CLIENT INFORMATION

Slovakia
5 December 2024

Consolidation Package

*The National Council of the Slovak Republic has approved a law that amends various regulations to improve the state of public finances, known as the **Consolidation Package**. Below, we provide an overview of selected measures and changes, particularly concerning income tax and VAT, which will take effect on **1 January 2025**.*

As part of the Consolidation Package, amendments to the Income Tax Act related to the Action Plan for the Development of Electromobility in the Slovak Republic have also been approved.

Income Tax Act

1. Income Tax Rate

- The taxable income threshold for applying the reduced income tax rate will increase from **EUR 60,000 to EUR 100,000**. This change applies to both natural persons (sole traders) and legal entities.
- Additionally, the income tax rate for legal persons whose taxable income for the relevant tax period does **not exceed EUR 100,000** will be reduced from **15**% to **10**%. Individuals (sole traders) with income not exceeding EUR 100,000 will continue to apply a reduced income tax rate of **15**%.
- A new tax rate of **24**% will be introduced for legal persons with taxable income (revenue) exceeding **EUR 5,000,000** for the tax period.

Overview of Corporate Income Tax Rates from 2025:

Amount of Taxable Income	***Income Tax Rate in %***
Up to EUR 100,000	*10%*
EUR 100,000 – EUR 5,000,000	*21%*
Above EUR 5,000,000	*24%*

- These changes will take effect for the first time for the taxable period beginning **on 1 January 2025**, at the earliest.
- The tax rate for profit shares paid to individuals will decrease from **10**% to **7**%. This new tax rate will apply to dividends paid out of profits for taxable years starting on or after 1 January 2025.

  Dividends paid out of profits for the year 2024 will still be taxed at a rate of 10%.

  Dividends from profits in previous years will continue to be taxed at a rate of 7%.

2. Child Tax Credit

- The child tax credit will be **EUR 100** per child under **15 years** old and **EUR 50** per child between **15 and 18 years** old. The child tax bonus can no longer be claimed for children over 18.
- The percentage limit on the amount of the tax base for full entitlement to the child tax credit, depending on the number of dependent children, is increased as follows:

Number of Dependent Children	***Percentage Tax Base Limit until 31.12.2024***	***Percentage Tax Base Limit from 1.1.2025***
1	*20%*	*29%*
2	*27%*	*36%*
3	*34%*	*43%*
4	*41%*	*50%*
5	*48%*	*57%*
6 or more	*55%*	*64%*

- Entitlement to the child tax bonus will now be conditional on the taxpayer earning **at least 90% of their worldwide taxable income** in the Slovak Republic. This requirement previously applied only to tax non-residents.
- The eligibility for the child tax bonus for high-income families has been restricted. The child tax bonus for each dependent child will be gradually reduced (down to EUR 0) for those taxpayers whose taxable income from employment or business (or the total of both) **exceeds 1.5 times the average annual wage in the Slovak Republic from two years prior**. For 2025, this amount will be based on the average wage from 2023, which is EUR 1,430 per month.
- These changes regarding the application of the child tax bonus will first take effect in **January 2025**.

3. Electromobility Support

- As part of the initiative to promote electromobility in the Slovak Republic, the treatment of non-cash income for employees who use their employer's motor vehicles for both business and personal purposes has been revised.

  Currently, the non-cash income for employees is based on **1**% of the vehicle's purchase price, regardless of the fuel or energy type, and this amount is reduced gradually over 8 consecutive calendar years.

  However, an amendment to the Income Tax Act now lowers this non-cash income for fully electric vehicles (BEVs) and plug-in hybrid vehicles (PHEVs) to **0.5**% of the vehicle's purchase price, also reduced gradually over a period of 8 consecutive calendar years.

  This change will first affect the calculation of non-cash income in **January 2025** payroll.

- A new method has been introduced for proving fuel expenditure for electric vehicles. When charging vehicles at home, taxpayers can claim the expenses based on the electricity consumed. This amount is determined using the average monthly prices published by the Statistical Office of the Slovak Republic, alongside the consumption stated in the vehicle's documentation. If the consumption is not detailed in these documents, additional information from the manufacturer or dealer will be utilized. Previously, this issue was not explicitly addressed by law, leading to uncertainty.

- Electric bicycles and electric scooters will be reclassified from depreciation group 1, which has a **depreciation period of 4 years**, to depreciation group 0, with a reduced **depreciation period of 2 years**.

- In a similar change, trolleybuses and electric buses will transition from depreciation group 2, which has a **depreciation period of 6 y**ears, to depreciation group 1, now with a **depreciation period of 4 years.**

  These changes in depreciation periods, resulting from the reclassification of assets into different depreciation groups, will also apply to fixed assets that were put into use before 1 January 2025. However, any tax depreciation that has been applied to these assets until 31 December 2024, will not be retroactively adjusted.

VAT Act

The VAT rates will be adjusted beginning 1 January 2025. The basic tax rate will increase from **20**% to **23**%. The current reduced tax rate of **10**% will be replaced by a new reduced tax rate of **19**%. The reduced tax rate of **5**% will remain in place, and the range of goods and services it applies to will be expanded.

The **19**% reduced tax rate will specifically apply to certain groceries, as defined in the Annex to the VAT Act, as well as electricity. Additionally, this rate will apply to restaurant and catering services involving the supply of non-alcoholic beverages.

The **5**% reduced tax rate will be applicable to selected basic groceries, as listed in the Annex to the VAT Act, as well as medicines, medical devices, books, newspapers, and magazines. This **5**% rate will also apply to accommodation services, restaurant and catering services that provide food, e-books, sports facilities, and fitness center services.

Social Insurance Act

- The "parent's pension", which was introduced in 2023, has been removed from social insurance. The funds will no longer be provided by the Social Insurance Institution. Instead, parents will receive a share of the income tax that is paid and allocated specifically for them. This allocation will begin with the tax calculated for the year 2025, which means payments will start in 2026.
- The maximum monthly assessment base for social insurance premium payments has **increased from 7 times to 11 times the average monthly wage in the Slovak Republic from two years ago**. This new maximum will apply to employees, employers, and self-employed individuals.

If you have any questions, please do not hesitate to contact us.

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