

DOING BUSINESS

IN SLOVAKIA



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business

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1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 100 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Slovakia has been provided by the office of UHY representatives:

AUDITOR SK S.R.O.

Fraňa Kráľa 35
811 05 Bratislava
Slovakia

Phone + 421 2 544 14 660
Website www.auditor.eu
Email bratislava@auditor.eu

You are welcome to contact [Georg Stöger \(georg.stoeger@auditor.eu\)](mailto:georg.stoeger@auditor.eu) for any inquiries you may have.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at May 2021.

We look forward to helping you do business in Slovakia.

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2 – BUSINESS ENVIRONMENT

BACKGROUND

The Slovak Republic (or Slovakia) was established after the peaceful partition of the former Czechoslovakia in January 1993.

POLITICAL SYSTEM

Slovakia is a parliamentary democracy with multi-party parliamentary representative democracy. The head of government is the prime minister.

The head of state is president, who has more likely representative function and only limited powers.

Slovakia became a member of the European Union on 1 May 2004. Country also belongs to the Schengen Area, NATO, the United Nations, the OECD, the WTO, CERN, the OSCE, the Council of Europe, and the Visegrád Group.

POPULATION

The population of Slovakia is approximately 5.46 million.

The majority of the population are Slovaks - approximately 80,7 %. Other ethnic groups consist of Hungarians 8,5 %, Romanies 2 % and Czechs 0,6 %, with Ruthenians, Ukrainians, Germans and Poles making up the remainder.

Inhabitants are concentrated mostly in the cities. The highest population density has capital city Bratislava, follows by Kosice, Trnava, Nitra, Presov, Trencin, Zilina and Banska Bystrica.

LOCATION

Slovakia is landlocked, therefore in terms of geography, its position determines its role as a crucial transit country linking different parts of a united Europe. The bordering countries are Poland (north), Ukraine (east), Hungary (south), Austria (south-west) and the Czech Republic (north-west).

Bratislava (capital of Slovakia), Vienna (capital of Austria) and Gyor (Hungarian city) are often called the “golden triangle”, and because of its favourable geographical position, there is potential for mutual co-operation.

AREA

The area of Slovakia is 49.035 square kilometres (approximately 18,900 square miles) and is referred to as the “Heart of Europe” based on its geographic location in the Central Europe.

The Slovak landscape is noted primarily for its mountains nature. Up north, close to the Polish border, are the High Tatras which are a popular hiking and skiing destination and home of many scenic lakes and valleys as well as the highest point in Slovakia.

LANGUAGE

The official language is Slovak. Other languages commonly used are Hungarian, Ruthenian, Romany and various Ukrainian languages.

CURRENCY

As of 1 January 2009, Slovakia entered into the Eurozone and the original Slovak crown was replaced by Euro (EUR).

IMPORT AND EXPORT

Being a member of the European union, Slovak companies can take advantage of the open borders and the simplified customs system imposed at the level of the union.

Imports and exports play an important role in the welfare of the population, and many companies operating in Slovakia have large portfolios of imported and exported goods which bring them very good profits.

In 2019, Slovakia exported a total of USD 90.3 billion, making it the number 38 exporter in the world. During the last five reported years the exports of Slovakia have changed by USD 5.26 billion from USD 85 billion in 2014 to USD 90.3 billion in 2019.

The most recent exports are led by cars (23.8 billion USD), vehicle parts (5.22 billion USD), video displays (4.56 billion USD), broadcasting equipment (3.5 billion USD), and rubber tires (1.73 billion USD). The most common destination for the exports of Slovakia are Germany (19.7 billion USD), Czech Republic (9.47 billion USD), Poland (6.41 billion USD), France (6.23 billion USD), and Hungary (5.6 billion USD).

In 2019, Slovakia imported USD 83.8 billion, making it the number 41 trade destination in the world. During the last five reported years the imports of Slovakia changed by USD 4.23 billion from USD 79.5 billion in 2014 to USD 83.8 billion in 2019.

The most recent imports of Slovakia are led by vehicle parts (9.02 billion USD), cars (3.31 billion USD), broadcasting equipment (2.32 billion USD), crude petroleum (2.24 billion USD), and petroleum gas (1.82 billion USD). The most common import partners for Slovakia are Germany (15.2 billion USD), Czech Republic (14.7 billion USD), Poland (6.61 billion USD), Hungary (5.88 billion USD), and Russia (4.53 billion USD).

SLOVAKIA GDP GROWTH RATE

Gross Domestic Product of Slovakia fell of 4.8% in 2020 in comparison to last year.

The GDP per capita of Slovakia in 2020 was USD 19,160, which is USD 121 less than in 2019, when it was USD 19,281. To view the evolution of the GDP per capita, it is interesting to look back a few years and compare these data with those of 2010 when the GDP per capita in Slovakia was only USD 16,784.

INFLATION RATE

Inflation as measured by the consumer price index reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly.

In 2020, inflation rate for Slovakia was 1.5 %, which is less than in 2019, when the inflation rate was 2.8%.

LABOUR FORCE AND UNEMPLOYMENT

In terms of economics and unemployment rate, the western regions are richer than eastern regions of Slovakia. In Bratislava region is unemployment approximately 4 %, while in the eastern regions of Slovakia it is 9-10 %.

Average unemployment rate in 2020 in Slovakia was 7.57 %, which is increased of 2.65 % in comparison to unemployment in 2019, when the unemployment rate was at the level of 4.92 %.

AVERAGE WAGES

The average monthly wage increased by 4.2 % to EUR 1 113, the growth was mainly driven by the public sector.

The unstable period caused by the Covid-19 pandemic in the 3rd quarter has not yet significantly affected the wage growth. The average nominal monthly wage of an employee in the Slovak economy reached EUR 1 113 in the 3rd quarter and increased by 4.2 % year-on-year.

SLOVAKIA GOVERNMENT BUDGET

Slovakia recorded a Government Budget deficit equal to 6.20 % of the country's Gross Domestic Product in 2020, which is really significant increase since the deficit in 2019 was only 1.40 %.

STOCK EXCHANGE

The Bratislava Stock Exchange (BSSE) is the sole organiser of a regulated market of securities in Slovakia. The BSSE organizes trading with securities on a regulated market and on a multilateral trading facility. The regulated market is divided into a listed market and a regulated market. Subject of trading on regulated market are shares, bonds and unit certificates in a closed-ended funds.

Trading rules and requirements for the issuers of securities differ between markets (e.g. on the listed securities market, specific notification duties have to be fulfilled). Stock exchange trading can be made only through a securities broker who is a BSSE member. For further information see: www.bsse.sk

3 – FOREIGN INVESTMENT AND INCENTIVES

FOREIGN DIRECT INVESTMENT (FDI)

In Slovakia, there are several industries with a long tradition, such as engineering, chemical, electro technical engineering, wood-processing and food industry. In general, industry is currently undergoing a phase of rapid growth not only due to strong supply of foreign investors. Slovakia is an ideal investment destination because of its political economic stability strengthened by the common European currency Euro, competitive taxation system tax, and availability of highly skilled and educated workforce offering the highest labour productivity in the CEE region with favourable labour costs.

FDI inflows increased from USD 1.1 billion to USD 2,5 billion between 2018 and 2019. The total FDI stock was at USD 60 billion in 2019.

Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 % or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments.

According to data by OECD, the main investing countries in Slovakia are the Netherlands, Czech Republic, Austria and Germany.

Influential foreign investors in Slovakia include:

Volkswagen, PSA Peugeot Citroën, Kia Motors, Jaguar Land Rover, Samsung Electronics, U.S. Steel Košice, Henkel, Heineken, Whirlpool, IBM, DELL, Lenovo, AT&T, SAP, Accenture, Johnson Controls and Amazon.

As per sectors of activity, manufacturing and industrial production, financial and insurance services, wholesale and retail are those that attract the most investments. Nevertheless, the outbreak of the COVID-19 pandemic prompted a drop in FDI inflows, which were negative by USD 386 million in the first half of 2020 (OECD, latest data available).

REASONS FOR INVESTING IN SLOVAKIA

- Strong political stability and good international relations
- A strategic geographical location in the heart of Europe
- A qualified and low-cost workforce
- Strong growth (Coface forecasts a 4.3% growth rate in 2021)
- A positive and very attractive business environment for foreign investors
- Favourable tax system and the existence of numerous foreign investment grants

4 – SETTING UP A BUSINESS

The Slovak Commercial Code provides various options for structuring business entities. The most popular choice for foreign investors is to set up an enterprise, or branch office of a foreign company.

All business entities must be registered in the Slovak Commercial Register. The legal forms available are:

- Enterprise or branch office of a foreign company (podnik alebo organizačná zložka podniku zahraničnej osoby)
- Joint-stock company (akciová spoločnosť, a.s.)
- Limited liability Company (spoločnosť s ručením obmedzeným, s.r.o.)
- Limited partnership (komanditná spoločnosť, k.s.)
- General partnership (verejná obchodná spoločnosť, v.o.s.)
- Co-operative (družstvo).

There is no limit to the percentage interest a foreign investor may have in a Slovak legal entity, nor are there any legal requirements for local participation.

ENTERPRISE OR BRANCH OFFICE OF A FOREIGN ENTITY

While Slovak law does not limit the activities of enterprises or branch offices of foreign entities, it does require that these offices fully list their planned activities in their application for entry in the Commercial Register. Only then may they engage in the activities registered in the Commercial Register. The law under which the foreign legal entity was founded also applies to the internal dealings of enterprises and branches. This also applies if the foreign legal entity transfers its registered base from abroad to Slovakia.

Entities establishing an enterprise or branch must appoint a director (manager) to head the branch and register him/her in the Commercial Register. This person can be either a Slovak national or a foreigner.

Branch offices of foreign entities are treated as other legal bodies under Slovak legislation.

JOINT-STOCK COMPANY (A.S.)

Joint-stock companies (a.s.) may be founded by a single legal entity or by two or more individuals or legal entities (resident or non-resident).

A joint-stock company may be public or private. A public joint-stock company is a company which issued all or part of its shares through a public offer for subscription shares, or has had its shares accepted by the Stock Exchange to be traded on the securities market.

The minimum joint-stock capital requirement is EUR 25,000.

A joint-stock company is liable with its entire property for any breach of its obligations. The shareholders are not liable for the obligations of the company.

LIMITED LIABILITY COMPANY (S.R.O.)

An s.r.o. is the Slovak equivalent of a German GmbH- or a limited liability company. It may be founded by one or more (up to 50) individuals or legal entities (known as 'partners'). An individual or legal entity with a tax or duty debt can't found an s.r.o. A company with a sole partner cannot be the sole partner of another company. An individual cannot be the sole partner in more than three companies.

The registered capital must be at least EUR 5,000, with each partner making a minimum contribution of EUR 750. The partners take a share in the profits according to the ratio of their contributions to the base capital, unless specified otherwise by the Memorandum of Association.

The partner's liability does not extend beyond their unpaid contributions to the company's registered capital. The partners are also the statutory body of the company.

LIMITED PARTNERSHIP (K.S.)

Limited partnerships may be founded by two or more individuals or legal entities (partners).

Limited partnerships must have both limited and general partners. Under the Slovak Commercial Code, individuals and legal entities may become partners with general liability in only one entity at a time.

General partners are jointly and severally liable for the partnership's obligations up to the extent of their entire personal property. These partners are entitled to manage the partnership and act as statutory representatives.

A limited partner is liable for the partnership's obligations only to the extent of his/her unpaid contributions in the partnership (the contribution has to be at least EUR 250). However, should a limited partner conclude a contract on behalf of the company without being so empowered, he/she is liable for the obligations (debts) ensuing from this contract to the same extent as a general partner. Limited partners have the right to review the accounting books and receive a copy of the financial statements.

GENERAL PARTNERSHIP (V.O.S.)

General partnerships may be founded by two or more individuals or legal entities (partners). Individuals and legal entities may bear general liability in one entity only.

All partners are jointly and severally liable for all the partnership's obligations up to the extent of their entire personal property.

Each partner may be involved in the management of the partnership, although the Partnership Agreement may authorise one or more partners to act on behalf of the partnership in accordance with the decisions of the majority of the partners.

Profits or losses are distributed equally unless the Partnership Agreement specifies otherwise.

CO-OPERATIVE

A co-operative shall be a community of an open number of members established either to conduct business, or to satisfy any economic, social or other needs of its members.

A co-operative must have at least five members, or only two members who are legal entities.

In generally the members of the co-operative shall not bear liability for the obligations of the cooperative.

The registered capital of the co-operative shall consist of all the contributions of members. The reference capital shall not be less than EUR 1,250.

The supreme body of the co-operative is its members' meeting that meets at least once a year. Activities of the co-operative are managed by a Board, which is a statutory body. Activities of the co-operative are controlled by an audit committee.

The co-operative's profit is subject to corporate income tax.

5 – LABOUR

CONTRACTS OF EMPLOYMENT

All types of employment contract have to be in a written form with the following requirements:

- The type of work for which the employee was accepted and its brief description
- The place of work performance (the municipality and organisational part, or other specified place)
- The day the work starts
- Salary conditions, unless agreed otherwise in the collective agreement
- Working time
- Payment terms
- Duration of paid holiday
- Length of notice period

TYPES OF WORK CONTRACT

- Employment contract
- Work performance agreement
- Agreement on temporary jobs for students
- Agreement on work activities

REMUNERATION

The minimum salary is EUR 623.00 monthly or EUR 3.58 per hour. The employer is obligated to submit to all his employees written detailed information about the wage calculation and all contribution fees for the employee's as well as the employer's part.

TRIAL PERIOD

Employees can have a trial period of a maximum of three months.

An executive employee who reports directly to the statutory body or a member of the statutory body and an executive employee who reports directly to such an executive employee can have the trial period of maximum six months.

WORKING TIME / OVERTIME

The maximum working time per week is 40 hours.

On average, employees may not work more than eight hours overtime per week within an agreed period, which may not be longer than 12 months. The maximum overtime that the employee can be ordered to work is 150 hours per annum. However, the employer and the employee may agree on another 100 hours.

The employer may order overtime work only in cases of temporary and urgent increased need of work, or in the public interest. It can even intrude on time for 'undisturbed rest' between two shifts and/or, subject to conditions stipulated in the Labour Code, it can involve non-working days.

For overtime work, the extra payment should be at least 25% of the average salary, unless the employer allows the employees to use the overtime for extra vacation.

VACATION

The employee is entitled to have four weeks of annual paid holiday. Each employee who reaches the age of 33 years is entitled to have five weeks of paid holiday.

BENEFITS IN KIND

Depending on the nature of the work and the availability of people with necessary skills, employers can offer additional benefits in kind to their employees.

Employers with the domicile in Slovakia are obliged to create a social fund and to increase this monthly by 0.6% of the salary. This money can be used only for specific purposes in favour of employees.

Employee who works more than four hours a day has the right to receive warm food from the employer. Generally, this obligation of the employer is met by provision of food tickets or financial allowance, in amount at least 2.11 EUR.

TERMINATION OF THE EMPLOYMENT CONTRACT

The employment can be terminated as follows:

- By agreement, if the employer and employee agree upon termination of the employment. The employment terminates on the agreed day. The employer and employee shall conclude such an agreement in writing. Upon the employee's request, or if the employment relationship were terminated for reasons of organisational change, the agreement has to contain the reasons for termination.
- By notice, where both the employer and the employee may terminate the employment relationship by giving notice. The notice has to be in written form and delivered to the other party, otherwise it is invalid. The Labour Code stipulates the period of notice.
- By immediate termination, which is possible only during the period stipulated by law and only under conditions stipulated by law.
- By rescission during the period of probation, where both the employer and employee may terminate the employment relationship for any reason or without giving the reasons. The written notification on termination of the employment relationship has to be delivered to the other party generally at least three days before the day of the expected termination of the employment relationship.
- By death of the employee.
- The employment relationship concluded for a fixed period shall terminate upon expiry of the agreed period.

NOTICE PERIOD

The period of notice is the same for both the employer and employee. If the employment has been terminated by notice given on grounds of organisational reasons or the employer's winding-up of the business, the length of the notice period is:

- 1 month, if the employment lasted less than one year
- 2 months, if the employment has existed at least one year and less than five years
- 3 months, if the employment has existed at least 5 years

AGREEMENTS FOR WORK UNDERTAKEN OUTSIDE OF EMPLOYMENT

WORK PERFORMANCE AGREEMENT

The employer can agree on how the work is carried out if the expected scope of the work, for which the agreement is being concluded, does not exceed 350 hours in the calendar year. The expected scope of the work also includes work performed by the employee for the employer based on other agreements on the execution of work. This type of work contract can be agreed for a maximum of 12 months.

AGREEMENT ON TEMPORARY JOBS FOR STUDENTS

Work performed on the basis of such an agreement cannot exceed half of the regular weekly working time. This type of work contract can be agreed for a maximum of 12 months.

AGREEMENT ON WORK ACTIVITIES

Work activities may be performed for up to 10 hours per week on the basis of an agreement on work activities and can be agreed for a maximum of 12 months.

EMPLOYEES FROM ABROAD (FOREIGNERS) AND THE EUROPEAN UNION (EU)

Employees from the EU, EEA and Switzerland do not need work permits. Employees from all other countries must obtain a work permit and residence visa for employment purposes before commencing work.

SOCIAL SECURITY AND HEALTH INSURANCE

The amount of social insurance contribution paid by employers and employees, equals a specified percentage of the gross monthly income of the employee up to a limit (i.e. a maximum computation base) which will vary according to the kind of insurance (e.g. retirement, disability, sick leave and guarantee insurance, etc.) and depend on the average monthly salary announced by the Slovak Statistical Office for the previous calendar year.

The monthly limit for social insurance (including sickness insurance, old age insurance, disability insurance, unemployment insurance, guarantee insurance) is EUR 718.53. This limit changes yearly on 1 January.

There is not any monthly limit for health insurance. Total contributions for the year 2021 are 13.4% for the employee and 35.2 % for the employer.

OVERVIEW OF HEALTH INSURANCE AND SOCIAL SECURITY CONTRIBUTIONS

EMPLOYEE

	Rate	Maximum monthly contribution
for 2021 (in EUR)		
Sickness	1.40 %	107.01
Retirement	4.00 %	305.76
Permanent disability	3.00 %	229.32
Unemployment	1.00 %	76.44
Health	4.00 %	no maximum assessment base
Total	13.40 %	

EMPLOYER

	Rate	Maximum monthly contribution
for 2021 (in EUR)		
Sickness	1.40 %	107.01
Retirement	14.00 %	1070.16
Permanent disability	3.00 %	229.32
Unemployment	1.00 %	76.44
Health	10.00 %	no maximum assessment base
Guarantee insurance	0.25 %	19.11
Accident insurance	0.80 %	no maximum assessment base
Reserve fund	4.75 %	363.09
Total	35.20 %	

Health and social insurance for a company's executives or members of supervisory boards or boards of directors is paid partly by themselves and partly by the company. According to the amendment, these persons are considered as employees and not sole traders.

6 – TAXATION

The Slovak tax system comprises of the following taxes:

DIRECT TAXES

- Personal Income tax
- Corporate Income tax
- Motor Vehicle tax
- Other direct taxes (Municipal taxes) – esp. real estate tax (levied on land, buildings and flats)

INDIRECT TAXES

- Value Added tax (VAT)
- Insurance premium tax
- Other indirect taxes
 - Excise duty on alcoholic beverages (beer, wine, intermediate products and spirits)
 - Excise duty on tobacco products
 - Excise duty on energy products (leaded petrol, unleaded petrol, gas oil, kerosene, LPG)
 - Excise duty on electricity, coal and natural gas

There is no inheritance tax, gift tax or real estate transfer tax levied in the Slovak Republic.

PERSONAL INCOME TAX

RESIDENT/NON-RESIDENT STATUS

Individuals with a permanent residence or domicile in Slovakia are considered as tax residents in Slovakia. Any individuals residing or physically presenting in Slovakia for at least 183 days in a calendar year are considered as Slovak tax residents¹. Tax residents are subject to tax in Slovakia on their worldwide income.

Individuals who spend less than 183 days in a calendar year in Slovakia and do not have a permanent residence in Slovakia are treated as tax non-residents and are taxed on their Slovak source income only.

TYPES OF INCOME:

- Income from dependent activity
- Income from business, other independent gainful activity, lease and use of works and artistic performances
- Income derived from capital
- Sundry income

TAX BASE

Determination of tax base is based on summarization of all types of income decreased by related expenditures.

¹ Except individuals, who usually stay in the Slovak Republic exclusively for the purpose of studies or therapy, or who cross the borders on a daily basis for the purposes of his/her dependent activity

From income from dependent activity is deducted only the social and health contributions. Entrepreneurs may deduct from income from business and other independent gainful activity real expenditures or can apply lump-sum expenses equal to 60 % of the income up to a maximum EUR 20,000 per year.

TAX LOSSES

Tax losses incurred from 1 January 2014 do 31 December 2019 may be carried forward and set off against profits in the subsequent four years uniformly without any further obligations. Tax losses incurred not earlier than on 1 January 2020 may be carried forward and set off against profits in the subsequent five years, up to the maximum of the 50 % of the tax base. Losses cannot be carried back.

TAX ALLOWANCES

The tax allowances may be deducted only from income from dependent, business and other independent gainful activity.

The tax base may be reduced by following tax allowances:

- Yearly tax allowance for taxpayer up to EUR 4,511.43
- Yearly tax allowance per spouse sharing common household with a taxpayer up to EUR 4,124,74
- Contributions to supplementary pension savings up to EUR 180 per year

Furthermore, the taxpayer may reduce his/her personal income tax liability by tax bonus for each dependent child.

Tax bonus valid until June 2021 is in amount of EUR 46.44 for each child up to 6 years and for child older than 6 years in amount of EUR 23.22.

For the period from July 2021 to December 2021 is the amount of tax bonus for child as follows:

- For child up to 6 years in amount of EUR 46.44,
- For child older than 6 years, but younger than 15 years in amount of EUR 39.47,
- For child older than 15 years in amount of EUR 23.22.

PERSONAL INCOME TAX RATE

- 19 % of that part of the tax base, not exceeding EUR 37,981.94
- 25 % of that part of the tax base, which exceeds EUR 37,981.94

TAX PERIOD

Tax period is a calendar year.

TAX RETURN

Tax returns for the respective tax period shall be filed by 31 March of the following year. A maximum three-month extension can be requested by a simple notice to the tax authorities. A maximum six-month extension can be requested by a simple notice to the tax authorities in case of foreign source income.

PAYMENT OF PERSONAL INCOME TAX

The personal income tax is due on the last day of the term for filing the tax return or within the extended term.

ADVANCES TO PERSONAL INCOME TAX

Employees from income from dependent activity do not pay advance payments to personal income tax (personal income tax is deducted from salary and paid directly by employer).

Entrepreneurs must pay advance payments to personal income tax as follows:

- Quarterly – in case last known tax liability exceeded EUR 5,000, but not EUR 16,600 (in the amount of 1/4 of the last known tax liability)
- Monthly – in case last known tax liability exceeded EUR 16,600 (in the amount of 1/12 from last known liability)

CORPORATE INCOME TAX

ENTITIES LIABLE TO CORPORATE INCOME TAX

Taxable person with unlimited tax liability is any legal entity, which has its registered seat or its place of actual management in Slovakia. Such legal entities are generally regarded as tax residents and are liable to pay Slovak corporate income tax on their worldwide income, whereas tax non-resident legal entities are generally subject to corporate income tax on Slovakia-sourced income only.

Income that is not subject to corporate income tax:

- Dividends from profit generated after 1st January 2004 with the exception of dividends paid out to residents of the third (non-contractual) states from the sources in Slovakia and with the exception of dividends received by Slovakian residents from the third (non-contractual) states
- Income obtained through inheritance or donations
- Payments related to liquidation surpluses and settlement amounts
- Income earned as a result of the acquisition of new shares and holding interests

TAX BASE

Determination of tax base is based on the accounting result² adjusted by the tax deductible and non-deductible items.

TAX DEDUCTIBLE AND NON-DEDUCTIBLE ITEMS

As a general rule, expenses spent on obtaining, ensuring and maintaining taxable income booked in the records of the taxpayer are tax deductible, unless they are specifically listed as tax non-deductible items.

Examples of tax non-deductible items

- Gifts
- Accounting depreciation costs that exceed tax depreciation costs
- Individual and corporate income tax and taxes paid on behalf of another taxpayer
- Expenses on generating tax-free income

² Permanent establishments are not obliged to keep accounts and therefore, tax base is calculated as a difference between revenues and expenditures

TAX DEPRECIATIONS

Book depreciation of tangible assets is not allowed for tax purposes. The rules under which a business depreciates their assets for tax purposes are set in the Income Tax Act.

Tangible assets are divided into six depreciation groups according to SK NACE statistical classification as follows:

- 2 years (e.g. Electric cars)
- 4 years (e.g. PC and other electronic office equipment, motor vehicles)
- 6 years (e.g. Furniture, central heating radiators and boilers, generators)
- 8 years (e.g. Technological equipment, electric motors, generators, transformers)
- 12 years (e.g. Mounted buildings from concrete and metal, air conditionings)
- 20 years (e.g. Industrial buildings, business centres)
- 40 years (e.g. Residential and administrative buildings)

The straight-line depreciation method is used, although the accelerated depreciation method may also be applied for assets in depreciation group 2 and 3. Depreciation may be postponed for an indefinite period without the company losing the right to depreciate in future tax periods.

Book amortization of intangible assets is allowed also for tax purposes.

TAX LOSS

Tax losses incurred not earlier than 1 January 2020 may be carried forward and set off against profits in the subsequent five year. Tax loss can be deducted up to a maximum of 50% of the tax base. Losses cannot be carried back.

CORPORATE INCOME TAX RATE

- 21 % for taxable persons with income exceeding EUR 49,790
- 15 % for taxable persons with income of a maximum of EUR 49,790

TAX PERIOD

In general, the tax period is a calendar year. There is a possibility to change the tax period from a calendar year to a fiscal year (any 12 calendar month period). The legal entity is obligated to announce the change of the tax period to the tax authority 15 days in advance.

TAX RETURN

Tax returns for the respective tax period shall be filed within 3 months from the end of the tax period. A maximum three-month extension can be requested by a simple notice to the tax authorities. A maximum six-month extension can be requested by a simple notice to the tax authorities in case of foreign source income.

PAYMENT OF CORPORATE INCOME TAX

The corporate income tax is due and payable within the deadline for filing the tax return.

ADVANCES TO CORPORATE INCOME TAX

Companies must pay corporate income tax advances:

- Quarterly if the previous tax liability was between EUR 5,000 and EUR 16,600
- Monthly if the previous tax liability was over EUR 16,600

TAX TREATIES

A credit for foreign tax paid by a Slovak tax resident on foreign-source income taxable in the Slovak Republic is available when the double tax treaties (DTT) concluded between the Slovak Republic and the foreign country state so. The credit of foreign tax can be applied up to the amount of tax payable on that income in the Slovak Republic. If the DTT requires the exemption method to avoid double taxation, this method has to be applied. The taxpayer can also opt, based on Slovak law, to use the exemption method of foreign-source employment income if this method is more favourable for the taxpayer.

If the Slovak Republic has no DTT concluded with a foreign country, the employment income from foreign-source taxed abroad can be exempt from taxation in the Slovak Republic.

Slovakia has concluded 69 treaties for the avoidance of double taxation. A summary of selected treaties and withholding tax rates on dividends, interests and royalties generated from sources in the Slovak Republic are set out in the list of valid and effective Double Tax Treaties on the web page of the Ministry of Finance of the Slovak Republic.

MOTOR VEHICLE TAX

The motor vehicle tax is imposed on vehicles registered in Slovakia that are used for business purposes either by businesses or self-employed persons.

Tax base is determined as a combination of vehicle weight and number of axles for lorries and trailers. For passenger cars the tax depends on the engine volume in cubic centimetres.

Motor vehicle tax is due by 31 January for the previous calendar year.

In case estimated motor vehicle tax for calendar year exceeds EUR 700, taxpayer is obliged to pay advance payments to motor vehicle tax.

REAL ESTATE TAX

Real estate tax is a municipal tax generally paid by owners of lands, buildings and flats registered in the Slovak cadastral register and are determined by the size, location and the type of lands, buildings and flats.

The real estate tax on buildings and flats is computed as the number of square meters constructed, multiplied by the respective tax rate. The base tax rate is EUR 0.033 per square meter but the municipal authority may increase or decrease the rate and determine different rates for various types of buildings and flats.

The tax base of the land is the product of the area of the land and its official value per square meter. The base tax rate is 0.25% of the tax base, but the municipal authority may increase or decrease the rate and determine different rates for various types of buildings.

VALUE ADDED TAX (VAT)

Upon accession into the European Union on 1 May 2004, the Slovak Republic has fully adopted the EU VAT Directives into their national law. The Slovak VAT Act is harmonised with VAT Acts in other EU Member States.

VAT RATE

The standard rate is 20%. There is a reduced rate of 10% for specific items (e.g. pharmaceutical products, some medical equipment, books – with exception of e-books – specific foods, hotel and accommodation).

VAT SUBJECT

VAT is charged on the:

- supply of goods and services within Slovakia
- intra-Community acquisition of goods
- importation of goods from countries outside Slovakia

REGISTRATION FOR VAT

DOMESTIC ENTITY

A taxable entity that has their seat, place of business or permanent establishment for VAT purposes in Slovakia is obliged to register for VAT if they achieved a turnover of EUR 49,790 for not more than twelve preceding consecutive calendar months. An application for VAT registration may also be filed by a taxable entity that did not reach the turnover of EUR 49,790.

FOREIGN ENTITY

A foreign entity is obliged to register for VAT prior to commencing any taxable activity in Slovakia.

DISTANCE SELLING

The VAT registration threshold for distance selling is EUR 35,000 per calendar year.

SPECIAL TYPES OF VAT REGISTRATION

- A taxable entity which is not registered for VAT purposes and acquires goods from another EU Member State at a value exceeding EUR 14,000 in a calendar year
- A taxable entity which is not registered for VAT purposes and is a recipient of a service from a foreign person from another EU Member State in respect of which the taxable person is liable to pay tax.
- A taxable entity which is not registered for VAT purposes and supplies service with the place of supply located in another EU Member State and the recipient of that service is liable to pay tax.

GROUP REGISTRATION

More taxable persons who are connected financially, economically or organisationally (members of the group) may register as a single taxable person. The tax office shall register a group for VAT as of 1 January provided that the application for the registration of the group was submitted before 31 October of the previous year.

VAT RETURN

VAT returns are due by the 25th day of the calendar month following the end of the tax period.

The default tax period is one calendar month. Businesses with a turnover of less than EUR 100,000 for not more than twelve preceding consecutive calendar months may opt for calendar quarter. All the newly registered companies must file monthly VAT returns for at least twelve calendar months following their registration.

VAT CONTROL STATEMENT

VAT control statement represents a detailed specification of data stated in a VAT return. VAT control statements are due along with VAT returns for respective tax period.

EC SALES LIST

Intra-Community supplies of goods or services must be reported in the EC Sales List. EC Sales Lists are filed on a monthly basis if the annual turnover for goods supplied to another EU Member State is above EUR 50,000. Businesses with a turnover for goods supplied to another EU Member States below EUR 50,000 or businesses supplying only services to other EU Member States are required to file EC Sales Lists on a quarterly basis. The filing date is 25th day of the calendar month following the end of the reporting period.

VAT REFUND

A foreign subject that did not supply goods or provide services in relevant period from which they should pay VAT in Slovakia are not allowed to deduct VAT on input through the VAT return, but the VAT refund method may be applied.

A foreign subject with a seat in another EU Member State might apply the refund of Slovak VAT only through the tax authority of his home country. However, foreign businesses from third countries should keep on filing their VAT refund requests at the Tax Office Bratislava I.

VAT REFUND REQUEST

VAT refund request for previous calendar year should be filed by 30th September of the following year (requests from foreign entities of third countries should be filed by 30th June of the following year).

VAT refund request for shorter period (at least three calendar months) may be submitted only in case aggregate VAT for this period exceeds EUR 400.

Minimum VAT that may be requested represents EUR 50.

EXCISE DUTIES

Excise duty is levied on energy products (leaded petrol, unleaded petrol, gas oil, kerosene, LPG), on alcoholic beverages (beer, wine and alcohol) and tobacco products) and on electricity, coal and natural gas.

Taxable persons are all legal entities and natural persons who produce these excisable products in the Slovak Republic or who are eligible to dispose of these products under the duty suspension regime. Excise duties are stipulated as a set amount per unit of measure for each group of products, except cigarettes where the tax rate is calculated in a different way.

INTRASTAT

Businesses registered for VAT in Slovakia may be required to submit INTRASTAT reports on the movements of goods to or from other EU Member States. INTRASTAT reports are only completed if the thresholds are exceeded. For 2021, the threshold for arrivals is EUR 200,000 and the threshold for dispatches is EUR 400,000.

INTRASTAT reports have to be submitted on a monthly basis and are due on the 15th day of the following month.

INSURANCE PREMIUM TAX (IPT)

The new law on Insurance premium tax came into effect from 1 January 2019. Subject of IPT is an insurance, which meets the following criteria:

- Insurance is classified as non-life insurance. Reinsurance is not subject to tax;
- Insurance risk is located in the Slovak Republic. The risk is located in Slovakia in the following cases:
 - Real estate is located in the Slovak Republic
 - Mean of transport is or should be registered in the respective registry kept in the Slovak republic
 - Policyholder signs in the Slovak Republic a policy with an insurance period up to four months
 - Policy holder has his habitual abode in Slovakia
 - Policy holder or a person to whom insurance costs are recharged, is a legal entity and the registered seat or establishment, to which the policy relates, is in the Slovakia

PERSONS LIABLE TO TAX

The person liable to pay tax shall be:

- Insurance /assurance company; however, this obligation may concern also to
- Policy holder, if this legal entity pays the premium to a third-country insurer, who does not have a branch in the territory of Slovakia or to
- Legal entity to which the costs of such insurance are recharged.

TAXABLE EVENT (TAX DATE)

The moment when the tax liability will occur depends on the person liable to tax. In case of insurance / assurance company the law gives three options. The insurer may opt for one of them; however, the selected option must be applied consistently for at least 8 consecutive calendar quarters (2 years). The selected option is marked directly in IPT return.

The following scenarios are possible:

- On the day of insurance premium receipt and in extend of the payment received (cash principle). The date of insurance premium receipt is the date on which the payment of premium receivable is booked
- On the day when premium receivable is booked or
- On the insurance premium due date

TAX BASE

The tax base depends on who is the person obliged to pay Insurance Premium Tax.

In standard cases, when a person obliged to pay Insurance Premium Tax is the insurer, tax base shall be the amount of the premium received less tax.

In cases, when tax liability is shifted to a policyholder or person to which insurance costs are recharged, tax base shall be the amount of premium.

TAX RATE

The tax rate is 8% but this rate does not apply to insurance premium from the mandatory contractual liability insurance for liability arising from the use of land motor vehicles, since in the latter case the extra levy pursuant to Act on insurance shall still be paid.

Therefore, with respect to insurance premium from the mandatory contractual liability insurance for liability arising from the use of land motor vehicles, the 0% insurance premium tax rate applies.

TAX LIABILITY AND TAX PERIOD

Tax will be levied on all insurance policies, regardless the date of the concluding of that agreement, if the insurance period starts after 31 December 2018.

Tax period is calendar quarter. A person obliged to pay the tax must electronically file IPT tax return for the relevant tax period. Deadline for e-submission is by the end of the next calendar month following the end of the taxation period in which the tax liability arose. Tax is due within the same deadline.

7 – ACCOUNTING & REPORTING

Fixed accounting regulations and disclosure requirements are applicable to companies performing business activities in Slovakia prescribed by the Slovak Ministry of Finance in the form of a law (Accounting Act), measure or regulation.

ACCOUNTING PRINCIPLES AND REQUIREMENTS

Slovak accounting standards are governed by the Act on Accounting which regulates general accounting principles, maintaining and closing the books, asset and liability valuation, profit and loss calculation, financial statements formats and auditing requirements.

Statutory consolidation procedures have been abolished and all consolidated financial statements should be prepared exclusively according to International Financial Reporting Standards (IFRS). All banks, insurance companies, security traders and certain other companies are obliged to prepare their individual financial statements according to IFRS.

From 1 January 2011, the obligation to prepare consolidated financial statements and a consolidated annual report shall not apply to a parent accounting entity if the preparation of solely individual financial statements of the parent accounting entity has no substantial impact on the view of the financial situation, costs, revenues and profit/loss for the consolidated group.

ACCOUNTING SYSTEMS

- Double-entry bookkeeping – obligatory for all accounting entities
- Single-entry bookkeeping – option for personal and specific legal entities after meeting specific conditions

ACCOUNTING PERIOD

- Calendar year, or
- Fiscal year that differs from a calendar year (12 consecutive calendar months)

ACCOUNTING ENTITIES

An accounting unit is treated as “Micro”, “Small” or “Large” if two of the three criteria during two consecutive years from table below are met:

	“MICRO” ACCOUNTING UNIT	“SMALL” ACCOUNTING UNIT	“LARGE” ACCOUNTING UNIT
Total assets (NETTO)	Below EUR 350,000	Below EUR 4,000,000	Above EUR 4,000,000
Net turnover	Below EUR 700,000	Below EUR 8,000,000	Above EUR 8,000,000
Employees (Average)	Below 10	Below 50	Over 50

FINANCIAL STATEMENTS

Year-end financial statements consist of a balance sheet, income statement and notes to the financial statements and in case of large accounting units must include a cash flow statement too. The notes must contain information to assess the entity's assets, liabilities, financial position and results. These include the accounting principles, valuation methods and depreciation rates used in the period. The balance sheet and income statement must

be prepared on pre-printed forms and the notes and the cash flow are specified in detail by the Ministry of Finance. Consolidated financial statements must be audited. Consolidation methods are prescribed by the Ministry of Finance and are identical with IFRS.

Year-end financial statements for “Micro” accounting units are significantly simplified and shortened.

AUDIT REQUIREMENTS

All consolidated financial statements must be audited. Listed companies and cooperatives and accounting entities must have their individual financial statements audited. Individual financial statements must be audited if the accounting entity is: Accounting units, which fall under the obligation to have their financial statements audited, are:

- All companies and cooperatives with securities being traded on a regulated market
- All accounting units, which prepare financial statements according to §17a (IFRS)
- All banks operating in Slovakia as well as foundations
- Business entities, which are obliged to create initial capital (e.g. limited liability companies, joint stock companies, cooperatives), but only if they meet any of the two following conditions in the year for which the financial statements are audited and as well in the preceding one.
 - As the total value of the entity's assets are considering the gross assets, without the deduction of depreciation expenses, accumulated depreciation etc.
 - For this purpose, net turnover means revenues from the sale of products and goods and from the provision of services
 - The average number of employees should be calculated as the average at the end of the particular quarter of the calendar year.

Newly adopted legislation specify these conditions for next periods as follows:

	2020	2021	2022
Total assets value	2,000,000	3,000,000	4,000,000
Net turnover	4,000,000	6,000,000	8,000,000
Employees (Average)	30	40	50

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.

PUBLICATION OF DATA

Year-end financial statements have to be filed to the tax authority within 6 calendar months following the last date of the accounting period.

The year-end financial statements are published in register of year-end closings automatically by submitting them to tax authority.

In case of approval of the year-end financial statements after their submitting to tax authority, the accounting unit is obliged to announce it within 15 working days following the date of their approval.

The compulsory audited entities must publish an audited annual report including financial statement information (at least an excerpt), an audit opinion, a summary description of operations and activities during the period, and the forecast of the entity.

8 – UHY REPRESENTATION IN SLOVAKIA

CONTACT DETAILS

AUDITOR SK s.r.o.
 Fraňa Kráľa 35
 Bratislava
 Slovak Republic
 Tel: +421 2 544 14 660
 Fax: +421 2 544 14 972
www.auditor.eu

Year established: 1999
 Number of partners: 3
 Total staff: 20

CONTACTS

Liaison contact: Georg Stöger
 Position: Managing Partner
 Email: georg.stoeger@auditor.eu

ABOUT US

AUDITOR is a consulting company with an international focus that has provided its complex services for more than 15 years throughout the Slovak Republic.

OTHER IN-COUNTRY OFFICE LOCATIONS AND CONTACTS

Piestany

BRIEF DESCRIPTION OF FIRM

AUDITOR SK s. r.o. (Ltd.) currently provides a wide range of accounting, tax and business advisory services, mostly to limited companies, individuals and multinational organisations from all around the world. The team deals with daily financial and business problems of foreign investors in Slovakia. Additionally, we have support from our sister companies in the Czech Republic with nearly 100 staff and in Austria with 20 staff.

SERVICE AREAS

Audit
 Accountancy, bookkeeping and outsourcing services
 Company secretarial services
 Corporate and personal tax
 General business advice and strategic planning
 VAT consultancy
 Consultancy with mergers and acquisitions

PRINCIPAL OPERATING SECTORS

Construction
 Engineering
 International transport
 Insurance
 Property
 Lawyers
 Franchising
 Manufacturing corporations

LANGUAGES

Slovak, Czech, English, German.

CURRENT PRINCIPAL CLIENTS

Confidentiality precludes disclosure in this document.

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

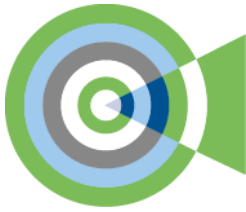
Austria, France, Germany, Hungary, Ireland, Israel, Spain, UK, Poland, USA, Netherlands

BRIEF HISTORY OF FIRM

The company was founded in 1999 as a subsidiary of Auditor s.r.o. in the Czech Republic by two already experienced partners: Stöger & Zallmann from Austria. Auditor SK s.r.o. joined UHY in 2000. The firm now has three partners in two offices – one in Piestany.

USEFUL WEB ADDRESSES

Bank of Slovakia	www.nbs.sk
Statistical Office of the Slovak Republic	www.statistics.sk
Ministry of Finance of the Slovak Republic	www.finance.gov.sk
Ministry of Foreign Affairs of the Slovak Republic	www.foreign.gov.sk
Foreign Investment	www.sario.sk
Tax Directorate of the Slovak Republic	www.financnasprava.sk
Business register	www.orssr.sk
Government of the Slovak Republic	www.government.gov.sk
Parliament of the Slovak Republic	www.nrsr.sk
President of the Slovak Republic	www.prezident.sk
The Guide to Slovakia	www.slovakia.org
	www.slovensko.com



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