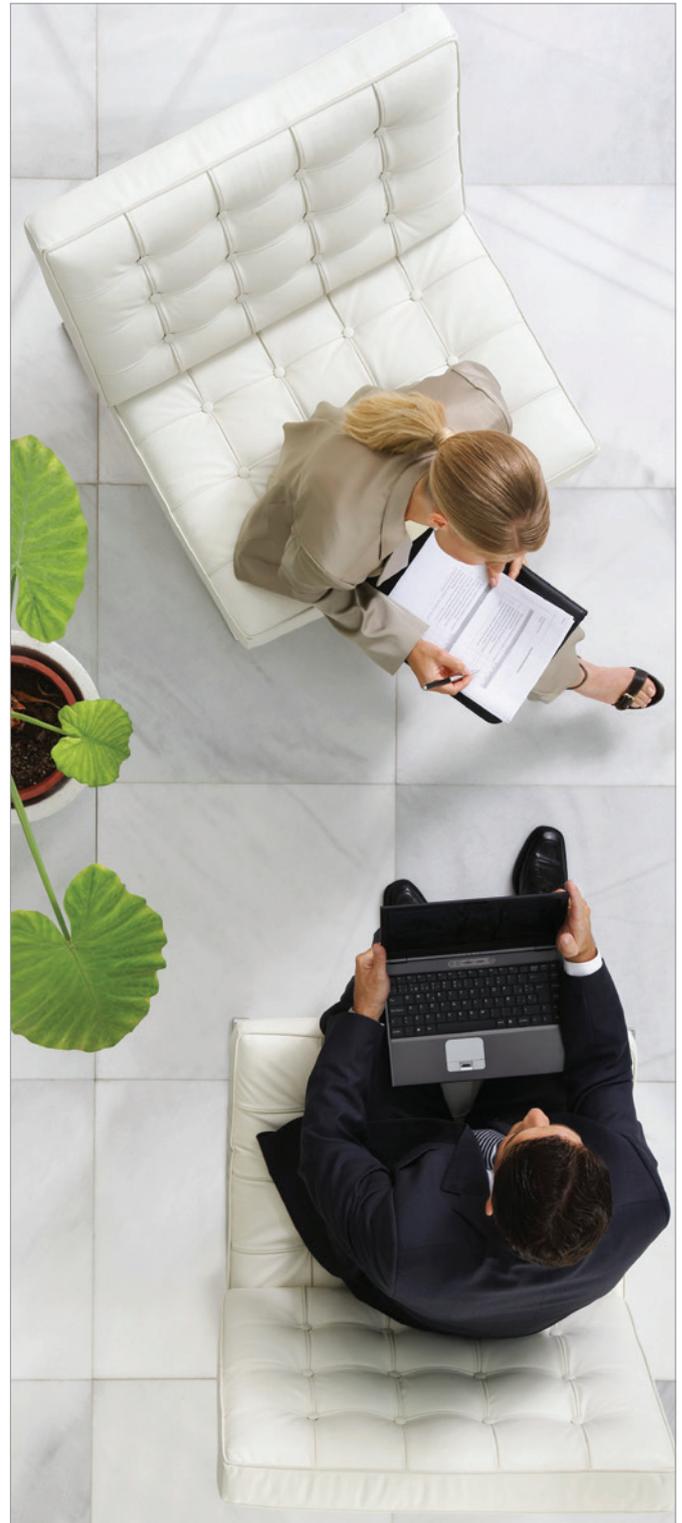


Table 7 – Advantages and disadvantages of the cooperative form

Advantages	Disadvantages
Simple joining and withdrawal for members	Complicated calculation of loss allocation
The option of simpler operating norms for small cooperatives	Relatively high demand for executive personnel in larger cooperatives
Low statutory nominal capital	The need for a formal organisational structure Less flexible decision making when there is a large number of members

Compulsory activation of e-boxes

As from 1 July 2017, legal persons registered in the Commercial Registry are obliged to activate an electronic mailbox to receive communications from and send communications to governmental authorities. The authorised officers of these entities must have an electronic ID with electronic chip and personal security code in order to operate these boxes. The authorised person has a 10-day period of grace within which to apply for authorisation for other natural persons whom the owner himself authorises to manage the mailbox.

Supranational legal forms of enterprise

After the Slovak Republic joined the European Union, the number of forms of business entity were extended to so-called 'supranational forms' of enterprise. Supranational legal forms of business entities are primarily regulated by EU regulations, which are legally binding for all EU Member States.

European Economic Interest Grouping – EEIG

A European Economic Interest Grouping (EEIG or in Slovak, *Európske zoskupenie hospodárskych záujmov*) must be created by a minimum of two companies or other legal entities governed by public or civil law, by two natural persons, one company or other legal entity and one natural person. The headquarters of the companies and other legal entities must be located in the European Union, and the natural persons must carry on a trade, business or profession in the European Union across at least two Member States. The headquarters of the grouping must be located in the European Union, and may be relocated elsewhere within the European Union.

The purpose of an EEIG is to simplify, develop and improve the economic activity of its members and its results. The purpose is not to make a profit. Eventual profits from the activities of the grouping are considered as profits of the members, and are divided among them proportionally as provided in the Deed of Establishment, or in equal shares. If the expenditure of the grouping exceeds the income, the grouping's members must contribute to cover the difference in a proportion provided in the Deed of Establishment, or equally.

The disadvantages include the unlimited, joint and several liability of members, the cap on the number of members at 20 and on the number of employees at 500.

An EEIG may not become a member of another EEIG.

The European Economic Interest Grouping belongs to the least demanding forms in Europe in relation to capital. There is no minimum capital requirement. A European Economic Interest Grouping may be established by legal or natural persons, and for them it means the opportunity to join together and to gain a legal identity. An advantage is the simple structure of management and acting via intermediaries.

European company (*Societas Europaea*)

A European company (*Societas Europaea* or in Slovak, *Európska spoločnosť* – abbreviated to SE) is treated in every Member State as a joint-stock company established pursuant to the law of the Member State in which it is resident. Each SE must be registered in the Member State where it has the headquarters. In the Slovak Republic, it is registered in the Commercial Register as a legal entity and it gains legal identity at incorporation.

The nominal capital of an SE is divided into shares, and the subscribed nominal capital must be at least EUR 120 000 or the equivalent in national currency. An SE may be formed by the fusion or merger of two and more joint-stock companies, as a holding company of at least two companies, as a subsidiary of other companies, or on the transfer of its residence by a joint-stock company resident or operating in the European Union which has had a subsidiary for a minimum of two years in a different Member State; in all cases, the activities of the company(ies) must extend over at least two Member States.

A specific feature of an SE that is different from a Slovak joint-stock company, is the participation of employees in management. Employees can, via their representatives or constituted committee, affect the decision-making of SE organs, they are entitled to information, they have the right to vote and be elected to SE organs.

From the point of view of share capital, the SE has a high minimum share-capital requirement; its principal disadvantage is that it cannot be established by natural persons.

European cooperative society (*Societas cooperativa europaea* – SCE)

The basic objective of a European cooperative society (in Slovak, *Európske družstvo*) is to satisfy the needs of its members or the development of their economic or social activity. An SCE may be established by five or more natural persons, companies, cooperatives or other legal entities managed by public or civil law, by the merger or fusion of cooperatives established under the law of two or more EU Member States, by the reconstitution (change of legal form) of an existing cooperative established under the law of an EU member state law and with a branch or subsidiary of at least two years' standing in another Member State; in all cases, the activities of the cooperative(s) and/or company(ies) must extend over at least two Member State.

The minimum capital of an SCE is EUR 30 000 or the equivalent in national currency, comprised of membership shares. An SCE may issue more than one type of membership share. The statutes may provide for membership shares having different rights to participate in profits. A Member of an SCE is liable for the SCE's obligations only to the extent of his capital contributed or yet to be paid up, unless the statutes provide otherwise.

Labour relations & working conditions

Employment relations

Labour relations in the Slovak Republic are principally governed by the Employment Code and the Collective Bargaining Act. Employment legislation includes the following stipulations:

- An initial probationary period of a maximum of three months (six months in the case of certain managerial positions) that may not be extended further
- Fixed employment contracts, which may be concluded for a maximum of two years and prolonged only twice within the above 24 month-period
- A working week of a maximum length of 40 hours
- The employer may order the employee to work overtime up to a maximum of 150 (+ 100 extra hours in the healthcare sector) per calendar year
- An employee may carry out overtime work in a calendar year, not exceeding 400 hours.

“Labour relations are based on written employment contracts between employer and employee.”

Minimum annual paid leave is four weeks; employees aged above 33 are entitled to five weeks of annual paid leave.

The employment contract

Labour relations are based on written employment contracts between employer and employee. The employer is obliged to give one written copy of the employment contract to the employee. The employer is obliged to agree with the employee on the fundamentals in the employment contract, as follows:

- Type of work for which the employee is recruited, and a brief description thereof
- Place of work (the district, or part of the district, or otherwise defined place)
- The starting date
- Remuneration terms, if not agreed in the collective agreement

Working conditions can be agreed in the collective agreement for the employer or the industry. In such cases, a reference to the provisions in the collective agreement will suffice. The agreed content of the employment contract may be amended only if the employer and employee agree to the particular amendment. The employer is obliged to issue the change in the employment contract in writing.

Both employee and employer may terminate an employment contract by serving a minimum one month's notice. An employment contract may be terminated at any time upon the mutual agreement of both parties.

If the employee is found guilty of a deliberate criminal offence or is found to be in serious breach of working discipline, the employer may terminate the employment contract immediately.

The employer is obliged to provide the employee with a severance payment in the event of termination of the employment contract due to organisational reasons or due to specific health reasons, should the employment have lasted for at least two years. There is no obligatory severance payment if employment relationship lasted under two years. Employers are required to notify the appropriate Labour Office of a mass redundancy 30 days prior to issuing notices to their staff.

Other labour relations

It is possible to establish labour relations outside an employment contract for specific purposes.

Possibilities include:

- A work agreement
- An agreement on work activities
- An agreement on temporary student work

Such agreements are comparatively rare. If the work bears the signs of dependent work, the employer must conclude an employment contract with the person concerned.

The employer's duties

Under the provisions of the Employment Code, the employer's duties include providing information:

- To prospective employees of their rights and duties under the putative employment contract, on the working conditions at the workplace, on the rates of pay for the work contemplated
- To new employees on the working code, the existence (if applicable) of a collective agreement; the legal regulations related to the work, and other regulations for ensuring health and safety at work that the employee must observe
- Equality regulations
- To juvenile employees, or their legal representatives, on the possible risks of performing the work, and about health and safety at work

During the term of the employment, the employer is obliged to:

- Give the employee work in accordance with the employment contract
- Pay the employee for the work done
- Create suitable conditions for performing the work
- Observe other working conditions stipulated by the law, the collective agreement and the employment contract. Each employee must be acquainted with the working code. The working code must be available for each employee

The labour market

The Slovak Republic has high labour productivity, expressed both per hour and per person.

As of 1 January 2017, the minimum monthly wage is EUR 435 and the minimum hourly wage is EUR 2.50. The average gross monthly salary was EUR 912 in 2016. However, average salaries can vary significantly depending on the region. Average salaries in the Prešovský region (Eastern Slovakia) were as low as EUR 798 per month in 2016.

Education

There is an educated and qualified labour force in Slovakia. 93% of the Slovak workforce has secondary or higher education and 97% of the Slovak population speaks a language other than his or her mother tongue, which is one of the highest scores of all European countries. In the Slovak Republic, there are 35 universities. English is the most common foreign language spoken, followed by German and French.

Social security

Social security is provided by a set of institutions and institutes providing protection and assistance to people in cases of danger of their health, illness, unemployment, disability, work accident, old age, pregnancy and motherhood, parenthood, death. Employees pay contributions to social and health insurance in an amount of 13.40% of their wages. Employers also pay social and health contributions. These contributions are paid by the social and health institutions to people in case of illness of employee, injury, loss of job or retirement. In Slovakia, the pension age is 62 years. As of 2024, the same retirement age of 62 years will apply equally for all men and women regardless of the number of children. For more detail on contributions, see Chapter 9.

Work permits

Citizens of countries within the European Economic Area and of Switzerland may work in the Slovak Republic without any restrictions. However, if these foreign nationals stay in Slovakia for more than three months, they are obliged to register at the Slovakian Aliens Office. Moreover, their Slovakian employer is also obliged to inform the labour authorities of any foreign employees within seven working days of the commencement or the termination of the individual's activities. Nationals of a third country (i.e. non-EEA and non-Swiss nationals) are obliged to apply for a work permit and temporary residence prior to their arrival. The Labour Office may grant either a work permit for a period of two years or the so-called Blue Card, which covers both a work and temporary-residence permit. This Blue Card guarantees that its holder is a highly qualified specialist with a university degree or over five years' professional experience.

3. Finance and investment

Business regulation

Business in Slovakia is mainly regulated by the Commercial Code. The Code regulates business activities, which are defined as systematic activities conducted independently by an entrepreneur in his own name and under his own liability for the purpose of making a profit.

In general, foreign persons may conduct business activities in Slovakia under the same conditions and to the same extent as Slovakian nationals. Almost without exception, a person (whether resident or non-resident) may carry out any 'for-profit' business activity on a regular basis without needing to apply for a licence. Under the Trade Licensing Act, a trade licence is issued either by the respective trade licensing office or by the special state authorities. This Act distinguishes between regulated trades, artisanal trades and free trades.

Under Slovakian law, a legal entity ceases to exist as from the date of its deregistration (striking-off) from the Commercial Registry. The shareholders of a legal entity may decide on cancellation with or without its liquidation if the legal entity's assets and liabilities are transferred to its legal successor. Liquidation is not required where the legal entity has no assets; the bankruptcy petition has been rejected due to a lack of property; bankruptcy proceedings were cancelled because the entity's property is not sufficient to cover the expenses and remuneration of the bankruptcy administrator, or where there are no assets left after the bankruptcy.

Under the Act on Bankruptcy and Restructuring, the legal entity is obliged to file for bankruptcy if it is insolvent or over-indebted. A debtor is insolvent if unable to meet at least two financial obligations of more than one creditor for more than 30 days from the maturity date. A debtor who is required to maintain accounting books in accordance with the Act on Accounting is over-indebted if it has more than one creditor and the value of its liabilities exceeds the value of its assets.

The Slovakian legislative environment has several competition and anti-trust laws. The Commercial Code defines unfair competition as behaviour that is contrary to standard competition practices and which may be detrimental to other competitors or consumers. These practices include:

- Deceptive advertising
- Deceptive misrepresentation
- Bribery
- Disparagement
- Breach of trade secrets
- Endangering consumer health or the environment

Furthermore, other forms of unlawful restrictions of competition and business include:

- Abusing a dominant position within the market (e.g. by predatory pricing, applying different conditions for similar businesses under similar contracts etc.)
- Entering into agreements restricting competition (e.g. agreements on prices, division of the market, limitation of production etc.)
- Creating undue concentration (e.g. mergers of separate businesses, acquisitions of businesses or the establishment of a joint venture) without the prior consent of the Anti-Monopoly Office.

Intellectual property

Intellectual property is an asset of intangible nature, which is the result of thinking and creativity. This may be e.g. invention, literary or artistic work, trademarks, copyright, know-how etc. The value of intellectual property depends on the extent of its usefulness and benefit to the individual or company and it can be protected under intellectual property rights. The intellectual property is regulated by the Civil Code, and especially by the Act on Trade Marks.

In Slovakia, there is a specialised institution for the protection of intellectual property – the Industrial Property Office of the Slovak Republic.

The Act on Trade Marks defines the conditions for the so-called registration of a trade mark. The law specifies in detail the exclusions from registration as well as the items that cannot serve as a trademark.

Any natural person or legal entity may file the application for the registration of a trade mark.

The term of protection of a registered trade mark is 10 years as from the filing date of the application. Upon the request of the trade-mark owner and subject to payment of an administrative fee, the Office will renew the term of protection for another ten years.

Banking

The main regulatory body in the banking sector is the National Bank of Slovakia (*Narodná banka Slovenska* – NBS). It is responsible for implementing the eurozone’s monetary policy, the stability of the financial system and payment-system regulation.

The commercial banks operating in the Slovak Republic provide the majority of standard banking services and are free to participate in virtually all forms of financial services. There is also a wide range of merchant banks operating in the Slovak Republic.

Share trading is carried out on the Bratislava Stock Exchange (*Burza cenných papierov v Bratislave*), which was founded in 1991.

Exchange controls

The Slovak Republic does not operate any restrictions on foreign-currency exchange or the import or export of capital, with the exception of businesses seeking to trade in foreign-exchange assets and/or provide foreign-exchange services.

Import / Export controls

The Slovak Republic strives to maintain a high degree of trade freedom. At the moment, the import and export of a limited number of goods (e.g. firearms, military materials) are subject to licences issued by the Slovakian Ministry of the Economy. Moreover, certain imported goods must be subject to a mandatory certification procedure in order to confirm that the goods are compatible with Slovakian technical standards. This certification procedure is done via the Slovakian customs.

Furthermore, being an EU Member State and a member of the WTO, the Slovak Republic has undertaken not to raise tariffs above levels agreed to in trade discussions.

Investment incentives

The Slovak Republic offers a variety of investment incentives under various conditions. The limits for state aid are determined by EU regulations and are driven by the relative development of the country or region in which an investment project is located, the unemployment rate and the minimum investment volume. The limits are set as a percentage of the eligible costs of an investment project. The Bratislava region is mostly excluded from such grants and incentives. Investment incentives include:

Table 8 – Direct and indirect incentives

Direct incentives	Indirect incentives
Cash grants for the acquisition of fixed assets	Tax reliefs
Cash grants for newly created jobs	Transfer of state-owned immovable property at below market price
Cash grants for training	

In order to qualify for the abovementioned investment aid, applicants must meet the conditions under the Investment Aid Act and European legislation, which include several general conditions as well as specific conditions.

The specific conditions depend on the type of project.

Some projects (manufacturing and tourism) allow to gain investment aid on investment project with eligible costs in the amount more than EUR 200 million.

Manufacturing projects

- Minimum investment of EUR 10 million in fixed assets (50% to be met by the applicant)
- At least 60% of the overall cost of the acquired assets must be spent on acquisition of new machinery for production purposes
- New jobs

Conditions for projects with eligible costs in the amount more than EUR 200 million:

- Minimum investment of EUR 200 million in fixed assets (50% to be met by the applicant)
- At least 60% of the overall cost of the acquired assets must be spent on acquisition of new machinery for production purposes
- Production, activities, processes, construction or manufacturing and technological facilities meet environmental-protection requirements
- The investment plan is implemented in a single location

“An applicant must submit a request for investment aid to the relevant authorities. The request will be reviewed for compliance with both the general and specific conditions according to the Investment Aid Act.”

Technology centres

- Minimum investment of EUR 500 000 in fixed assets (50% to be met by the applicant)
- At least 70% of employees in the venture must have had university education
- Minimum of 30 newly created jobs

Shared service centres

- Minimum investment of EUR 400 000 in fixed assets (50% to be met by the applicant)
- At least 60% of employees in the venture must have had university education
- Newly created jobs

Tourism

- Minimum investment of EUR 10 million in fixed assets (50% to be met by the applicant)
- At least 40% of the overall costs of the acquired assets must be spent on the acquisition of new machinery for the purpose of providing services
- Newly created jobs.

Conditions for projects with eligible costs in the amount more than EUR 200 million:

- At least 40% of the overall cost of the acquired assets must be spent on the acquisition of new machinery for the purpose of providing services
- Acquisition of long-term tangible and intangible assets to be met from equity or the property of an individual person – the entrepreneur
- Services, activities, processes, buildings or equipment meet environmental-protection requirement
- The investment plan is implemented in a single location

Approval of aid

An applicant must submit a request for investment aid to the relevant authorities. The request will be reviewed for compliance with both the general and specific conditions according to the Investment Aid Act. If the conditions are satisfied, the Ministry of the Economy issues a confirmation and the work on the project may be initiated. Where the project capital expenditures exceed EUR 50 million, the European Commission must approve the funding.

EU Structural Funds

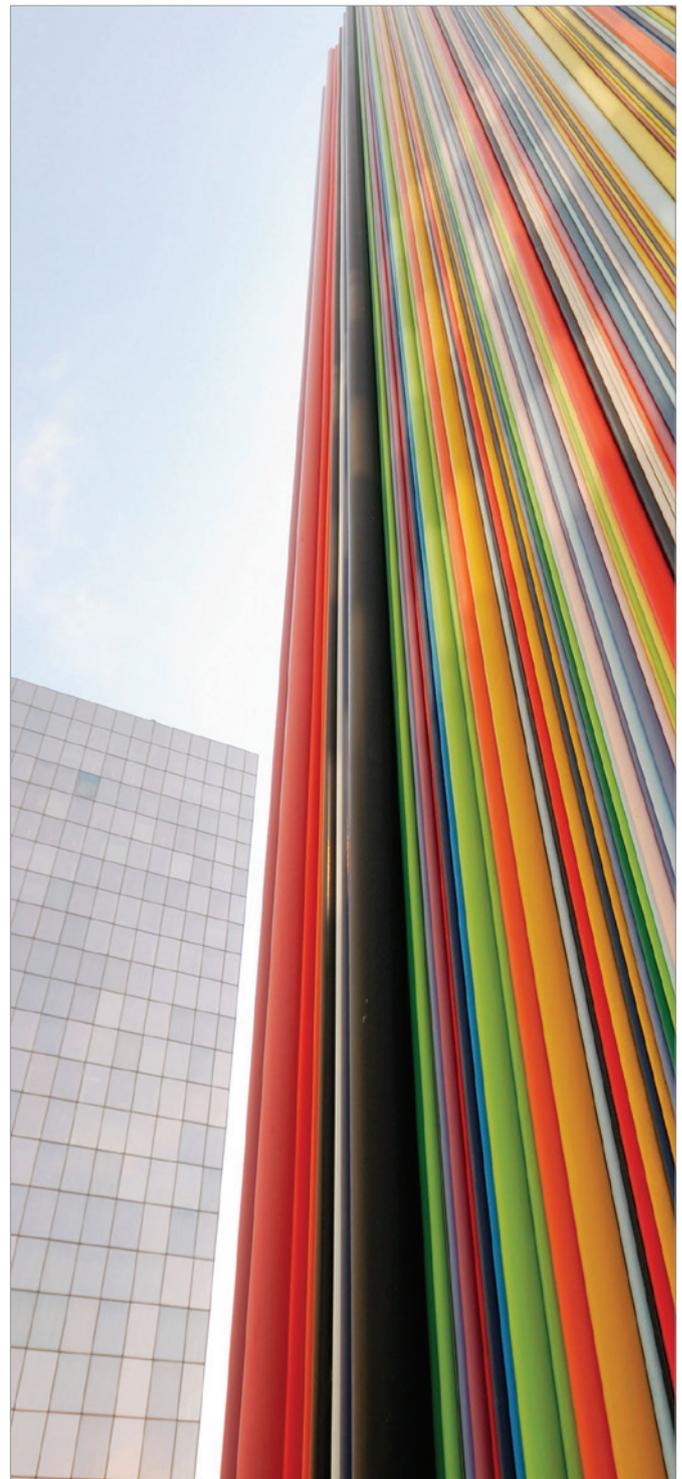
The Slovak Republic is entitled to draw support from the Structural Funds and Cohesion Fund in the budget period 2014 – 2020. It is expected that most of the funds will be drawn by public institutions and only a minor part will be made available for private business purposes. Further substantial EU funds will be made available for research and innovation under the Horizon 2020 programme.

Municipal support and industrial parks

Local authorities are entitled to use state funding for infrastructure projects or the development of industrial parks or they can also offer minor tax exemptions. Whereas infrastructure projects and tax exemptions would, in general, qualify as regional state aid, the advantages offered by industrial parks do not, in general, qualify as state aid.

SARIO

The Slovak Investment and Trade Development Agency (SARIO) is the main government-funded grant organisation, working under the supervision of the Ministry of the Economy. Its mission is to design and use all kinds of stimuli to increase the influx of foreign investment and provide investors with comprehensive information about the Slovakian business environment.



4. The accounting and audit environment

Accounting regulations

Slovakian GAAP and IFRS

Slovakian accounting standards are governed by the Act on Accounting and Slovakian Generally Accepted Accounting Principles (GAAP). Where certain specific criteria are met, financial statements must be prepared under International Financial Reporting Standards as adopted by the European Union (IFRS). Slovakian GAAP are almost identical with IFRS, although there are a number of differences in the treatment of specific issues.

Chart of Accounts

There are separate statutory charts of accounts and accounting procedures for:

- Banks
- Insurance companies
- Other businesses
- Local authorities and institutions financed from the state budget
- Not-for-profit and other similar entities

The chart of accounts for businesses contains the following classes:

Table 9 – Chart of accounts

Class	Description
0	Non-current assets
1	Inventory
2	Financial accounts
3	Debtors and creditors, other assets and short-term liabilities
4	Capital accounts and non-current liabilities
5	Expenses
6	Revenues
7	Closing and off-balance sheet accounts
8 and 9	Internal accounting

Entities are permitted to create other synthetic account codes for balance-sheet accounts that are not prescribed in the chart of accounts. Accounts and books must be kept in euros and in the Slovak language.

Basic accounting principles

Accounting records must be kept correctly, completely, consistently, continually on a going-concern basis, with the accruals and matching concepts, materiality and individual and prudent valuation. Special accounting principles apply to liquidations.

Accounting law defines an 'accounting period' as a calendar year or a fiscal year, i.e., a period of 12 consecutive calendar months beginning on the first day of any calendar month other than January. An accounting entity is obliged to announce a change of its accounting period to the relevant tax authorities in writing within thirty days of the entity's establishment or fifteen days prior to the change of the accounting period. Any change in the accounting period may only be effected as of the first day of a calendar month.

Size category

The Act on Accounting stipulates the following size categories for accounting entities:

- Micro accounting entity
- Small accounting entity
- Large accounting entity

A micro accounting entity is one meeting at least two of the following criteria:

- a) balance-sheet total no more than EUR 350 000
- b) turnover of no more than EUR 700 000,
- c) average number of employees no more than 10

A small accounting entity is one meeting at least two of the following criteria:

- a) balance-sheet total greater than EUR 350 000, but not greater than EUR 4 million
- b) turnover greater than EUR 700 000, but not greater than EUR 8 million
- c) the average number of employees exceeds 10 but does not exceed 50

A large accounting entity is one meeting at least two of the following criteria:

- a) balance-sheet total greater than EUR 4 million
- b) turnover greater than EUR 8 million
- c) the average number of employees exceeds 50

The main difference between the requirements relating to entities in these size categories is in the content of the financial statements and there are some differences in accounting procedure.

Entities are classified in their respective size category at the date of the financial statements for the accounting period, while the accounting entity has to assess the immediately preceding accounting period as well.

An accounting entity meeting the criteria for a micro accounting entity may choose to be treated as a small accounting entity.

Financial statements

Annual financial statements consist of a balance sheet (statement of financial position), income statement and notes to the financial statements, including a cash-flow statement if necessary. The notes have to contain such information as is necessary to ascertain the entity's assets, liabilities, financial position and results.

Financial statements must be submitted together with the corporate income tax return to the tax office within the deadline for filing the tax return, which is generally 31 March (three months after the end of the reporting period), but may be prolonged to six months after the end of the reporting period. Consolidated financial statements must be submitted during the subsequent accounting period. Listed companies are also required to prepare half-yearly and quarterly financial statements as well as consolidated financial statements.

Financial statements submitted to the tax authorities together with the corporate income tax return are also directly forwarded to the Register of Financial Statements. After their approval by the shareholder's' meeting, the accounting entity must inform the Register of this fact within five days.

An annual report must be prepared if an entity must have its financial statements audited by an independent auditor.

There are several criteria for defining whether an accounting entity has to submit financial statements under IFRS and consolidated financial statements.

Audit requirements

According to the Act on Accounting, the following entities are required to have their financial statements audited:

- Business entities that have registered capital (i.e. limited-liability companies, joint-stock companies and limited partnerships), if they meet at least two of the following criteria in the accounting period preceding the one for which the financial statements are to be audited:
 - The total balance-sheet value exceeds EUR 1 million
 - Net turnover generated from the sale of products, goods and services exceeds EUR 2 million
 - The average number of employees exceeds 30
- Listed companies
- Entities that are obliged to prepare financial statements in accordance with IFRS
- Other entities that are required to be audited according to special legislation
- Certain organisations that are stipulated by law as beneficiaries of a percentage of income tax where the annual amount of the income tax donations exceeds EUR 35 000.

“The audit of the financial statements must be performed by the end of the year following the year for which the financial statements or annual report were prepared”

Consolidated financial statements must also be audited.

The audit of the financial statements must be performed by the end of the year following the year for which the financial statements or annual report were prepared.



5. Overview of tax system

Overview

The tax system in the Slovak Republic is comparable to taxation systems in other EU Member States and it includes income taxes for natural and legal entities, as well as value added tax.

All taxes are imposed by the Government in legislation that sets the rules for levying taxes, their rates and the duties and rights of taxpayers. The Minister of Finance may be authorised to issue regulations in respect of some taxes. All legislation is published in the official publication – the Journal of Laws of the Slovak Republic (*Zbierka zákonov Slovenskej republiky*).

The main principles of the tax system are regulated by the Tax Procedures and Tax Administration Act (*Zakon o správe daní, daňový poriadok*). The Act unifies and centralises all the regulation in the field of tax administration, procedures and control.

The Act gives certain rights to taxpayers e.g. the right to obtain information about tax from the Tax Authority without any charge, protection of their rights to privacy, the right to appeal against decisions of the administration and a statute of limitations.

Principal taxes

The main taxes are:

- Income tax (both corporate and personal) (*daň z príjmov*)
- Value added tax (*daň z pridanej hodnoty*)
- Customs duties
- Excise duties
- Local property tax
- Motor vehicle duty

6. Taxes on business

Corporate income tax

Scope and extent

Resident taxpayers have unlimited tax liability and are therefore liable to corporate income tax (*Daň z príjmov právnickej osoby*) on their worldwide income.

Non-resident taxpayers (companies and permanent establishments of foreign companies), who have limited tax liability, are taxed on income from sources within the Slovak Republic only.

A permanent establishment is any permanent place of business through which a non-resident conducts its business, and it can be any of the following types of presence:

- A branch
- A plant
- A representative office
- A factory or workshop
- A mine, quarry or other site of exploitation of natural resources or
- A construction site that exists for more than six months



The term 'permanent establishment' is a term used solely in the tax legislation in order to define a fixed place of taxable business within the territory of Slovakia. A permanent establishment can be either a branch that has to be registered in the Commercial Register or an unregistered unit that has no legal status, with connection to those stated above. A permanent establishment is considered to exist where:

- Services have been performed in the territory of the Slovak Republic for more than 183 days within a period of any 12 consecutive calendar months
- A person who acts on behalf of a foreign company and repeatedly enters into agreements on its behalf, under a power of attorney
- A fixed place through which the activities of the foreign entity are carried out in the Slovak Republic is available

Once a permanent establishment exists, it must be registered within 30 days of the date of its constitution.

The taxable period is a calendar year or financial year if different from the calendar year.

The tax base is, in general, the operating result determined pursuant to the Act on Accounting, as amended for tax purposes. For companies obliged to use IFRS, this will be profit or loss computed under IFRS, as amended for tax purposes by the method determined by the Slovakian Ministry of Finance (the so-called 'IFRS bridge').

In the case of non-residents who are neither obliged nor choose to keep double-entry books of account, the taxable base is the difference between income and expenses, or any other base agreed with the tax authorities.

Company residence

Companies are considered to be resident in the Slovak Republic if their legal seat or place of effective management is situated in Slovakia. The place of effective management is regarded as the place where the management and business decisions of the executive and supervisory bodies of the company are made, even if that place is not registered as such.

Taxable entities

Corporate income tax is payable by legal entities. In addition to joint-stock companies and limited-liability companies, limited partnerships and cooperatives are considered to have a separate legal personality from that of their members and are hence liable to corporate income tax. For ease of reference, these entities will be referred to as 'companies' in the rest of this Chapter.

In the case of a general partnership, the income is taxed at partner level, not at the level of the partnership and in the case of a limited partnership, the income of the general partner is taxed at partner level, while the remaining income relating to limited partners is taxed at the level of the partnership.

Taxable income

All companies must prepare their accounts on an accruals basis for tax purposes.

The profit (or loss) of the current accounting period will be increased by non-deductible items and reduced by deductible items, resulting in the tax base.

There are no special inflation adjustments required for corporate income tax.

Capital gains

There is no separate taxation of capital gains, but both the disposal and acquisition of most types of asset are recognised for tax purposes, so that disposal proceeds are taxable and acquisition costs deductible. However, losses arising from the disposal of land are not recognised and there are restrictions on the deductibility of losses arising from the sale of securities.

There is no inflation adjustment in computing capital gains.

Capital gains may be generated by the sale or other form of alienation for consideration of:

- Immovable property used as fixed assets (in the case of residents) or all immovable property (in the case of non-residents)
- Movable property
- Stocks, options, shares, securities and certain bonds.

Deductions

The general rule is that expenditure is deductible if it is demonstrably incurred in order to achieve, secure or maintain taxable income. Deductible expenditure must therefore be recorded in the taxpayer's books of account and supported by documentary evidence.

The Income Tax Act contains a list of specific categories of deductible expenditure and those which are not tax-deductible.

Depreciation

Tax depreciation is applicable on long-term tangible and intangible assets. In order to be depreciable, tangible assets must have an acquisition cost of more than EUR 1700 and a useful life of over one year. Depreciation may also be applied to assets with a useful life shorter than one year and an acquisition cost of less than EUR 1700, provided that this policy is stated in internal guidelines.

Depreciation may be calculated according to the straight-line method or the accelerated method.

Tangible assets are classified in one of six depreciation groups (reclassified from the previous four, with effect from 1 January 2015) with straight-line depreciation periods and hence rates as listed in Table 10. Depreciation in the first year must be pro-rated in line with the number of months during which the asset is in operation (i.e. with a calendar-year end, an asset acquired in December will qualify for one-twelfth of a full year's depreciation).

Table 10 – Depreciation rates

Class	Description	Depreciation rate
1	Passenger cars, vans, computers, telecoms equipment, hand tools	25.00%
2	Furniture, heavy commercial vehicles, tractors, cranes, aircraft	16.67%
3	Furnaces, turbines, gas generators	12.50%
4	Prefabricated-concrete buildings, air-conditioning equipment, engines, boats and trains	8.33%
5	Buildings, constructions	5.00%
6	Administrative buildings	2.50%

Under accelerated depreciation, which is now available for categories 2 and 3 only, the first year's depreciation is calculated as for ordinary straight-line depreciation. In the second and subsequent years, the following method is applied. In Year 2, the written-down value is first multiplied by two, then divided by the coefficient shown in Table 11, from which the number of years for which the asset has already been depreciated is first subtracted.

Table 11 – Accelerated-depreciation coefficients

Depreciation class	Coefficient for subsequent years' accelerated depreciation
2	7
3	9



Example

An asset in Class 2 is acquired in October by a company with a calendar-year end. The acquisition cost is EUR 66 000. The company opts for accelerated depreciation.

Year 1	Acquisition cost: 66 000 Annual depreciation rate: 16.67% Full year's depreciation: 11 000 Pro-rated for 3 months: 2 750	2 750
Year 2	WDV = 66 000 – 2 750 = 63 250 WDV x 2 = 126 500 Coefficient = 7 -1 = 6 Depreciation: 126 500 / 6 =	21 083
Year 3	WDV = 63 250 – 21 083 = 42 167 WDV x 2 = 84 334 Coefficient = 7 -2 = 5 Depreciation: 84 334 / 5 =	16 867
Year 4	WDV = 42 167 – 16 867 = 25 300 WDV x 2 = 50 600 Coefficient = 7 -3 = 4 Depreciation: 50 600 / 4 =	12 650
Year 5	WDV = 25 300 – 12 650 = 12 650 WDV x 2 = 25 300 Coefficient = 7 - 4 = 3 Depreciation: 12 650 / 3 =	4 217
Year 6	WDV = 12 650 – 4 217 = 8 433 WDV x 2 = 16 866 Coefficient = 7 - 5 = 2 Depreciation: 8 433 / 2 =	4 217
Year 7	WDV = 8 433 – 4 217 = 4 216 WDV x 2 = 8 432 Coefficient = 7 - 6 = 1 Depreciation: 4 216 / 1 =	4 216
Total depreciation		66 000

In general, intangible assets must have an acquisition cost of more than EUR 2400 and a useful life of over one year.

Tax depreciation for intangible assets follows accounting depreciation up to a maximum entry price. Goodwill may be depreciated for tax purposes for a maximum of seven years.

Non-depreciable assets include:

- Land
- Cultivation areas of perennial crops with a production period longer than three years, which have not yet reached the end of the production period
- Protective dams
- Works of art, which are not part of constructions and buildings
- Movable national cultural monuments
- Surface and underground waters, forests, caves, measurement marks, signals and other equipment of selected geodetic spots and printing materials of the state map works
- Museum and gallery exhibits and other objects of value

Non-deductible and partially deductible expenses

Key expenses that are non-deductible include:

- Non-documented expenses
- Gifts
- Interest charged on late payment
- Fines and penalties
- Profit shares paid including profit shares paid to members of a statutory authority or other members of a legal entity
- Costs for personal consumption of the taxpayer
- Creation of a reserve fund
- Expenses not related to the core business of the taxpayer
- Shortages and damage caused to taxpayers
- Provisions for redundancy pay due to employees on the basis of retirement or termination of employment on other grounds

Key expenses that are partially deductible include:

- Bad-debt provisions, write-offs of debtors and general provisions. Individual provisions for bad debts are tax-deductible to the extent of 20% if at least 360 days have expired from the due date, and direct write-offs are tax-deductible if evidence can be adduced that legal action has been initiated, that the debtor is undergoing bankruptcy or liquidation or where the debt remains unsettled even after the issue of a court order, or where the debtor is undergoing restructuring
- Entertainment expenses are tax-deductible up to EUR 17 per item
- Membership fees paid to associations are tax-deductible up to a ceiling, which is the smaller of 5% of pre-tax profits and EUR 30 000, except when they are prescribed by law, in which case they are fully deductible

Dividends, interest and royalties

Dividends and other profit-shares paid from profits generated after 31 December 2016 to resident or non-resident companies are free of withholding tax, unless the recipients are resident in a 'non-contracting state', in which case there is a withholding tax of 35%.

Dividends paid out of profits generated between 1 January 2004 and 31 December 2016 to both resident and non-resident shareholders are free of withholding tax.

Dividends paid out of profits generated before 1 January 2004 are subject to withholding tax of 19%, subject to any contrary provisions of a double tax treaty or of the Parent-Subsidiary Directive, but withholding tax of 35% is imposed if the recipient is located in a non-contracting state. A 'non-contracting state' is a jurisdiction that has neither a double tax treaty nor an information-exchange agreement with Slovakia. Interest and royalties paid to non-residents are subject to 19% withholding tax, unless applicable treaties or the EU Interest and Royalties Directive provide otherwise. Where the non-resident is located in a non-contracting state, the withholding rate is 35% on interest and royalties.

Royalties are not subject to withholding tax when paid to Slovakian companies. Interest and royalties received by companies are liable to corporate income tax.

Group taxation

Slovakian law does not allow for the formation of tax groups. However, grouping is possible for VAT purposes (see under 'Value added tax' below).

Losses

Losses incurred from 1 January 2014 may be carried forward for four years following the year in which the loss is incurred. No more than 25% of the loss may be utilised in any one year.

As a transitional provision, any unrelieved losses incurred in the years 2010 to 2013 could be set off evenly (i.e. up to a maximum of 25% of the aggregate unrelieved loss as at 1 January 2014) over the next four years, i.e. 2014 to 2017.

There is no carry-back of losses.

Withholding taxes

Table 12 shows the rate of withholding tax on payments to domestic and foreign corporate entities.

Table 12 – Rates of withholding tax

Type of payment	Domestic corporate recipient (%)	Non-resident corporate recipient (%)
Dividends	0	0 ¹ /19/ ³ 35 ²
Interest	19	0/19/35 ^{1,2}
Royalties	0	0/19/35 ^{1,2}
Rents, management fees etc	0	19/35 ²

Notes

- 1 The zero rate applies where the conditions for the application of the EU Interest and Royalties Directive are met (see below)
- 2 The 35% rate applies to dividends out of profits generated after 31 December 2016 or before 1 January 2004 where the corporate recipient is located in a jurisdiction that does not have either a tax treaty or an information-exchange agreement with Slovakia
- 3 The 19% rate applies to dividends from profits generated before 1 January 2004 and paid to corporate recipients not located in a non-contracting state
- 4 The zero rate applies to dividends qualifying under the EU Parent-Subsidiary Directive, dividends from profits generated after 31 December 2003 and before 1 January 2017 and to dividends from profits generated after 31 December 2016 where not paid to corporate recipients located in a non-contracting state

These rates may be reduced or eliminated under the terms of a double tax treaty. Although in most cases the withholding tax is final, companies resident in other EEA states may treat the tax withheld as an advance payment when filing a tax return.

As applied by Slovakian law, the exemption of interest and royalties under the EU Interest and Royalties Directive (2003/49/EC) applies where the recipient is an associated company resident in another EU Member State. A company is associated with another company where one has directly held at least 25% of the share capital of the other for a minimum period of twenty-four months or where the same person has directly held at least 25% of the share capital of both companies for the same period.

Thin capitalisation

The general rule is that there is no restriction on the deduction of interest as long as it is payable on loans taken out for the purposes of the business.

However, as of 1 January 2015, interest payable to related parties is deductible only to the extent that it does not exceed 25% of EBITDA (earnings before deduction of interest, taxes, depreciation and amortisation).

Transfer pricing

The Income Tax Act contains transfer-pricing rules largely based on OECD principles. The rules for drafting and keeping the required documentation on transfer pricing are issued by the Ministry of Finance by means of secondary legislation.

The rules are applied between Slovakian legal persons and their resident and non-resident 'related' parties (natural or legal persons). A party is related if it is a close relative or an economically or closely connected person (this relationship is deemed to exist if companies created business relationships exclusively for the purpose of decreasing their tax base).

For the purposes of corporate income tax, prices between dependent (or related) persons must be set at market (arm's length) value. If the price agreed with a foreign related party differs from the usual price applied between independent enterprises in comparable circumstances and if such a difference would otherwise decrease the tax base of the Slovakian taxpayer, then the tax base must be adjusted by this difference.

Transfer-pricing documentation must be submitted to the tax authorities within 15 days of their request; otherwise the tax authorities may impose penalties on the taxpayer.

The process of filing an application for approval of the valuation method by the taxpayer (advance pricing agreement) is subject to a payment of:

- EUR 10,000 for unilateral approval of the valuation method by the Slovakian tax authorities or
- EUR 30,000 for bilateral approval of the valuation method based on the respective double taxation agreement by the tax administrators of both contracting states.

As from 1 January 2017, resident counterparties no longer need the approval of the tax authorities for making a corresponding adjustment in response to a transfer pricing adjustment imposed on the other party. Approval is still required if the party on whom the original adjustment was imposed is non-resident and the adjustment was imposed by foreign tax authorities.

Also from 1 January 2017, double the normal penalty applies where the party on which the transfer pricing adjustment is imposed is considered to have had no economic justification for pricing the transaction as it did but acted with the intention of avoiding or reducing its liability. The offending party may avoid the doubled penalty if it does not lodge an appeal against the original decision and pays the additional tax difference within the permitted period.

Country-by-country reporting (CbC)

As part of BEPS Action 13 to re-examine transfer pricing documentation, the Slovak Republic has committed itself to impose a country-by-country (CbC) reporting requirement on the ultimate parent entity of large multinational groups with a consolidated annual turnover above EUR 750 million. These multinationals will annually report information to the relevant tax authority in their state of residence. The tax authorities in that state will then automatically exchange this information on the global allocation of income, profits, capital, employees and property, and also information about taxes paid. These CbC reporting rules are intended to enable tax authorities in these states to more easily detect any discrepancies in the multinationals' transfer pricing as well as any related tax evasion.

As regards Slovakia, ultimate parent entities resident in Slovakia are required to file their first CbC report in relation to financial years starting after 31 December 2016, no later than 31 December 2017.

Controlled foreign company (CFC) rules

Slovakia does not have any CFC (controlled foreign company) legislation.

Other significant anti-avoidance rules

There is no general anti-avoidance rule, but the substance-over-form rule prevails, so the authorities and the courts will always look at the reality behind a transaction or relationship.

Tax incentives

The recipients of investment aid for the acquisition of fixed assets (see Chapter 3, under 'Investment incentives') are eligible for exemption for up to 10 years on the appropriate proportion of their corporate tax liability.

Taxation of foreign operations

There is no general different rate of tax for offshore companies.

Rates of tax

The rate of corporate income tax for financial years beginning after 31 December 2016 is 21% (22% for previous periods).

Tax returns and payment

Companies must file returns no later than the end of the third month following the end of the taxable period, although the deadline may be extended for a further three months on application. In general, the deadline is 31 March (three months after the end of the taxable period, which is usually the calendar year), but can be prolonged to six months after the end of the taxable period. The company's financial statements must accompany the return. Whereas certain categories of company must file their returns electronically, paper filing is still permissible for others.

Taxpayers must self-assess the tax payable, which falls due on the last filing date. However, instalment payments must have been made by all companies except those whose liability to corporate tax in their previous taxable period was no greater than EUR 2500.

The frequency of instalment payments varies. Companies whose tax liability in the previous period exceeded EUR 2500 but did not exceed EUR 16 600 must make four instalment payments, each equal to 25% of the previous period's final liability and due at the end of each calendar quarter (i.e. 31 March, 30 June, 30 September and 31 December). Companies whose tax liability in the previous period exceeded EUR 16 600 must make monthly payments, each equal to one-twelfth of the previous period's final liability, due by the end of each calendar month.

The tax authorities may impose a penalty of between EUR 30 and EUR 16 000 for failure to file a tax return.

Appeals

Usually, taxpayers may appeal against the decision of the tax authority in writing or orally within 15 days of the issue of an official decision.

Value added tax

Value added tax (VAT), as regulated by the European Union, is generally charged on the supply of goods or services where the place of supply is in the Slovak Republic, no matter whether the customer is a private person or a business. It is thus a multi-stage tax charged at each stage of the product cycle but is ultimately borne by the end-user (final consumer). It is also levied on imports of goods from outside the European Union. The overall framework of the tax is the competence of the European Union, as legislated in the VAT Directive (2006/112/EC, as amended), and associated Directives and Regulations. These allow Member States several options in application of the tax, not the least of which is the power to set rates (within certain broad parameters).

As elsewhere in the European Union, supplies may be taxable, exempt (with or without the right to deduct input VAT) or outside the scope. Exempt supplies with the right to deduct input VAT are sometimes referred to as 'zero-rated'. Businesses making exclusively taxable or zero-rated supplies generally qualify for full deduction of input VAT (the VAT they have incurred making supplies). Businesses making exclusively exempt supplies without the right to deduct do not qualify for deduction of input VAT. Businesses making a mixture of exempt supplies without the right to deduct and taxable or zero-rated supplies may fully deduct only the input VAT directly incurred on making the taxable or zero-rated supplies. Partial deduction will be available for overheads and other indirect costs.

Taxable entities

All businesses and other persons independently carrying on an economic activity regardless of the result of this activity are subject to VAT in the Slovak Republic, i.e. they generally have to charge VAT on their supplies of goods or services where the supply takes place in the Slovak Republic, or on import.

Taxable activities

Taxable activities are:

- The supply (delivery) of goods or the supply (provision) of services in Slovakia carried out for consideration by a taxable person in the course of carrying out business activities
- Acquisition of goods for consideration in Slovakia from another EU Member State
- The importation of goods into Slovakia

A supply of goods takes place when title to the goods passes or any other transfer takes place which enables the recipient to dispose of the goods as their owner. A supply of services is any taxable activity that is not a supply or importation of goods.

The place of supply of goods is generally where the ownership of the goods is transferred. In case of a dispatch involving physical transportation of the goods, the place of supply is where the dispatch begins. Special rules apply for chain transactions and cross-border supplies.

A supply to taxable person is considered to take place where:

- For a supply of goods generally involving physical transportation of the goods – where the goods are located at the moment when delivery begins
- For water, electricity, gas and thermal energy supplied to a taxable person – the taxable person's registered office
- For goods installed by the deliverer – the place of installation
- For services related to immovable property – the place where the immovable property is located
- For transport services – the actual place of transport
- For services related to culture, art, science, education etc – the place where the service is provided
- Renting and leasing of movable goods, transfer of intellectual rights, services of lawyers, auditors, advisors, data processing etc. – the place where the customer has his registered office

There are exceptions similar to those listed in the EU VAT Directive.

The place of supply of services to private persons is generally the place where the supplier is located. As of 1 January 2015, however, telecommunications services, electronic services and radio and television broadcasting services are supplied at the place where the private customer is located. However, the provider of the services is eligible to use the Mini One Stop Shop (MOSS) system to register in one state of identification only, where this person will be obliged to pay VAT from all supplies of telecommunications or electronic services within the European Union.

Exceptions have to be considered for special services where the private person is located outside the European Union.

Exempt supplies

As elsewhere in the European Union, supplies may be taxable, exempt (with or without the right to deduct input VAT) or outside the scope.

Exempt supplies with the right to deduct input VAT are sometimes referred to as 'zero-rated'. Businesses making exclusively taxable or zero-rated supplies generally qualify for full deduction of input VAT (the VAT they have incurred making supplies). Businesses making exclusively exempt supplies without the right to deduct do not qualify for deduction of input VAT. Businesses making a mixture of exempt supplies without the right to deduct and taxable or zero-rated supplies may fully deduct only the input VAT directly incurred on making the taxable or zero-rated supplies. Partial deduction will be available for overheads and other indirect costs.

The main exempt goods and services with the right to deduct input VAT are:

- A supply of goods dispatched or transported from Slovakia to another Member State if the customer has a VAT registration number in another Member State
- A supply of a new means of transport which is dispatched or transported out of Slovakia to another Member State
- A supply of goods subject to excise duty dispatched or transported out of Slovakia to another Member State
- A transfer of goods from Slovakia to another Member State to a taxable person for the purposes of his business, if such supply of goods to another person would have been exempt within Slovakia
- The export of goods and transport and other services in direct relation to the export, transit or temporary importation of goods

The main exempt goods and services without the right to deduct input VAT are:

- Postal services
- Health care
- Social work
- Educational services
- Services provided to members (of a political party or a religious denomination)
- Sports services
- Cultural services
- Supply and rent of buildings
- Financial activities
- Insurance services

Rates of tax

The standard rate of VAT is 20%.

The standard VAT rate is charged on all taxable supplies that are neither exempt nor taxable at the reduced rate.



There is a reduced rate of 10%, which applies, inter alia, to certain pharmaceuticals and certain books and periodicals. As of 1 January 2016, it also applies to certain types of food such as milk, meat, fish and bread.

Registration

Every taxable person with a residence, business or operation in Slovakia has the duty to register for VAT purposes if he has realised a turnover of EUR 49 790 or more in the last 12 consecutive months. Foreign taxable persons without a fixed establishment in Slovakia are obliged to register for VAT purposes before making a supply that is subject to tax in Slovakia.

The registration threshold for distance sales from abroad to private consumers in Slovakia is EUR 35 000. The registration threshold for intra-EU acquisitions by a non-taxable person is EUR 14 000.

VAT grouping

VAT grouping is permitted in the Slovak Republic. Entities that have their registered office, place of business or fixed establishment in Slovakia and that are financially, economically and organisationally connected may apply to constitute a VAT group, supplies between members of which are outside the scope of VAT.

Returns and payment

The normal taxable period is the calendar month. Taxable persons whose turnover has not exceeded EUR 100 000 in the previous 12 months may apply for a quarterly period.

VAT returns should be submitted within 25 days of the end of the taxable period. The VAT is due at the same statutory deadline. All returns must be filed electronically.

Tax returns must be accompanied by the so-called Control Statement. This is essentially a list of all invoices received and issued and a statement of cash receipts for the return period which are reflected in the tax return.

If input tax exceeds output tax (i.e. there is a balance in favour of the taxable person) he is entitled to a refund of the difference. This can take form of an actual cash refund, or can be treated as a VAT prepayment to be carried forward against the next period's VAT liability.

Foreign taxable persons who are not registered or who are not required to be registered for VAT in Slovakia because of their business activities and who are established and registered for VAT in another EU Member State, may claim a refund of Slovakian VAT invoiced to them by a Slovakian supplier, according to the conditions set out in Council Directive 2008/9/EC (now incorporated in the VAT Directive 2006/112/EC).

Foreign taxable persons established outside the European Union may reclaim Slovakian VAT in line with rules set out by the 13th Council Directive, 86/560/EEC.

The various requirements and conditions are illustrated in Table 13.

Table 13 – Requirements for VAT refunds to non-established persons

Taxable person established in	Deadline for application	Application format	Minimum amount (EUR)	Refund period
Another EU Member State	30 September	Electronic	50/400	3 months, max 12 months
Outside the EU	30 June	Paper	50	6 months

7. Personal taxation

Income tax

Territoriality and residence

Personal income tax (*daň z príjmov fyzickej osoby*) is charged on individuals. Individuals who are resident in the Slovak Republic for tax purposes are liable to income tax on their worldwide income, whereas non-residents are liable in respect of income from specified Slovakian sources only.

An individual is considered to be resident if his or her permanent residence or habitual abode is in the Slovak Republic. Any individual who spends 183 days or more on the territory of the Slovak Republic in any calendar year is considered to have a habitual abode there in that year, with exceptions for students, persons undergoing medical treatment, and frontier workers.

Persons liable

Personal income tax is payable by individuals. Individual members of general partnerships and individuals who are general partners in a limited partnership are liable to income tax on their share of the partnership's profits.

Taxable period

The taxable period is the calendar year.

Structure of income tax

- Taxable income falls under one of four categories:
- Income from dependent services (employment income)
- Income from business or independent services; rental income; royalty income from copyrights etc.
- Income from invested capital (dividends, interest etc.)
- Capital gains

Net income from each category is computed separately and then aggregated to produce overall taxable income.

Exempt income and capital gains include:

- Scholarships, except graduate scholarships
- Most social and health security benefits
- State retirement pensions (except where arising from a voluntary pension plan)
- The first EUR 500 of occasional rental income
- Some capital gains from sale of assets held for at least five years (see under 'Capital gains' below)

The family unit

Each individual is treated as a separate taxpayer. There is no aggregate or joint taxation of married couples or of families.

Taxation of employment income

Income taxable under this head includes income in cash or in kind from present or past employment, including overtime bonuses, holiday pay, benefits-in-kind and payment in kind, remuneration paid to a limited partner in a limited partnership, director's fees and liquidator's fees.

Benefits-in-kind

Taxable benefits-in-kind include the private use of company cars and other assets, beneficial loans, meals and meal vouchers and shares. Benefits-in-kind provided to employees are generally valued at their market value for tax purposes. In the case of cars, the charge is spread over eight years, at 1% of the purchase price for each month of use during the first year, and at 1% of the purchase price reduced by 12.5% in each year for each month after the first year.

Exempt benefits include reimbursement of the employee's business-related travel expenses, food and drink (excluding alcohol) provided at the workplace, and certain recreational and leisure facilities provided for employees and their families.

Deductions and allowances

Deductions may be claimed in respect of daily allowances for business travel (up to a fixed amount).

Salary tax

Employers must deduct an employee's social security and health contributions and income tax on account (after deduction of allowances, if any) at one of the two rates of income tax – 19% or 25% (see 'Rates of tax' below) – as appropriate from monthly remuneration.

Taxation of personal business income

- Income from business or independent personal services can come in one of various ways:
- Income from a sole tradership
- Income from a profession
- Rental income from immovable property
- Income of experts and interpreters
- Income of intermediaries
- Income from agriculture, silviculture or management of water resources (unless purely occasional) and
- A general partner's share of partnership profits

A taxpayer may deduct expenditure applied to generate, assure and maintain income. Taxpayers may opt to deduct:

- A lump sum of 60% of total income up to a maximum amount of EUR 20 000 per year (for taxpayers not registered for VAT)
- Actually incurred expenditure subject to retention of proper records
- Actually incurred expenditure based on data from single-entry bookkeeping or double-entry bookkeeping. In double-entry bookkeeping, taxpayers may generally make the same deductions as apply for corporate income tax.

In either case, social and health insurance contributions are deductible.

Losses

Losses incurred in a business may be carried forward on the same principle applicable to companies. It follows that losses incurred from 1 January 2014 may be carried forward for four years following the year in which the loss is incurred, subject to the proviso that no more than 25% of the loss may be utilised in any one year. Unrelieved losses incurred in the years 2010 to 2013 may be set off evenly (i.e. up to a maximum of 25% of the aggregate unrelieved loss as at 1 January 2014) over the next four years. Losses incurred in 2009 may be carried forward for a maximum of five years, so that 2014 was the last year in which any residual balance of these losses might have been utilised. There is no carry-back of losses.

The taxation of investment income

Dividends

Taxation of dividends received by natural persons is subject to different rates of tax, according to the provenance of the profits out of which they are declared and paid:

- 1) *Dividends paid from profits generated before 1 January 2004* – when paid after 31 December 2016, these dividends are subject to final withholding tax of 7%; previously, they were included in the individual's total income and taxed at progressive rates
- 2) *Dividends paid from profits generated from 1 January 2004 to 31 December 2016* – these dividends continue to be exempt from income tax but remain subject to health contributions
- 3) *Dividends paid from profits generated after 31 December 2016* – these are subject to final withholding tax at the rate of 7% and are exempt from health contributions

Dividends received by individuals from companies located in non-contracting states are subject to a special final withholding tax at a rate of 35%.

Interest

Interest on bank current accounts is generally subject to a final withholding tax of 19% and is not included in the aggregated taxable base subject to the progressive two-rate income tax (see under 'Rates of income tax' below).

Royalties

Unless the underlying intellectual property was acquired by inheritance, royalties are taxable as income from a business. Royalties on inherited copyrights etc. are taxable as miscellaneous (other) income.

Rental income

Income from the letting of immovable property and associated fixtures is taxable as income from a business on the net amount after reduction by deductible expenses, but the first EUR 500 is exempt.

The taxation of capital gains

Business assets

Capital gains from the alienation of business assets are taxable as income from a business.

Personal assets

Capital gains from the alienation of movable property are exempt, unless the asset had been a business asset within five years of its disposal. Shares and securities are subject to special rules.

Capital gains from the alienation of immovable property are taxable, unless either the property has been in the taxpayer's ownership (or that of a direct descendant or forebear) for more than five years or it is an apartment acquired before 1 January 2011 and has been the taxpayer's permanent residence for at least two years.

Capital gains from the sale of shares or securities are exempt to the extent of EUR 500 over the tax year; any excess is taxable. However, any taxable rental income or income from occasional activity counts towards the exemption limit.

Capital gains are taxed on the net amount, after deduction of the respective expenses.

Capital losses are not taken into account. In general, capital losses deductible only from capital gains.

The taxation of other income

Income taxable under this head includes:

- Income from occasional activities
- Occasional income from agriculture, silviculture or the management of water resources
- Lottery winnings and gaming prizes to the extent they exceed EUR 350 (winnings from state-approved lotteries and from abroad are exempt)
- Pensions from voluntary pension plans
- Royalties on inherited copyrights etc.
- Certain capital gains (see under 'The taxation of capital gains' above)

Lottery winnings etc., to the extent that they are taxable, are subject to withholding tax at 19%. Where withholding tax is not in point, taxpayers may deduct expenses associated with the derivation of this income in order to determine the extent of taxable income.

Withholding taxes

Withholding tax is charged on payments to resident and non-resident individuals at the rates shown in Table 14.

Table 14 – Rates of withholding tax on payments to individuals

Nature of income payment	Withholding tax rate (%)	
	Resident recipients	Non-resident recipients
Dividends	0 ⁴ /7	7/35 ¹
Interest	19	19 ² /35
Royalties	n/a ³	n/a ³
Rental income	n/a	n/a

Notes

1 The 35% rate applies where the income recipient is located in a jurisdiction that does not have either a tax treaty or an information-exchange agreement with Slovakia ('a non-contracting state')

2 This rate may be reduced on the basis of a double tax treaty with contracting state.

3 Withholding tax is, however, charged at 19% on certain categories of royalty (see under 'The taxation of Investment income' above)

4 Dividends paid out of profits generated in the years 2004 to 2016 are exempt from income tax

Allowances and deductions

Deductions

There are only a limited number of deductions available for personal expenses, notably:

- Social security contributions
- Voluntary pension contributions to a 'second-pillar' pension

Personal allowances

For the tax year 2017, a taxpayer in receipt of employment income and/or income from a business may claim a personal allowance as shown in Table 15.

Table 15 – Personal allowance

Taxable income from employment and/or business (EUR)	Amount of allowance (EUR)
19 809 or less	3803.33
More than 19 809	8755.58 – (0.25 x I _b) ¹

Note

I_b is the taxpayer's taxable income from employment and/or business

1 If difference is lower than nil amount of allowance equals nil

There is also a dependent-spouse allowance. A spouse is regarded as a dependant if he or she either has no taxable income or taxable income (after deducting social security contributions) not exceeding EUR 3803.33 (2017 value) and answers to at least one of the following descriptions:

- The spouse is caring for a child not older than three (six in the case of a disabled child)
- The spouse is registered unemployed or is in receipt of an attendance allowance
- The spouse is disabled

The spouse has to live with the taxpayer in the same household.

The amount of this allowance is also income-dependent, as shown in Table 16.

Table 16 – Dependent-spouse allowance

Taxpayer's taxable income from employment and/or business (EUR)	Amount of allowance (EUR)
35 022.31 or less	$3803.33 - I_s$
More than 35 022.31	$12\,588.90 - (I_s + 0.25 \times I_b)$

Note

I_b is the taxpayer's taxable income from employment and/or business and

I_s is the spouse's taxable income

Child tax credit

Where the taxpayer's income from employment and/or business exceeds EUR 2610 (2017 value), the taxpayer may claim a child tax credit in respect of each dependent child. The amount of the credit is EUR 217.50 per annum.

Rates of tax

Income tax is charged at one of two rates, in accordance with Table 17.

Table 17 – Rates of income tax

Taxable income (EUR)	Rate of tax (%)
First 35 022.31	19
Balance over 35 022.31	25

A final withholding tax of 19% is charged on various types of income, but principally interest on bank deposits.

Returns and payment

All taxpayers must file a tax return, unless their taxable income is no more than 50% of the personal allowance (i.e. no more than EUR 1901.67 in 2017). The return is in paper format and the due date is 31 March. An extension for three or six months after the end of the taxable period may be negotiated. Extension for six months from the end of the taxable period is possible only if the taxpayer has foreign income. Except in the case of employees whose sole source of income is income from employment and/or income subject to final withholding tax, the return should be accompanied by a self-assessment.

Any balance of tax payable, after deducting any taxes paid on account, is due with the return.

Payments on account

Taxpayers who derive income from a business must make advance payments on account, unless their tax liability in the previous tax year did not exceed EUR 2500 or more than 50% of their taxable income consisted of income from employment.

The frequency and amount of advance payments on account depend on the taxpayer's liability to income tax in the previous tax year, and are given in Table 18.

Table 18 – Payments on account of income tax

Previous year's tax liability (EUR)	Amount of payment on account	Frequency of payment
No more than 2500	0	n/a
More than 2500 but no more than 16 600	25% of previous year's liability	Quarterly
More than 16 600	1/12 of previous year's liability	Monthly

Penalties for failure to file returns or errors in returns may be levied by the tax authorities in an amount between EUR 30 and EUR 16 000.

Appeals

See Chapter 6.

Inheritance and gift taxes

There is no inheritance tax or gift tax in Slovakia.

Wealth tax

There is no wealth tax in Slovakia.



8. Other taxes

Local land taxes (property tax)

Property tax is payable in Slovakia by all legal and natural persons who own or have rights over immovable property located in Slovakia.

There are a number of local taxes on buildings and land, the incidence and rate of which are explained in Table 19.

Table 19 – Local property taxes

Property taxes	Taxpayer	Taxable object	Tax base	Tax rate
Land tax	Owner of land or administrator of land in state ownership.	Land in Slovakia	Area of land x value per m ²	0.25% per annum
Property tax on buildings	Owner of buildings or administrator of buildings in state ownership.	Buildings in Slovakia	Area of footprint of building in m ²	0.033 EUR per annum for every m ² of footprint
Tax on apartments and non-residential areas in a residential building	Owner of apartment/non-residential area or administrator of apartment/non-residential area in state ownership	Apartments and non-residential areas	Size of floor area in m ²	0.033 EUR per annum for every m ² of floor area

Property transfer tax

There is no property transfer tax in Slovakia.

Excise duties

In the Slovak Republic, excise duties are charged on:

- Alcoholic beverages
- Tobacco products
- Mineral oils and gas
- Electricity
- Coal and natural gas used to generate electricity

Customs duties

Goods imported into Slovakia from outside the European Union are subject to a customs procedure. Goods exported from the European Union must be considered carefully within an export customs procedure. The declarant is a person responsible for the payment of a customs debt, and also for submitting a customs declaration on his own behalf or on the behalf of a person submitting the customs declaration. In addition to import or export duty payments, other payments payable for the export and import of goods are import VAT, consumer taxes and charges set by the Common Agricultural Policy. Tax offices require the declarants to provide customs security to cover possible customs debts that could arise. Customs security can be paid in cash or by the assurance of a guarantor. For the purposes of communication with customs offices, each person must be identified by an EORI (Economic Operator Registration and Identification Number), which is allocated by the Customs Administration on application.

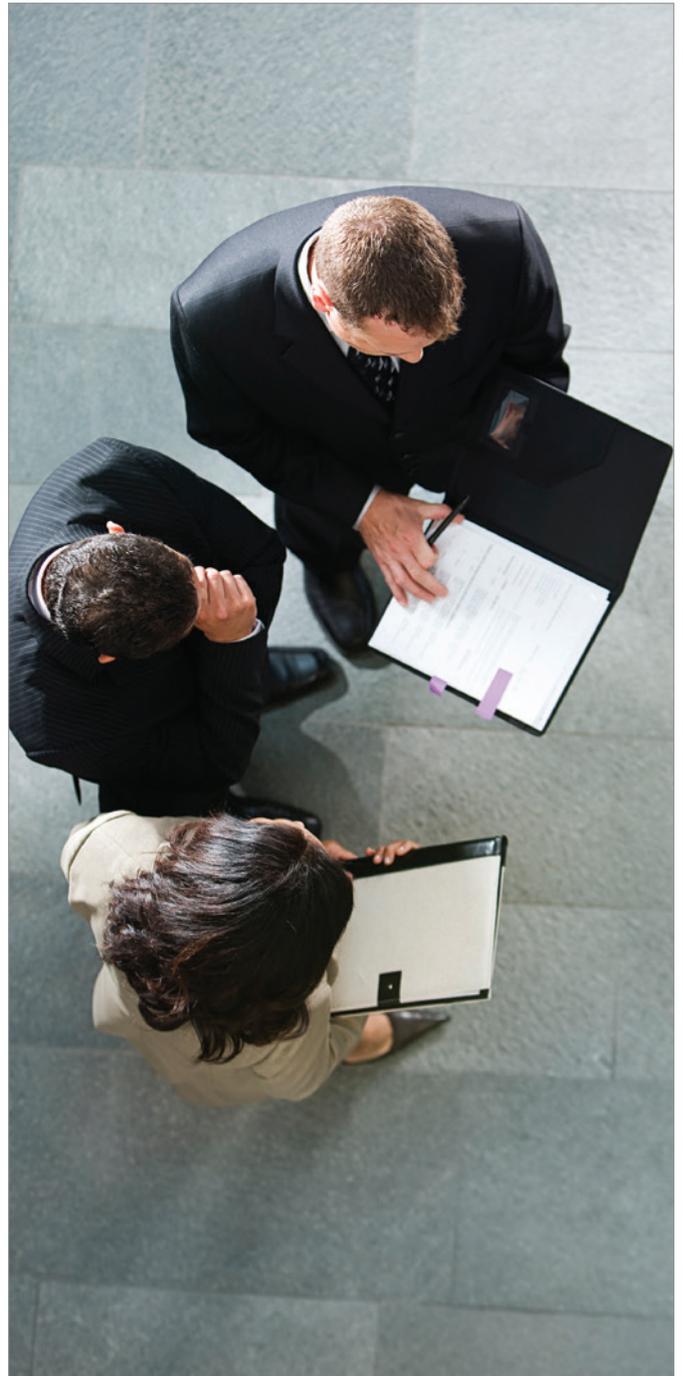
EORI registration is obligatory for the customs procedure. The customs procedure on export is effected on the basis of the electronic exchange of information. The customs procedure on import is partially electronic in the Slovak Republic.

Motor-vehicle tax

With effect from 1 January 2015, a motor-vehicle tax is charged on all vehicles that are registered in the Slovak Republic and are used for business purposes. Where an employer reimburses and employee for using the employee's own car on the employer's business, the employee's private car is regarded as having been used for business purposes.

Three charge tariffs operate:

- Conventionally powered passenger cars: based on the cylinder capacity of the car in cm^3
- Electric vehicles: based on engine power in kW
- Other vehicles: based on axle number and weight in tonnes



9. Social security contributions

Employers and employees

Social security contributions are payable by employers and employees. Social security contributions are payable in the Slovak Republic to a number of distinct funds, to some of which employees are not required to contribute.

Contributions are payable on an employee's gross earnings, as reduced in some cases by specific benefits-in-kind. Most funds impose a ceiling remuneration, on amounts on excess of which no further contributions are payable.

It is important to note that health contributions are payable on gross taxable income (including investment income) and are not limited to those in receipt of earnings. Also with effect from 1 January 2017, there is no longer a ceiling on the amount of income liable to health contributions (except in relation to dividends paid out of pre-2017 profits: see below).

Table 20 shows employer and employee contribution rates applicable for the tax year 2017.

Table 20 – Social security contributions for employers and employees

Nature of fund	Ceiling remuneration (EUR)	Employer rate (%)	Employee rate (%)	Total (%)
Pension fund	74 172	14.00	4.00	18.00
Health fund	abolished from 2017	10.00	4.00	14.00
Disability fund	74 172	3.00	3.00	6.00
Sick-leave fund	74 172	1.40	1.40	2.80
Unemployment fund	74 172	1.00	1.00	2.00
Accident insurance	No ceiling	0.80	0.00	0.80
Reserve fund	74 172	4.75	0.00	4.75
Guarantee fund	74 172	0.25	0.00	0.25
Total		35.20	13.40	48.60

Self-employed contributions

Self-employed taxpayers must pay contributions if their annual turnover exceeds EUR 5298 (2017 rates). The applicable ceiling is EUR 74 172 (6181 x 12) in 2017. The rates of contribution (generally, the combined employer and employee rates) are shown in Table 21.

Table 21 – Self-employed social security contributions

Nature of fund	Contribution rate (%)
Pension fund	18.00 ¹
Pension fund	13.75/4.25 ²
Health fund	14.00/7.00 ³ (without applicable ceiling)
Disability fund	6.00
Sick-leave fund	4.40
Reserve fund	4.75
Total	47.15

1 If pensioner is not of old-age pension saving

2 For old-age insurance 13.75% of the assessment base and for compulsory contributions to the old-age pension saving of 4.25% of the assessment base if he is a pensioner of old-age pension saving (from 2017 the rate of compulsory contributions to old-age pension saving increases by 0.25% Per annum up to 6%, proportionally, ie by 0.25% per annum, the percentage rate of the old-age insurance premium is reduced)

3 7% rate is for a person with disabilities to the extent of 41% or more

The self-employed may also make voluntary contributions, at the rate of 2.0%, to the unemployment fund.

With respect to health contributions, there is no ceiling, except in relation to dividends paid out pre-2017 profits, where there is no further liability on the excess of dividend income over EUR 51 480. Dividends paid out of profits generated after 31 December 2016 are exempt from health contributions.



10. Moore Stephens in the Slovak Republic

Moore Stephens is represented in Slovakia by BDR, spol. s r.o.

BDR is a Slovak auditing and consulting company registered in the Slovak Chamber of Auditors as one of the first audit firms in the country, under licence No SKAu No. 6. It was established in 1991.

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BDR also has an office in Banská Bystrica.

Appendix 1: Double tax treaties

Comprehensive double taxation treaties

The Slovak Republic has comprehensive double tax treaties with the following countries:

Australia	Indonesia	Portugal
Austria ³	Ireland	Romania
Belarus	Israel	Russia
Belgium	Italy	Serbia ²
Bosnia Herzegovina ¹	Japan	Singapore
Brazil	Kazakhstan	Slovenia
Bulgaria	Korea (South)	South Africa
Canada	Kuwait	Spain
China	Latvia	Sri Lanka
Croatia	Libya	Sweden
Cyprus	Lithuania	Switzerland ³
Czech Republic	Luxembourg ³	Syria
Denmark	Macedonia	Taiwan
Estonia	Malta	Tunisia
Finland	Mexico	Turkey
France	Moldova	Turkmenistan
Georgia	Mongolia	Ukraine
Germany ³	Montenegro ²	United Kingdom ³
Greece ³	Netherlands	United States
Hungary	Nigeria	Uzbekistan
Iceland	Norway	Vietnam
India	Poland	

Notes

¹ The treaty between the former Czechoslovak Socialist Republic and the former Socialist Federal Republic of Yugoslavia

² The treaty with the former Republic of Yugoslavia (Serbia and Montenegro)

³ The treaty concluded by the former Czechoslovak Socialist Republic

Slovakia has also signed treaties with Armenia and the United Arab Emirates, which come into force on 1 January 2018.

Double tax treaties: air transport and shipping

Slovakia is also a party to limited tax treaties on profits from air transport and shipping with the following countries:

Algeria (air) ¹	India (shipping) ¹
Egypt ¹	Iraq (air) ¹

Notes

¹ Treaty concluded by the former Czechoslovak Socialist Republic

Double tax treaties: estates, gifts and inheritances

Slovakia has no double tax treaties covering taxes on inheritances or gifts.

Treaties on administrative assistance

Within the European Union, mutual administrative assistance is governed by the Directives on administrative cooperation (2011/16/EU), together with its implementing Regulation (Regulation (EU) No 2378/2015), and the recovery of claims (2010/24/EC). As regards VAT, the same function is performed by Council Regulation (EU) No 904/2010.

Additionally, as a signatory to the OECD Multilateral Convention and Protocol on Mutual Administrative Assistance, Slovakia is also guaranteed assistance from, and guarantees assistance to, the following fellow signatories outside the European Union:

Albania	Costa Rica	Niue
Andorra	Colombia	St Kitts and Nevis
Anguilla	Curaçao	St Vincent and the Grenadines
Argentina	Faroe Islands	Samoa
Aruba	Ghana	San Marino
Azerbaijan	Gibraltar	Saudi Arabia
Barbados	Greenland	Senegal
Belize	Guernsey	Sint Maarten
Bermuda	Isle of Man	Senegal
BES Islands	Jersey	Seychelles
British Virgin Islands	Liechtenstein	Turks & Caicos Islands
Cameroon	Mauritius	Uganda
Cayman Islands	Nauru	Uruguay
Chile	New Zealand	

Social security agreements

The interaction of national social security systems within the European Economic Area is governed by EU Regulations (883/04/EC and 987/09/EU) which also extend, by agreement (and with some differences), to Switzerland. Slovakia has pre-existing bilateral agreements with some of these states. These have largely been superseded by the EU regulations, but may be applied where, occasionally, they give a more beneficial result. The following non-EEA countries have social security agreements with Slovakia, the terms of which differ from case to case.

Australia	Macedonia ²	Turkey
Belarus ¹	Moldova ¹	Turkmenistan ¹
Bosnia Herzegovina ²	Montenegro ²	Ukraine
Canada	Québec	United States
Israel	Russia ¹	
Korea	Serbia ²	

Notes

¹The treaty between the former Czechoslovak Socialist Republic and the former USSR

²The treaty concluded between the former Czechoslovak Socialist Republic and the former Socialist Federal Republic of Yugoslavia (Serbia and Montenegro)

Appendix 2: Moore Stephens around the world

Moore Stephens member firms may be found in 104 countries and territories around the world, with correspondent firms in another eight.

Albania	Dominican Republic	Liechtenstein*	Serbia
Argentina	Ecuador	Lithuania	Seychelles
Australia	Egypt	Luxembourg	Sierra Leone
Austria	El Salvador*	Macedonia	Singapore
Azerbaijan	Finland	Malaysia	Slovakia
Bahamas	France	Malta	South Africa
Bahrain	Germany	Mauritius	South Korea
Bangladesh	Gibraltar	Mexico	Spain
Belgium	Greece	Moldova	Sri Lanka*
Belize	Guernsey	Monaco	Suriname
Bermuda	Honduras	Mongolia*	Sweden
Bolivia	Hong Kong	Morocco	Switzerland
Brazil	Hungary	Netherlands	Taiwan
British Virgin Islands	India	New Zealand	Tajikistan*
Bulgaria	Indonesia	Nigeria*	Thailand
Burundi	Iraq	Norway	Tunisia
Cambodia*	Ireland	Oman	Turkey
Canada	Isle of Man	Pakistan	Uganda
Cayman Islands	Israel	Panama*	Ukraine
Chile	Italy	Paraguay	United Arab Emirates
China	Japan	Peru	United Kingdom
Colombia	Jersey	Philippines	United States
DR Congo	Jordan	Poland	Uruguay
Costa Rica	Kazakhstan	Portugal	Venezuela
Croatia	Kenya	Qatar	Vietnam
Cyprus	Kuwait	Romania	Yemen
Czech Republic	Latvia	Russia	Zambia
Denmark	Lebanon	Saudi Arabia	Zimbabwe*

* denotes a correspondent firm only

For more detail, see www.moorestephens.com under 'Locations'.

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