Pocket Tax Book

Slovakia, 2009

PRICEWATERHOUSECOOPERS

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This booklet is based on the tax law as at 1 January 2009. It is intended to provide a general guide only to the subject matter and is necessarily in a condensed form. It should not be regarded as a basis for ascertaining the liability to tax in specific circumstances. Professional advice should always be taken before acting on any information in the booklet.

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GENERAL PRINCIPLES

- Slovak tax residents pay Slovak tax on their worldwide income, subject to relief under Slovak law or an applicable double tax treaty.
- Slovak tax non-residents are subject to tax on their Slovak-source income only.
- The tax year is the calendar year.
- The tax rate is a flat rate of 19%.

TAX RESIDENCE

Slovak tax residents

- An individual is considered a Slovak tax resident if:
  - He/she has a permanent residence in the Slovak Republic, as evidenced by a Slovak ID card (for Slovak nationals), or by a permanent residence permit (for expatriates); or
  - He/she is physically present in the Slovak Republic for 183 days or more in a calendar year, either continuously or in total.

Slovak tax non-residents

- Slovak tax non-residents are only subject to Slovak income tax on their Slovak-source income. This includes the following types of income:
  - Income from work carried out in the Slovak Republic.
  - Income paid by a Slovak company (or Slovak permanent establishment of a foreign company) for performing a statutory representative function of company.
  - Income from an independent business, or from technical or consulting services, and similar activities carried out in the Slovak Republic.
  - Income from interest, licence fees, the sale or rental of property located in the Slovak Republic, or lottery winnings.
- Income can be subject to Slovak tax regardless of whether or not it is remitted to the Slovak Republic.

GROSS INCOME

- For Slovak personal income tax purposes, income is divided into four categories.

- Employment income
- Entrepreneurial income and rental income
- Investment income
- Other income

Employment income

- Taxable remuneration from employment includes all remuneration, whether monetary or non-monetary, including in-kind benefits. Statutory health insurance and social security contributions paid by the employee reduce taxable income. The taxable income of individuals is also reduced by supplementary pension contributions, life insurance contributions, and special-purpose savings, if certain conditions are met, but only by a maximum of EUR 398.33 per year.
- Obligatory employer's health insurance and social security contributions paid by the employer are not part of the employee's taxable income.
- Obligatory employee health insurance and social security contributions are tax deductible for the employee.
- Remuneration and benefits paid by a Slovak employer are generally taxed through monthly payroll tax withholding.
- Taxable income for a particular tax year generally includes the following items:
  - **Gross salary** paid up to 31 January of the next tax period for work done in the year concerned
  - **Director's fees** - paid to a statutory representative or member of the Board of Directors or Supervisory Board of a Slovak company
  - **Bonuses and premiums**
  - All **housing** or moving allowances (subject to certain exceptions)
  - **In-kind benefits** paid for, or provided by, the employer, e.g. accommodation, school fees, utility costs, and private health insurance (subject to certain exceptions

- **Company car and fuel costs:**
  - The taxable benefit is equal to 1% of the car's purchase price including VAT for each calendar month or part month during which the car is available for private use; and
  - Actual fuel costs paid by the employer for an employee's private use.

- Reimbursement of business **travel expenses** in excess of statutory limits (currently EUR 0.183 per kilometre for the employee using his/her own car for a business trip).
- **Meal allowances** for business trips in excess of statutory limits, which depend on the duration of the business trip. The statutory limits are currently as follows:

  - 5-12 hours EUR 3.30
  - 12-18 hours EUR 5.00
  - over 18 hours EUR 7.70

  The non-taxable daily meal allowance for business trips outside the Slovak Republic varies according to the country visited and is updated on an annual basis. Non-taxable pocket money for business trips outside the Slovak Republic is between 5% and 40% of the statutory limit for meal allowances for that country.
- Local employees who are **temporarily assigned to an EU country** are entitled to the same travel allowances as they would be entitled to if they were on a foreign business trip. These allowances are non-taxable for the employees, up to the statutory limits. The employer is obliged to provide the employees with the appropriate advance for travel allowances.
- **Share option schemes**
  - In general, the first taxable event for an individual is the first day on which an option he/she is granted could be exercised.
  - The taxable income is the difference between the market price of the shares on the first day on which the option could be exercised, and the price to be paid by the employee for the share, decreased by the price paid for the share option (if any).
  - The employer withholds the tax through payroll.
  - The gain on the sale of shares is also taxable income, taxed through a personal tax return.

- **Contributions and insurance premiums** that employers pay to pension plans, health insurance plans and life insurance schemes on behalf of employees, where the employer has no statutory obligation to make contributions or pay premiums.
- Partial or total reimbursement (or direct payment) of the **employee's income tax** by the employer. For example, under "tax equalization" arrangements, such reimbursements or payments are taxable as employment income.

Entrepreneurial income and rental income

Entrepreneurial income

- Taxable entrepreneurial income includes income from small businesses and other entrepreneurial activities, profit shares or allocations from general partnerships, and income from independent profit-making activities, such as income for doctors, lawyers, consultants, or other professionals.
- Taxable profits are calculated in the same way as for corporate income tax purposes. However, entrepreneurs who are not VAT payers can either deduct expenses actually incurred, or take a flat 40% deduction from the tax base (a 60% deduction for some specific types of entrepreneurial activities).
- Individual entrepreneurs who have no employees, whose annual revenues for the last tax year were less than EUR 170,000, and who want to claim expenses actually incurred, are exempt from the obligation to maintain full bookkeeping – they can instead maintain simplified documentation as detailed in the law. This procedure can be first applied from the 2009 tax period.
- Entrepreneurs must file annual income tax returns and meet the filing and payment deadlines. They must also pay tax advances based on their prior year tax liability.
- Entrepreneurs are subject to Slovak social security and health insurance contributions.
- Entrepreneurs, independent consultants, and other self-employed individuals who are not Slovak tax residents will be taxed in the Slovak Republic to the extent that their income is derived from a "fixed base" in the Slovak Republic, or from services provided in the Slovak Republic.

Rental income

- Taxable rental income includes income from leasing or renting out real estate.
- The taxable income is the rental income less related tax-deductible expenses, for example depreciation costs (the tax depreciation period for buildings of a permanent nature is 20 years), related interest and finance charges, real estate taxes, repairs, maintenance and certain other types of rental expenses.
- Alternatively, taxpayers who are not VAT payers can make a general expense deduction of 40% of the rental income instead of deducting actual expenses.
- Taxable rental income is exempt from Slovak tax up to the amount of five times the minimum subsistence level applicable on 1 January of the tax period in which the income arose (EUR 894.60 for 2009), unless this exemption has already been used against other qualifying types of income.
- An individual who owns Slovak real estate for leasing must register with the tax authorities for personal tax purposes within 30 days after the month in which he/she starts to lease the property.
- Rental payments by Slovak residents to non-EU lessors are subject to a 19% tax securement (withholding).

Investment income

- Taxable investment income includes interest, yields from supplementary pension insurance, and yields from life insurance after passing a certain age. These types of income are subject to Slovak withholding tax, unless they are received from abroad, in which case they are treated as part of the tax base for a Slovak tax resident.
- The withholding tax may be reduced under double taxation treaties for individuals who are not Slovak tax residents.

Dividend income

- Dividend income from profits arising in 2004 and later years is not subject to Slovak tax.

Capital gains

- There is no separate capital gains tax in the Slovak Republic. Thus gains on the sale of relevant assets are subject to personal income tax for individuals.

- Gains on the sale of non-business real estate are tax exempt if the individual has owned the property and used it for non-business purposes for longer than a specified period of time:
  - Flats and houses registered as the taxpayer's permanent residence — 2 years
  - Other real estate — 5 years
  - Any real estate previously used for business purposes — 5 years

Other income

- Other taxable income includes:
  - Occasional income (depending on its nature);
  - Income from the sale of real estate;
  - Income from occasional renting out of movable property;
  - The transfer of securities. A profit on the sale of securities by individuals is exempt from Slovak taxation as follows:
    - up to the amount of five times the minimum subsistence level applicable on 1 January of the tax period in which the sale occurred (EUR 894.60 for 2009) unless this exemption has already been used against other qualifying types of income; and
    - listed securities acquired before 1 January 2004 and held for more than three years at the time of sale (five years for shares in a cooperative, a general partnership, a limited partnership or a limited liability company).
  - Income from the sale of a participation in a business;
  - Prizes from advertising competitions and lotteries.
- Individuals who are not Slovak tax residents must pay Slovak income tax on any profits or gains from Slovak sources, unless relief is available under a double tax treaty, or there is a specific exemption in the Slovak law.

INDIVIDUAL TAX BASE, TAX LOSSES

- Individual income from different sources, such as employment income, entrepreneurial and rental income, capital income and other income, forms an individual's overall tax base.
- There are some restrictions on deducting losses from one type of activity from taxable profits of another type of activity.

- Losses arising from business or rental property can be offset against other sources of income, with the exception of employment income. If an overall loss is realized, it can be carried forward and offset against taxable income arising from most types of non-employment income in the following five years.
- Generally, necessary expenses incurred to generate, ensure and maintain taxable income are deductible from that income. However, from employment income, only compulsory social security and health insurance contributions paid by the employee can be deducted.

PERSONAL ALLOWANCES

- The personal allowance is available to all individuals. For 2009 it is a maximum of EUR 4,025.70. Individuals whose tax base for 2009 is higher than EUR 15,387.12 cannot apply the entire non-taxable personal allowance. Their personal allowance is progressively reduced to nil, based on a formula, so that those with an annual tax base over EUR 31,489.92 are not entitled to any personal allowance. This reduction in the allowance should be made in the year-end payroll reconciliation or on filing a personal income tax return.
- A dependent spouse allowance of up to EUR 4,025.70 for 2009 can also be claimed by an individual whose spouse does not have income in excess of the allowance amount. The spouse allowance is the difference between EUR 4,025.70 and the spouse's actual income. However, if the individual's tax base is higher than EUR 31,489.92, the available spouse allowance is progressively reduced, based on a formula, so that those with an annual tax base over EUR 47,592.72 in 2009 are not entitled to any spouse allowance.
- A dependent spouse allowance is available to individuals who are Slovak tax residents, and also to Slovak tax non-residents if at least 90% of their world-wide income for the tax year is from Slovak sources.

TAX BONUS FOR DEPENDENT CHILDREN

- A monthly tax bonus of EUR 19.32 for each dependent child living in an individual's household is available to individuals with taxable income of at least six times the minimum wage (currently EUR 295.50 per month). The tax bonus changes on an annual basis. It decreases the tax liability, and it is available to Slovak tax residents with permanent Slovak residence, and also to Slovak tax non-residents if at least 90% of their world-wide income for the tax year is from Slovak sources.

EMPLOYEE BONUS

In general, an individual can claim the employee bonus in 2009 if his/her annual taxable employment income in Slovakia is between EUR 1,773 and EUR 4,025.70, the individual was employed for at least six months of the calendar year, and he/she had no income other than employment income.

The employee bonus must be paid out once a year by the employer via the annual payroll reconciliation. However, if the individual files a personal income tax return, the tax office will pay the employee premium to the individual, instead of the employer doing so.

The maximum employee premium for 2009 is EUR 180.98, but the amount decreases progressively as income increases from EUR 1,773 to EUR 4,025.70.

If the individual was employed for only part of the year, the employee bonus is pro-rated based on the number of months worked in the calendar year.

PAYROLL WITHHOLDING

- An employer must withhold income tax from employment income when making salary payments, usually on a monthly basis, to:
  - all employees of a Slovak company, except for employees who were seconded abroad and are taxed abroad;
  - all employees of a Slovak branch or permanent establishment of a foreign company (with the exception of employees who only carry out services in Slovakia, who should instead pay individual tax advances – see below), including expatriates employed by the head office and assigned to work for a branch; and
  - economic employees.
- The tax withheld must be paid to the Tax Office at which the entity is registered within five days from the date the salary was paid to the employee. The employer must keep payroll records and is responsible for the correct payment of tax. Furthermore, if the employee only earns employment income from Slovak sources (and other income from Slovak sources that was taxed through a final withholding tax) during a calendar year, the employer must (if asked by the employee) produce an annual payroll tax reconciliation on the employee's behalf. In effect, this reconciliation statement functions as the employee's tax return.

- Leased (economic) employees should be on the Slovak company's payroll.
- A foreign company that employs people who are in the Slovak Republic for more than 183 days and / or has a permanent establishment in Slovakia should keep payroll for these people, unless they only provide services in Slovakia.

TAX ADVANCES

- Advance payments must normally be made for tax on non-employment income not taxed through withholding tax, on the following basis, unless the Tax Office agrees otherwise following a request by the taxpayer:
  - If the previous year's tax liability exceeded EUR 16,596.96, one-twelfth of the prior year's liability must be paid monthly, usually by the last day of each month.
  - If the previous year's tax liability was between EUR 1,659.70 and EUR 16,596.96 one-quarter of the prior year's liability must be paid by 30 June, 30 September, 31 December and 31 March.
  - No advance payments are required where the previous year's tax liability was below EUR 1,659.70.
- If employment income comprises over 50% of the individual's taxable income, tax advances on income other than employment income are not payable. If the individual has some employment income taxed through a Slovak payroll, but this is 50% or less of his total income taxable in Slovakia, half of the amounts calculated as stated above will be payable as separate tax advances.
- Individuals who receive employment income that is not taxed under Slovak payroll procedures (i.e. those employed outside Slovakia who carry out services in Slovakia) must report, calculate and pay monthly tax advances as follows:
  - The individual must inform the Slovak tax authorities that he/she receives employment income not taxed under Slovak payroll by the end of the month in which he/she first receives this income.
  - The tax advances must be calculated from the amount of employment income (including any benefits in kind) that is actually paid / provided to the individual. The tax advance must be paid by the end of the calendar month following that in which the income was paid to the individual.

- The tax advances should generally be calculated in the same manner as the payroll tax advances of regular Slovak employees.

TAX REGISTRATION

- All foreigners assigned to work in Slovakia must register for income tax purposes within 30 days of becoming subject to Slovak tax, unless they are on a Slovak payroll.

TAX RETURNS

- Generally, anyone who is subject to Slovak personal income tax and whose taxable income for the year exceeds a certain amount (in 2009 it is EUR 2,012.85) must submit a personal income tax return, unless he/she:
  - has no income other than that which is taxed through a final withholding tax (eg Slovak bank interest);
  - is exempt from Slovak personal income tax; or
  - has his / her salary taxed through a Slovak payroll, the employer prepares an annual tax reconciliation, and the individual has no other taxable income.
- The filing and tax payment deadline is 31 March of the calendar year after that in which the income is earned. An extension to the filing deadline can be requested, but granting this is at the discretion of the tax authorities.
- Husbands and wives must file separate tax returns.
- The tax period is the calendar year.

DONATIONS

- A taxpayer can donate up to 2% of his/her tax liability to a qualifying entity of his/her choice, by submitting a form (which is a part of the tax return form) stating the name of the recipient.

PENALTIES

- High penalties can be imposed for failing to file a tax return or pay taxes, or for doing so late, and for failing to declare significant amounts or sources of income. The penalties are calculated in the same way as for companies.

Health Insurance and Social Security

HEALTH INSURANCE

- Health insurance contributions are generally obligatory for individuals who:
  - have permanent residence in the Slovak Republic;
  - do not have permanent residence in the Slovak Republic, but are not insured in another EU or European Economic Area member state or in Switzerland, and who have an employment contract with a Slovak employer or with a foreign employer who has a Slovak permanent establishment; or
  - do not have permanent residence in the Slovak Republic, but are not insured in another EU or European Economic Area member state or in Switzerland, and are carrying out entrepreneurial activity in the Slovak Republic.
- The following individuals with permanent residence in the Slovak Republic are exempt from paying Slovak health insurance contributions:
  - those who are employed abroad, and who are also insured in that country;
  - those who are carrying out entrepreneurial activities abroad, and are also insured in that country;
  - those who stay abroad for more than six months and who are insured in the other country.
- An individual who has permanent residence in the Slovak Republic and is not obligatorily insured in the Slovak Republic and, at the same time, is not insured in another EU member state, can be insured in Slovakia on a voluntary basis.
- The base for calculating contributions is the taxable income received. The minimum monthly base is the official minimum monthly salary (in 2009 EUR 295.50). The maximum monthly base is EUR 2,006.17 for 2009, which is three times the official Slovak average salary for 2007.
- Both the employee and the employer contribute to the health insurance system. The employee's contribution is 4% of the computation base, while the employer's contribution is 10% of the computation base. An entrepreneur pays both the employee's and the employer's contributions, i.e. 14% of the computation base.

- The regular monthly contributions to the health insurance system are treated as advance payments for the yearly liability, and are subject to an annual health insurance contributions reconciliation, which should normally be filed by 31 March of the year following that for which the health insurance advances were paid.
- Health insurance contributions cover the state healthcare expenses of the individual paying the contributions.
- Individuals can choose the health insurance company to which they will pay health insurance contributions.
- The EU rules for health insurance apply in the Slovak Republic. These affect the country in which an EU national is liable to pay health insurance contributions if he/she lives and/or works in more than one EU country (see below under Social Security for more information).
- Slovak individuals temporarily working in another EU member country should apply for a European Health Insurance Card ("EHIC") to confirm that their health insurance is paid in Slovakia.
- An EHIC enables individuals temporarily working abroad (and their family members) to continue being covered by the Slovak health insurance system during their stay abroad. However, Slovak health insurance will only cover basic health treatment abroad.
- For Slovak expatriates paying Slovak health insurance contributions, and their family members living abroad, to receive full (rather than only basic) medical treatment abroad, they should apply for an E106 form. However, if they obtain an E106, this means they would be covered in Slovakia for basic health treatment only, despite the fact that they make health insurance contributions in Slovakia. Most health insurance companies require an E101 certificate before they issue an E106 form.

SOCIAL SECURITY

- Slovak social security covers state pensions, and insurance for sickness, permanent disability, unemployment, injury and employer insolvency, as well as contributions to a reserve fund.
- The Slovak pension insurance system consists of three pillars. The first and second pillars are compulsory, while the third one is voluntary.

The first pillar's principles

- Generally, the following individuals must be insured for sickness insurance, retirement and permanent disability insurance, and unemployment insurance:
  - an employee who carries out his employment activities for a Slovak employer in or outside the Slovak Republic; and
  - an individual carrying out entrepreneurial activities in the Slovak Republic, if his income is above a specified limit.
- An individual over 16 years old who has permanent residence, the right to permanent residence, or temporary residence in the Slovak Republic, can be insured on a voluntary basis.
- Contributions for each category are calculated as a percentage of the "computation base".
- In general, the computation base for all categories of social insurance is an individual's taxable income, excluding some benefits. The minimum monthly base is the official minimum monthly salary (EUR 295.50) whilst the maximum is four times the official average monthly salary for the following categories:
  - retirement and permanent disability insurance;
  - unemployment insurance; and
  - reserve fund contributions.
- The minimum monthly computation base is the official minimum monthly salary (EUR 295.50), whilst the maximum is 1.5 times the official average monthly salary, for the following categories:
  - sickness; and
  - guarantee insurance contributions.
- The average monthly salary that applies for the period from 1 July 2008 to 30 June 2009 is EUR 668.73, which is the 2007 average monthly salary. From 1 July 2009, the 2008 average monthly salary will apply. This amount should be announced by 30 April 2009.
- The following is an overview of maximum social security and health insurance contributions for employee and employer:

	Employee	
	Rate	Maximum monthly contribution in the period to 30 June 2009 (EUR)
Sickness	1.4%	14.00
Retirement	4%	106.90
Permanent disability	3%	80.20
Unemployment	1%	26.70
Health	4%	80.24
Guarantee insurance	-	-
Reserve fund	-	-
Total	**13.4%**	**308.04**

	Employer	
	Rate	Maximum monthly contribution in the period to 30 June 2009 (EUR)
Sickness	1.4%	14.00
Retirement	14%	374.40
Permanent disability	3%	80.20
Unemployment	1%	26.70
Health	10%	200.61
Guarantee insurance	0.25%	2.50
Reserve fund	4.75%	127.00
Total	**34.4%**	**825.41**

- In addition to these contributions, the employer must also make **injury insurance** contributions of 0.8% of employees' total salary costs per month.

- From 1 January 2010, the percentage of injury insurance contributions should vary from 0.3 to 2.1% based on the employer's safety classification.
- An individual paying contributions to the social insurance company can claim the following state benefits on meeting the necessary conditions: sickness, nursing, maternity, old-age pension, invalidity pension, surviving partner pension, injury compensation, unemployment allowance, and others.
- The EU rules for social security apply in the Slovak Republic. These affect the country in which an EU national is liable to pay social security and health insurance contributions, if he/she lives and/or works in more than one country.
- Generally, under the EU rules, the individual has to pay social security and health insurance contributions in the country in which he/she works.
- If certain conditions are met, an individual assigned to Slovakia from another EU member state (or from Switzerland) for up to 12 months does not need to contribute to the social security scheme in Slovakia provided he/she obtains an E101 form from his home state before he/she arrives in Slovakia.
- If the assignment will last more than 12 months, it is possible to apply for an extension and obtain an E102 form that extends the E101 form for another 12-month period.
- It is also possible to apply for an extraordinary exception to the EU rules and obtain an E101 form for a period of up to 5 years, in certain circumstances.

The second pillar's principles

- The system of old-age pension savings is financed from contributions paid to personal retirement accounts.
- Individuals who did not make retirement insurance contributions before 1 January 2005 have to contribute to the second pillar.
- Other individuals were able to choose by 30 June 2006 whether they wanted to participate in the second retirement insurance pillar. Also, individuals currently have another period (from 15 November 2008 to 30 June 2009) to decide whether they want to enter or leave the second pillar.

- If an individual enters the second pillar, the employer's contributions to the first pillar are decreased from 14% to 5% of the computation base. The difference (9%) is the employer's contribution to the individual's personal retirement account under the second pillar.
- The computation base for contributions to personal retirement accounts is the same as that for retirement insurance under the first pillar (see above).
- Under the old-age pension savings system, each citizen is able to choose a qualifying asset management company to manage his/her personal pension account.
- The asset management companies have each created three pension funds – growth, balanced and conservative funds – that differ in their rate of return and risk. Each employee is able to select a particular fund.
- Regular, early and surviving partner pensions are paid from old-age retirement savings.

The third pillar's principles

- This pillar covers the commercial pension system in Slovakia.
- All employees and other individuals older than 18 years are able to join the third pillar of Slovak pension insurance system, if they wish to do so, and if they sign a supplementary pension savings contract with a private commercial pension company.
- Both the employer and employee can make contributions towards the employee's commercial pension plan.
- Foreigners working in Slovakia can opt to continue contributing to their foreign company pension plans whilst working in Slovakia.
- Contributions to the third pillar are tax deductible for Slovak tax resident individuals up to a maximum of EUR 398,33 per year, if the pension plan requires the individual to contribute for at least ten years, and if it does not pay out retirement benefits until the individual is at least 55 years old.

COMPANIES

Corporate income tax

ENTITIES SUBJECT TO CORPORATE INCOME TAX

- A company is treated as a Slovak tax resident if it is incorporated or has its place of management in the Slovak Republic. Tax resident companies are subject to Slovak tax on their worldwide income, subject to any relief or exemption available under a double taxation treaty.
- Permanent establishments of foreign companies are generally taxed on Slovak-source income only.
- There are no provisions for group taxation. This means consolidated returns cannot be filed, and each group company subject to Slovak taxation must submit a separate tax return.

TAX RATE

- The corporate tax rate is 19%.

TAX BASE

- The tax base is generally the accounting result as determined under Slovak statutory accounting rules, adjusted for tax purposes.
- If the Slovak tax payer is obliged to prepare its accounts under International Financial Reporting Standards ("IFRS"), the tax base is derived from either:
  - the profit before tax under IFRS, adjusted for tax purposes using the IFRS bridge issued by the Slovak Ministry of Finance; or
  - the Slovak statutory accounting rules (i.e. the taxpayer must recalculate its accounting result based on Slovak statutory accounting rules).
- Branches and permanent establishments may agree with the tax authority to use an alternative method of calculating their Slovak tax liability, if it is impractical to use the standard method.
- Under the transfer pricing rules, the tax base should be increased by any difference in prices charged between a Slovak entity and its foreign related parties compared to the prices that would be charged between independent parties, if such a difference results in a reduction in the Slovak entity's tax base.

- Capital gains from the disposal of assets are included in the corporate income tax base.

NOT SUBJECT TO TAX

The following items are not subject to corporate tax:

- Dividends paid out of profits earned on or after 1 January 2004.
- Liquidation surpluses and settlement amounts paid to shareholders, to which the shareholders are entitled on or after 1 January 2004.
- Income received by inheritance or donation.
- Income from acquiring new shares due to an increase in share capital from retained profits, or from mergers and de-mergers within Slovakia or the European Union.

INCOME EXEMPT FROM TAXATION

Exempt income includes:

- Interest and certain other income from loans, bonds, etc. paid by Slovak tax resident legal entities to closely related EU entities, which are the beneficial owners of such income, provided certain relationships between the entities have existed for at least two years preceding the date when the interest is paid.
- Royalty payments made to closely related EU entities, which are the beneficial owners of such income, provided certain relationships between the entities have existed for at least two years preceding the date of royalty payment.

TAX-DEDUCTIBLE ITEMS

- Generally, tax-deductible items are those that the taxpayer incurs to generate, ensure and maintain its taxable income. Documentation, such as receipts and invoices, must be kept to support the tax deductibility. During a tax inspection, a Slovak translation of such documents may be requested. Tax-deductible items include the following:
  - Salary costs.
  - Costs for employee business trips, up to certain amounts.
  - Fuel costs for business use, in accordance with the technical documentation of the vehicle, or 80% of the fuel costs incurred for business purposes.

- Advertising costs incurred for the presentation of the business activities of the taxpayer, its goods, services, business name, trademark, and brand names.
- Promotional products not exceeding EUR 16.60 for each item, if they bear either the company's business name or trademark.
- Interest, including interest on foreign related party loans.
- Royalties and service fees.
- The tax written down value of assets sold or liquidated.
- The purchase price of securities sold, or the cost of derivates, up to the amount of income from their disposal.
- The creation of reserves:
  - for goods and services provided in the current year, where the invoice has not been received by the year end;
  - for costs of unused staff holidays (including statutory employer's social security and health insurance contributions);
  - for the costs of audit services and the costs of preparing the tax return for the current year;
  - for certain expenses related to emissions quotas;
  - for handling waste electronic products and appliances;
  - for the closing of mines and waste accrued by mining activities;
  - for life and non-life insurance, except for compensation for incurred but not reported insurance events (IBNR). The balance of technical reserves for insurance compensation for incurred but not reported insurance events (IBNR) created as tax deductible before 1 January 2008 should be released to taxable income by 31 December 2009.
- A written-off receivable, up to its nominal value is tax deductible. This receivable must meet the specific criteria stated in the Tax Act.
- The value of an assigned receivable, up to the income from its assignment, or the amount of the tax deductible provision to such a receivable, depending on the circumstances.
- Provisions for unsecured bad-debts created by banks, and other debts of regular commercial companies, are fully tax deductible once the debt has been overdue for more than 36 months (20% of the bad debt is tax deductible when it has been overdue for more than 12 months, and 50% after 24 months).

Tax deductions already taken for bad-debt provisions created before 1 January 2008 have to be adjusted to bring them in line with the above rules by 31 December 2009.

- Contributions to supplementary pension savings made by the Slovak employer on behalf of the employee, up to 6% of the gross salary of the employee participating in these plans.
- Tax depreciation or operating lease payments for personal cars used for business purposes.
- Finance lease fees, if the leasing period is at least three years, and at least 60% of the tax depreciation period that would apply to the leased asset if it was owned. The leasing fees that the lessee pays to the lessor are tax deductible expenses as they are treated as interest and depreciation (see below).
- A voluntary contribution to an association (legal entity) for membership in that association – up to the lower of EUR 66,387.84, or 0.05% of the entity's taxable income. The association should have been set up to protect the business interests of its members.

Cash basis costs/income

- Contractual penalties and interest on late payments, except for late payment interest paid to or received by banks, are tax deductible or taxable on a payment or receipts basis, provided they were accounted for in the year of payment or receipt, or an earlier year.
- Rental fees and commissions paid to individuals are also tax deductible on a cash basis.

TAX NON-DEDUCTIBLE ITEMS

- The tax law restricts the tax deductibility of certain expenses. Generally, these are expenses regarded as not related to generating taxable income. The following expenses are specifically tax non-deductible
  - Dividends, including those paid to statutory representatives.
  - Expenses above statutory limits (such as travel expenses).
  - Representation (entertaining) expenses and promotional products with a value over EUR 16.60 per item, or promotional items not bearing either the company's business name or its trademark.
  - Gifts and donations.

- Expenses related to non-taxable income.
- Accounting provisions and accounting reserves (with the exceptions outlined in the section Tax Deductible Items).
- Non-contractual fines and penalties.
- Creation of a reserve fund and other funds, excluding the obligatory social fund.
- Corporate income tax.
- Taxes paid on behalf of other taxpayers.
- Losses realized on the sale of land.
- Bribes and other illegal payments.
- Expenses related to the personal needs of the taxpayer or the taxpayer's owner(s).
- Amortization of goodwill.

DONATIONS

- A taxpayer can donate up to 2% of its tax liability to a qualifying entity of its choice, by submitting a form (which is a part of the tax return form) stating the name of the recipient entity.

DIVIDENDS

- Dividends paid out of profits generated after 1 January 2004 are not subject to Slovak tax, regardless of whether the recipient or payer is EU-resident or not, and regardless of the share of the parent in the subsidiary.
- Dividends from profits generated before 2004, and paid to Slovak recipients in 2004 or later, are taxed at 19%. However, such income is not taxable if the dividends are paid after 1 May 2004 by EU-resident companies to Slovak tax residents who have at least a 25% direct stake in the share capital of the paying company.
- Dividends paid by Slovak companies after 1 April 2004 to Slovak tax non-residents from profits generated before 1 January 2004 are subject to 19% Slovak withholding tax, unless the recipient company is EU-resident and has at least a 25% direct stake in the share capital of the Slovak subsidiary when the dividends are paid. In other cases, an applicable double taxation treaty may reduce the rate of withholding tax.

- Dividends may not be paid out by a Slovak company until after its accounts are completed and a General Meeting of Shareholders has approved them. Slovak law does not permit the payment of interim dividends.

INTEREST

- Interest, including interest on foreign related party loans, is normally fully tax deductible, subject to transfer pricing rules and, from 2010, thin capitalization rules.
- For Slovak transfer pricing purposes, the interest charged between a Slovak entity and a foreign related party must be at a similar level to that which would apply between related parties under similar conditions (see below). Interest expenses in excess of this are tax non-deductible for the Slovak payer.
- Interest accruing during the development period on loans taken out to fund the development of fixed assets may be capitalized.
- Interest paid by a Slovak tax resident to a Slovak tax non-resident is subject to domestic withholding tax of 19%. This withholding tax may be reduced by an applicable double tax treaty, or by the provisions of the EU Interest and Royalties Directive as incorporated into the Slovak Income Tax Act.

RELATED PARTY TRANSACTIONS

- Prices between a Slovak entity and its foreign related parties must be set at fair market value (the arm's length principle) for corporate tax purposes.
- A related party (an individual or an entity) is a relative, a party economically or personally related, or a party otherwise connected (this relationship arises if the parties have established a business connection only for the purpose of decreasing the tax base).
- An economic or personal relationship means one party having a participation in the equity, control, or management of the other party, or a relationship between two parties that are under the common control or management of another party.
- Participation in equity or control means a higher than 25% direct or indirect participation in share capital or voting rights.

- The tax authorities can adjust the tax base and assess penalties if they decide that arm's-length prices were not used in transactions between Slovak and foreign related parties, and this has resulted in a reduction in a Slovak entity's tax base.
- IFRS compliant taxpayers have to keep transfer pricing documentation.

THIN CAPITALISATION

- The introduction of thin capitalization rules has been postponed from 1 January 2009 to 1 January 2010.
- These rules will have the following features:
  - the rules relate to the tax deductibility of interest on loans from both foreign and domestic related parties;
  - related parties for thin capitalization purposes are those that have a 25% or more direct or indirect holding in each other;
  - under the rules, interest on related party loans that exceed six times the Slovak company's equity will be tax non- deductible;
  - however, the rules will only apply where the Slovak entity's average annual related party loans exceed EUR 3,319,400.

FOREIGN EXCHANGE DIFFERENCES

- Foreign exchange differences booked through the profit and loss account and arising from the revaluation of unrealized receivables and payables as at year end are normally treated as taxable or tax non-deductible in accordance with their accounting treatment. However, they can be excluded from the tax base if the taxpayer notifies the tax authorities about its intention to do this before the beginning of the tax period concerned. This option remains in place until the taxpayer notifies the tax authorities that it wishes to stop excluding such differences. This second notification must be made before the end of the tax year concerned. Foreign exchange differences arising from the revaluation of other assets and liabilities as at the close of accounts are always part of the tax base in line with their accounting treatment.

TAX LOSSES

- A taxpayer can utilize a tax loss over a maximum of five consecutive tax periods, starting with the tax period immediately following that in which the taxpayer reported the loss. The tax loss does not have to be utilized equally over the utilization period, nor does the amount of the utilized tax loss have to be reinvested.
- If the taxpayer reports another tax loss during the utilization period, it can carry it forward together with the earlier tax loss. Each year's tax loss should be considered separately and can be utilized over its own five-year utilization period.

TAX DEPRECIATION

- Tax depreciation (capital allowances) is generally available for expenditure incurred on tangible and intangible fixed assets.
- The tax depreciation of intangible fixed assets equals the accounting depreciation.
- Some types of assets are excluded from depreciation, such as land, artworks, and national monuments.
- Tangible fixed assets are classified into tax depreciation groups to which different tax depreciation periods apply, as follows:

Depreciation group	Depreciation period (years)	Examples
1	4	Motor vehicles, office machines and computers, tools and implements
2	6	Engines, cooling and freezing equipment, most production line equipment, TV and radio receivers
3	12	Houses and buildings made of metal, turbines, air conditioning systems, ships
4	20	Buildings of a permanent nature.

- Buildings put into use for the first time in the tax period ending in 2009 can be split into their component assets for tax depreciation purposes, provided certain conditions are met.
- Taxpayers do not have to depreciate an asset every year. Tax depreciation may be interrupted in any year and continued in a later year without a loss of the total tax depreciation available.
- A lessee can depreciate a tangible fixed asset held under a financial lease. The tax depreciation period equals the leasing period, and the tax depreciation base is the acquisition value of the leased asset without VAT, and increased by the expenses related to its acquisition that the lessee incurred before the asset was put into use. Tax depreciation charges are applied in equal amounts on a monthly basis.
- For most assets, the taxpayer can choose to claim tax depreciation on either a straight-line or accelerated basis in accordance with the following tables:

Straight-line method

Depreciation group	Annual depreciation
1	1/4
2	1/6
3	1/12
4	1/20

Accelerated method

Depreciation Categories	Coefficient for accelerated depreciation		
	First year	Subsequent years	For increased residual value
1	4	5	4
2	6	7	6
3	12	13	12
4	20	21	20

Securities

CAPITAL GAINS

- A profit on the disposal of securities (sales proceeds less acquisition price) is included in the general corporate income tax base.
- A loss on the disposal of securities is tax deductible in the following cases:
  - The taxpayer made an overall profit from the sale of securities during the tax year.
  - In case of listed securities, the selling price of the securities is not more than 10% lower than the average selling price on the stock exchange on the day of sale, and the purchase price was not more than 10% higher than the average market price on the stock exchange on the day of acquisition.
  - The loss from the sale of bonds is not higher than the accrued coupon on bonds already included in the tax base.
  - The taxpayer has a licence issued by the state authorities to trade in securities.

The above tax deductions do not apply to the sale of shares in a limited liability company or cooperative, a loss on which is tax non-deductible.

- The total costs related to trading derivatives are tax deductible only up to the total income from these derivatives arising in the same tax period. However, costs related to (i) hedging derivatives or (ii) trading derivatives held by a taxpayer that has a licence issued by the state authorities to trade in securities, or held by insurance companies, are fully tax deductible.
- Most types of securities and derivates must be revalued annually to their market value. The revaluation takes place as of the balance sheet date, either through the profit and loss account or through balance sheet accounts. The revaluation differences are generally included in the tax base.

TAX NON-RESIDENTS

- If a non-Slovak resident company sells a share in a Slovak entity to a Slovak tax resident, the income from the sale is regarded as Slovak-source income taxable in Slovakia, unless a relevant double tax treaty provides for a different treatment (which is often the case).

If the foreign seller is a tax resident outside the EU, the Slovak purchaser must withhold a 19% tax securement from payment of the sale price if a tax treaty does not exempt the gain from Slovak tax. The seller should then submit a Slovak corporate tax return to tax the profits on the sale.

INCOME FROM SECURITIES

Dividend income

- Liquidation surpluses, settlement amounts paid to shareholders, and dividends received out of profits earned on or after 1 January 2004 are not subject to Slovak corporate income tax.

Interest income

- Interest income is subject to 19% Slovak tax. If interest is paid to Slovak tax residents, this income is included in the general tax base. If interest is paid from Slovak sources to Slovak non-residents, it is subject to withholding tax at source of 19%, or at a lower rate specified in an applicable double taxation treaty.
- Also, under Slovakia's implementation of the EU Interest and Royalties directive, interest paid by Slovak tax residents to closely related EU-resident companies who are the beneficial owners of the income, is exempt from Slovak tax if the companies concerned were related (as defined in the law) for at least two years before payment of the interest or royalties.
- Income from Slovak government bonds issued and registered abroad is exempt from Slovak tax.

Corporate Tax for Foreign Entities

GENERAL PRINCIPLES

- Foreign entities are generally subject to Slovak tax on income generated in the Slovak Republic.
- The extent to which a foreign entity is subject to Slovak tax depends on its activities undertaken in, or related to, the Slovak Republic.
- Foreign entities can be subject to taxation by establishing a branch, creating a permanent establishment, or being obliged to have withholding tax or tax securements withheld from Slovak-source income.

ELIMINATION OF DOUBLE TAXATION

- A double taxation treaty may eliminate double taxation of income from Slovakia for taxpayers seated abroad.

BRANCH OF A FOREIGN ENTITY

- A Slovak branch must be registered in the Slovak Commercial Register.
- It can be a trading or a non-trading branch.
- The tax base of a foreign company's trading branch may not be lower than the tax base that an independent entity (eg a Slovak company) would achieve from carrying out similar activities under similar conditions. If the branch's tax base cannot be assessed based on its income less costs, as adjusted for tax purposes, certain other methods can be used. A taxpayer may ask the tax authorities in writing to approve such a method.
- A branch has the same tax registration, filing, payment, and tax advance payment obligations as a Slovak company.

PERMANENT ESTABLISHMENT (PE)

- A PE is not necessarily a legal entity, but is a taxable entity in Slovakia.
- It is created mainly by:
  - A permanent place or facility being used either constantly or repeatedly by a foreign company carrying out business activities in Slovakia;
  - An activity, place or facility through which a foreign company carries out one off activities in Slovakia for more than six months in any 12 consecutive months; or

- A person acting on behalf of the foreign company and repeatedly concluding contracts or negotiating details of contracts on its behalf.

- The conditions for creating a PE may be modified by a double tax treaty.
- The taxpayer can apply to the Tax Office to approve a certain method of determining the tax base of a PE (see the section "Branch of a Foreign Company").
- A PE has the same tax registration, filing, payment, and tax advance payment obligations as a Slovak company.

TAX SECUREMENT

- Individuals or entities may have to deduct taxes from certain payments made to foreign taxpayers unless they are resident in the European Union.
- In such cases, when paying, transferring, or crediting an amount to a non-EU entity, the taxpayer must withhold a 19% tax securement.
- It is not necessary to withhold a tax securement if the payment is made to a foreign entity that pays Slovak corporate income tax advances, and the tax authorities have confirmed that tax securements are not required.
- It is also not necessary to withhold a tax securement if the payment made to the foreign entity is subject to Slovak withholding tax.
- The tax administrator can instruct any individual or entity to withhold a tax securement of half of the standard tax rate (i.e. 9.5%) from payments made to any taxpayer, even another Slovak entity.
- In addition, the Tax Office may specifically reduce the tax securement rate.

WITHHOLDING TAX

- The following payments are subject to withholding tax when made by Slovak companies to foreign parties. However, a double taxation treaty may reduce the rate (see the appendix for specific rates for each country):

Fees for services provided in the Slovak Republic (including management fees	19%
Royalties*	19%
Interest on loans and deposits*	19%
Dividends	Not subject to tax

* Interest and royalties paid to EU resident closely related companies is not subject to withholding tax, provided certain conditions are met.

- Dividends paid out of profits arising in 2004 and later years are not subject to withholding tax.
- Withholding tax should be paid to the Tax Office no later than 15 days from the end of the calendar month following that in which the payment was made.
- The withholding obligation lies with the Slovak tax resident payer. If the tax is not withheld, is withheld in an incorrect amount, or is not transferred to the Tax Office by the deadline, the unpaid tax will become the Slovak tax resident's debt, and a penalty can be assessed and charged, which would be tax non-deductible.

CERTIFICATE OF PAYMENT OF WITHHOLDING TAX

- The Tax Office will issue a confirmation that a foreign taxpayer suffered withholding tax, if the foreign taxpayer requests one.
- The Slovak tax resident who withheld the tax can also ask for this confirmation on behalf of the foreign entity.
- This confirmation should serve as proof for foreign financial authorities that the tax was paid in Slovakia.

Corporate Tax Compliance

TAX PERIOD

- The corporate tax period can be:
  - a calendar year; or
  - a different accounting and fiscal year (12 consecutive calendar months); or
  - the period from the effective date of:
    - a merger; or
    - a de-merger of a company or other legal entity

    to the end of the calendar year or accounting and fiscal year in which this merger or de-merger is entered in the Commercial Register.
  - the period from the end of the last tax period until the effective date of:
    - a merger; or
    - change in the accounting period end.
- Special rules apply on liquidation, bankruptcy and, in some cases, on a change of legal form of a taxpayer.
- To change the tax period from a calendar year to a different twelve-month accounting and fiscal year, the taxpayer must notify the Tax Office at least 15 days before the suggested starting date of the new accounting and fiscal year. The interim period between the old and new accounting and fiscal years must be less than twelve months, and it is considered a separate accounting and fiscal year.

FILING

- Corporate tax returns must be filed within three months following the end of the taxable period.
- An extension to the filing deadline can be requested at least 15 days before the normal filing deadline. However, the granting of this extension is at the discretion of the Tax Office.
- The tax administrator may, on the taxpayer's request or at its own discretion, extend the filing or reporting deadline by up to three months. If part of the income reported in the tax return is from sources abroad, the tax administrator may extend the filing deadline by up to six months.

- It is possible to file tax returns electronically (by e-mail or fax).
- Because of Slovakia's adoption of the Euro as its official currency on 1 January 2009, tax returns for the year ended on or before 31 December 2008 that should be filed on 1 January 2009 or later should be calculated in the original Slovak currency (i.e. SKK), but a separate disclosure needs to be made in the tax return of the Euro amounts of the tax liability and tax due.

PAYMENT

- The balance of tax due for a fiscal year is payable by the tax return filing deadline.
- A company must also pay corporate income tax advances if its last known tax liability exceeded EUR 1,659.70 (SKK 50,000). The tax advance period starts in the first month of the following tax period. However, until the date of filing the corporate income tax return for the current tax period, the tax advances continue to be payable based on the tax charge for the previous tax period.
- Advances are payable:
  - quarterly (1/4 of the last known tax liability), if the last known tax liability was between EUR 1,659.70 (SKK 50,000) and EUR 16,596.96 (SKK 500,000); or
  - monthly (1/12th of the last known tax liability), if the last known tax liability exceeded EUR 16,596.96 (SKK 500,000).
- An entity that is established during a calendar year (except through merger or de-merger) does not generally have to pay tax advances in its first taxable period.
- On filing a tax return, the difference between the advances paid during the fiscal year of filing the tax return, and the tax advances that would have been due based on the actual tax liability is determined. Any outstanding amount must be paid within 30 days after the filing deadline for the tax return. Any overpayment will be refunded on request, or can be credited against future tax liabilities.

ASSESSMENT OF TAX

- A tax may not normally be assessed or additionally assessed more than five years after the end of the year during which the obligation to file a tax return arose, or during which the taxpayer was obliged to pay the tax.

- If a tax inspection is undertaken within this five-year period, another five-year period commences from the end of the year in which the taxpayer was notified of this action.
- However, tax may be assessed, or additionally assessed, no later than ten years after the end of the year during which the obligation to file a tax return arose, or during which the taxpayer was obliged to pay the tax.

AMENDED TAX RETURN

- If the taxpayer discovers an error in the tax return resulting in a higher tax liability or a lower tax loss, an amended tax return must be filed within one month following that in which the error was discovered. Any additional tax must be paid within this time limit.
- If the taxpayer discovers an error in its favour in a tax return already filed, an amended tax return can be filed under certain conditions.

FINES AND PENALTIES

- Taxpayers are subject to cash penalties if:
  - tax is under-declared in a tax return or is increased by an additional tax return that the taxpayer filed voluntarily; or
  - the Tax Office imposed an additional tax assessment as a result of an inspection.
- The tax administrator will impose a fixed penalty equal to three times the European Central Bank's base interest rate multiplied by the difference in tax between that shown in the tax return and that determined by the tax administrator. If the additional tax charge arises in an amended tax return that the taxpayer filed voluntarily, this penalty is halved.
- Failure to comply with non-monetary obligations may result in fines that can be imposed more than once, up to a total of EUR 66,388.
- If the taxpayer does not submit a tax return on time, there will be a penalty of up to EUR 33,194.
- The tax office will not impose a penalty that would be less than EUR 16.60.
- In addition to penalties, the tax administrator can impose late payment interest of four times the European Central Bank's base interest rate multiplied by the amount of overdue tax, for each day of late payment.

- The tax administrator must pay interest if it fails to refund a tax overpayment on time, or otherwise holds back the funds of the taxpayer without reason.

STATE AID AND INVESTMENT INCENTIVES IN THE SLOVAK REPUBLIC

Slovak legislative situation

The following investment incentives, all of which are considered state aid, are available under current Slovak law:

- cash grants for purchasing tangible and intangible fixed assets;
- corporate tax credits;
- financial support for creating jobs; and
- the transfer or swap of immovable assets at a discount.

- Investment incentives are potentially available for projects in the following areas:
  - industry;
  - technology centres;
  - shared services centres; and
  - tourism.
- The maximum amount of available state aid for a particular project depends on the region in which the project will be located, with the highest amounts available in the central and eastern parts of Slovakia. No investment incentives are available for projects in the Bratislava region.
- A new Act covering investment incentives for research and development projects, which should be exempted from EU notification, has also been proposed. If enacted, it should be effective from August 2009.

The main conditions to be met in order to apply for incentives are:

1) establishment, extension, or modernization of an operation, or purchase of an establishment that would otherwise have been shut down;
2) minimum investment costs, the level of which depends on the type of investment and the unemployment rate in the region concerned;
3) 25% of the total value of the investment must be made from the investor's own financial sources (including bank loans); and

4) work must start on the project only after the Slovak Ministry of Economy's written confirmation that the project preliminarily meets the conditions for being granted incentives.

European legislation

- Slovakia, as an EU member state, must also follow the EU rules that apply to state aid. Generally, these recognize regional aid (aid to promote the economic development of disadvantaged regions) and certain other forms of state aid. Regional aid differs from other categories of aid because it is restricted to specific geographical areas, and is aimed specifically at encouraging the economic development of those areas by providing support for investments and job creation.

General Block Exemption Regulation

In order to simplify state aid procedures, the European Commission recently adopted a new regulation, which incorporates existing categories of state aid and also creates two new types of aid (environmental aid and risk capital). Thus the following types of state aid now exist:

- Aid for research and innovation. Companies may benefit from aid for fundamental research (up to 100% of the amount invested), industrial research (up to 50% or 70%) and for experimental development (up to 25% or 45%).
- Regional development aid includes specific aid for the creation of small companies, and the aid can be used to cover legal, advisory, consultancy, and administrative costs, plus operating costs for the first five years.
- Investment aid for Small and Medium-sized Enterprises (SME).
- General and specific training aid.
- Employment aid for disabled workers.
- Aid in the form of risk capital for the financing of SMEs.
- Environmental aid – grants for improving standards of environmental protection, for making energy savings, and for the production of renewable energy.
- Aid promoting female entrepreneurship, to help women create and develop new businesses.

EU funds

In addition to state aid, there is also support available from the European Union for the period from 2007 to 2013. The main areas of support are as follows:

- Knowledge economy
- Infrastructure and regional accessibility
- Human resources

Strategies, priorities, and targets of support from EU funds are implemented for 11 operational programmes:

1. Regional development
2. Environment
3. Transportation
4. Making information more available to society
5. Research and development
6. Competitiveness and economic growth
7. Education
8. Employment and social inclusion
9. Health care
10. Technical assistance
11. Bratislava region

Employment aid during the financial crisis

To soften the impacts of the financial crisis, the Slovak government has approved the following temporary measures to help employers:

- contributions for maintaining employment positions during severe operational difficulties;
- a contribution for creating new jobs;
- a contribution for providing training and education to employees;
- a contribution for employing disadvantaged job applicants;
- a contribution for retaining employees with low salaries.

Various conditions must be met in order for an employer to qualify for the above contributions.

OTHER TAXES

Value-Added Tax

VAT REGISTRATION

- The VAT registration threshold for taxable entities with their seat, place of business, or permanent establishment in Slovakia, is turnover of EUR 35,000 for the previous consecutive 12 calendar months. The application for obligatory registration must be filed with the tax authorities by the 20th of the calendar month following that in which the turnover threshold is reached.
- VAT registration is obligatory, if:
  - a legal entity or individual acquires a business or part of such a business from a registered VAT payer;
  - one of the members of an association, who is a taxable person with its seat, place of business, or permanent establishment in Slovakia, and who carries out business activities jointly based on an association agreement, decides to register for VAT prior to achieving turnover of EUR 35,000, then all members of the association must apply for VAT registration at the same time.
  - a foreign entity provides taxable supplies in Slovakia (in which case it must file the application for registration before it starts making such supplies, without reaching any threshold);
  - a foreign entity makes long-distance sales in Slovakia to any persons not registered for Slovak VAT, and the total value of the goods supplied reaches EUR 35,000 in a calendar year;
  - a foreign entity makes long-distance sales of goods to individuals for personal consumption, and these goods are subject to excise tax; or
  - a taxable person, or a legal entity that is not a taxable person, acquires goods from another EU member state for a total value of EUR 13,941.45 or more in a calendar year.
- An entity that makes supplies subject to VAT in Slovakia can voluntarily register for VAT by filing a request with the tax authorities.
- A foreign entity does not have to register for VAT in Slovakia in certain cases, for example if the person liable to pay the VAT is the customer (the recipient of the taxable supply).

- The tax office is obliged to issue a VAT registration certificate and VAT number to a foreign entity within 7 days, and to an entity with its seat, place of business or permanent establishment in Slovakia within 30 days, from the filing of a complete request for registration.

RETROACTIVE VAT REGISTRATION

- Retroactive VAT registration is allowed from 1 April 2009, but only for taxable entities that are supposed to register for VAT in Slovakia on or after 1 April 2009 and that do so late.
- In this case VAT payers are able to claim input VAT incurred before they applied for VAT registration, but they also have to pay output VAT on supplies they made during the period in which they should have been registered.
- The Slovak tax authorities are able to register companies retroactively if they find out that they were supposed to be registered earlier.

VAT GROUPING

- From 1 April 2009, VAT grouping is possible in Slovakia. This allows related entities with their seat or establishment in Slovakia to register for Slovak VAT as a single taxable entity if certain conditions are met. As a result, transactions within the group are outside the scope of VAT. The Slovak tax authorities will register a VAT group as of 1 January of the year following that in which the registration request is filed, provided this is done by 31 October of that year. If the request for registration is filed after 31 October, the Slovak tax authorities will register the group for VAT as of 1 January of the second year following that year in which the registration request is filed.

CALL-OFF STOCK SIMPLIFICATION

- A simplified call-off stock scheme applies where a foreign entity registered for VAT in an EU country (other than Slovakia), or another person on its account, transports or dispatches its own goods from another EU country to Slovakia, and stores them in Slovakia in order to supply them to one Slovak VAT payer only. If the foreign entity meets all the requirements set in the Slovak VAT Act for applying the call-off stock regime, it does not have to register for Slovak VAT.
- In this case, the single customer will instead have to pay the VAT on acquisition of the goods

VAT DE-REGISTRATION

- A registered VAT payer can de-register in the following cases:
  - If the VAT payer stops its business activities.
  - If a registered foreign entity stops providing taxable supplies in Slovakia.
  - On request, but only after being registered for VAT for at least one year, and provided that the VAT payer's taxable turnover in the last 12 calendar months did not reach EUR 35,000.
  - A foreign entity that makes long-distance sales to Slovakia can ask to be de-registered after at least one year of VAT registration, provided that the total value of goods supplied will not reach EUR 35,000 in the calendar year of de-registration, and did not reach EUR 35,000 in the previous calendar year.
  - If an entity registered for acquisition of goods from another EU-member state does not acquire goods from another EU-member state of a total value of EUR 13,941.45 or more in the relevant calendar year, and also did not reach this threshold in the previous calendar year.
- The tax authorities determine the last VAT period, and the VAT payer must return the original registration certificate with its VAT identification number within 10 days from the end of its last VAT period.

VAT RATES

- The standard VAT rate of 19% applies to most goods and services, whilst a reduced rate of 10% applies to pharmaceutical products, some medical aids depending on the commodity code (as listed in Annex 7 to the Slovak VAT Act), and books and some similar products..

EXEMPT SUPPLIES

- Exempt supplies without credit entitlement include postal services, financial and insurance services, education, radio and TV broadcasting services, health and social services, services supplied to members of an association, fund raising, the transfer and leasing of real estate (with some exceptions), and lottery services.
- Exempt supplies with credit entitlement include the following:
  - The intra-Community supply of goods.

- Specific intra-Community acquisitions.
- Triangulation transactions.
- Specific transport services.
- The export of goods outside the EU.
- The supply of financial and insurance services outside the EU.
- The import of certain goods into the EU.

- The sale of construction land and the sale of buildings including the construction land on which they are sited, within five years from their official approval for use (collaudation), is subject to VAT. The sale of buildings including construction land after this period is exempt from VAT. The rent of premises, with the exception of accommodation and parking facilities, is exempt from VAT. A VAT payer can choose to charge VAT on the sale of a building, including the related land plot, to any person, and on the lease of a building to another taxable person. In this case, the related input VAT is deductible.

TAX REPRESENTATIVE FOR THE IMPORT OF GOODS

- The import of goods dispatched or transported from a non-EU country, where this dispatch or transport ends in another EU country, can be VAT exempt, provided certain conditions are met.
- If the importer is a foreign entity who is not a Slovak VAT payer, a tax representative can represent him in Slovakia for the purpose of claiming an exemption from VAT. The importer does not have to register for Slovak VAT if the following conditions are met:
  - The tax representative is a Slovak VAT payer with its seat in Slovakia.
  - The importer gives the representative a notarized power of attorney to represent him.
  - The representative obtains an identification number from the tax office Bratislava I for the purpose of acting on behalf of the importer.

VAT RECOVERY

- A VAT payer can deduct input VAT related to taxable supplies received in order to provide its own taxable supplies in the month when all the following conditions are met:
  - a VAT liability arose to the supplier from the supply of goods or services;

- the VAT payer has a valid VAT document, usually an invoice (but for services where the recipient is subject to VAT, an invoice is not required; instead, it is sufficient to record all relevant information in the VAT evidence); and
- the import VAT was paid.

- A VAT payer must allocate its purchases to one of the following three groups of taxable supplies:

Group 1 – supplies with credit (100% input recovery):

- purchases used for business activities subject to VAT;
- purchases related to certain VAT-exempt supplies (such as insurance services or financial services) if these are provided to an entity outside the EU; and
- purchases directly related to the exempt export of goods or services.

Group 2 – supplies without credit (zero recovery):

- purchases used solely for exempt supplies.

Group 3 – partial recovery (proportional input VAT recovery):

- purchases used for both Group 1 and Group 2 supplies.

For purchases in Group 3, the VAT payer must adjust the input VAT by a coefficient determined by the ratio of the amount of taxable supplies (Group 1) to the total amount of supplies (including VAT-exempt supplies).

- It is necessary to adjust VAT reclaims related to the purchase of certain tangible and intangible assets if their use has changed from one group to another within a period of five years from the date of acquisition (ten years in the case of real estate).

IRRECOVERABLE VAT

- VAT incurred on the following is always irrecoverable and is therefore always an actual cost to a business:
  - certain passenger cars and car accessories (other than those purchased by car dealers and car leasing companies); and
  - entertainment costs, refreshments and representation costs.

VAT COMPLIANCE

- VAT is administered by the tax authorities, except for VAT on imports, which the Customs Office administers.

- A valid VAT document (invoice) must be issued for every taxable supply rendered to a taxable person, within 15 days from the day the tax liability arose (the tax point).
- If invoices are issued in electronic form, they must have an electronic signature.
- Complete and accurate VAT records and documents must be kept for ten years.
- Records of taxable supplies provided and received must be kept for each VAT period separately, and must be divided between domestic supplies of goods and services, intra-Community supplies of goods and services, intra-Community acquisitions, and imported goods. Supplies received must be further allocated into the three groups outlined above.
- Monthly VAT returns must be filed if annual turnover exceeds EUR 331,939.19. VAT returns must be filed each calendar quarter if turnover for the previous calendar year is less than EUR 331,939.19, although a VAT payer with turnover below EUR 331,939.19 can opt to file monthly returns.
- VAT returns must be filed within 25 days of the end of the taxable period, and any VAT liability must be paid by the filing deadline.

VAT REFUNDS

VAT refund for Slovak VAT payers

- A VAT payer is not automatically entitled to a cash VAT refund if it reports a VAT refund position. Instead the VAT credit is carried forward and is offset against a VAT liability in the following VAT period. If the VAT refund cannot be fully offset in that following VAT period, then the tax authorities should refund the excess input VAT within 30 days from filing the VAT return for that following VAT period.
- However, the tax authorities should refund the excess input VAT within 30 days following the filing deadline for the VAT return (i.e. in a shorter period) if certain conditions are met, these being that the entity concerned is a monthly VAT payer that has been VAT registered for more than 12 calendar months before the VAT refund arose, and that has no tax underpayments, customs debts, or social security underpayments.

VAT refund for foreign entities

- An entity registered for VAT, or a similar general consumption tax, abroad, can claim a refund of Slovak VAT paid on the delivery of certain goods or the provision of certain services, if the following conditions are met:
  - The entity did not have any registered office, branch, or authorization to conduct business in Slovakia during the period for which the VAT refund request was filed.
  - The goods or services were purchased in Slovakia, or the goods were imported to Slovakia, for the purpose of the entity's business conducted outside Slovakia.
  - During the period for which the entity filed a VAT refund request, it did not sell any goods or provide any services in Slovakia (with certain exceptions).
- The VAT refund can be claimed by submitting a request to the tax office Bratislava I within six months after the end of the relevant calendar year. The request can also be submitted before the end of the calendar year if the request applies to at least three consecutive months and the VAT paid on the taxable supplies exceeds EUR 200.
- The decision regarding a VAT refund should be issued to the foreign company within six months from the date of filing the request.
- The VAT is refunded to all entities from EU countries, and to those from non-EU countries which have concluded reciprocity agreements with Slovakia.

Excise duties

PRODUCTS SUBJECT TO EXCISE DUTIES

- Slovak excise duty is payable on the import of the following goods into Slovakia from outside the EU, or when these goods are released from the duty suspension regime for tax free circulation in Slovakia:

  - mineral oil,

  - beer,

  - wine,

  - spirits,

  - tobacco products.
- The excise duty liability for electricity, coal and natural gas arises at the moment that the product is delivered for final consumption.
- The rate of excise tax depends on the specific type of product.
- In certain limited cases, the products listed above are exempt from excise duty.

AUTHORIZED ENTITIES

- An excise duty suspension arrangement enables the tax liability to be postponed until the day the product is released into the tax free circulation regime.
- The production, storage, receipt and dispatch of products under the duty suspension arrangement is carried out by an authorized warehouse keeper.
- To obtain excisable products from another EU member state under the duty suspension regime, it is necessary to register as a licensed receiver.
- For transactions under the duty suspension regime (storage and transport), a tax guarantee has to be lodged with the Customs Administration.
- A tax representative is authorized to facilitate the supply of products on behalf of a warehouse keeper with its registered office in another EU member state, to Slovak customers who are not authorized warehouse keepers. The tax representative must be registered with the Slovak Customs Administration and cannot be the final customer.

- The company must be authorized to use excisable products exempt from excise duty.

REGISTRATION

- Entities that want to produce, store, receive or send products subject to excise duty under the suspension arrangement must register with the Customs Office and lodge the required tax guarantee before authorization will be granted.
- The registration and licence (if necessary) are issued by the Customs Office on the basis of a written application.
- The company using excisable products exempt from excise duty must register with the Slovak Customs Administration, and apply for a licence and a voucher. The company then provides the voucher to its supplier, who can then provide the excisable products free of excise duty.

DEREGISTRATION

- The Customs Office can withdraw a licence or authorization if a taxpayer files a request for de-registration, if the conditions under the Excise Duty Acts are not met, if no supplies were carried out in the last 12 months, or for other reasons specified in the Acts.

EXCISE DUTY COMPLIANCE

- All excise duties are administrated by the Customs Offices
- The taxable period is a calendar month.
- Monthly excise duty returns must be filed within 25 days of the end of the taxable period, and excise duty liabilities must be paid within this period.
- Excisable products transported within the EU under the duty suspension arrangement can be transported only with an accompanying administrative document, which must be issued in four copies. The law sets out how these forms should be used.
- A simplified accompanying document is required if any person, as part of its business activity, supplies or receives goods subject to excise duty to, or from another EU member state for business purposes outside the duty suspension regime.

EXCISE DUTY REFUNDS

- In certain circumstances, the tax warehouse keeper, or another authorized entity, can obtain a refund of Slovak excise duty on a product that has been taxed. In general, this applies if excisable products released for tax free circulation in Slovakia are supplied to be used in another EU member state or are used for purposes exempt from excise duty.

Customs

GENERAL PRINCIPLES

- Goods imported from non-EU countries are subject to import customs clearance.
- Goods exported from the EU customs territory have to be declared for export customs clearance.
- The person responsible for paying the customs debt is the declarant.
- The declarant is the person making the customs declaration in his own name, or the person in whose name the customs declaration is made. The declarant is responsible for meeting all the obligations in the customs legislation.
- The customs declaration is the act whereby a declarant indicates a wish to place goods under a given customs procedure. This should be made in the prescribed form and manner (in writing or by another action).
- Import or export duties are customs duties and other charges payable on the import or export of goods (import VAT, excise duties and charges under the common agricultural policy). There are currently no export duties.
- The customs authorities require declarants to provide a deposit to cover the customs debt in the event that a customs debt arises. Such a deposit may be in cash, or may be provided by a guarantor (such as a bank, an insurance company, or another legal or private person established in the EU).

RIGHT OF REPRESENTATION

- Any person may appoint a representative in his dealings with the customs authorities to perform the acts and formalities laid down by the customs rules. Such representation may be direct or indirect. The representative must be established within the EU. The customs authorities require proof that the representative is empowered to act on behalf of the other person.

CUSTOMS PROCEDURES

- The declarant may choose the customs procedure under which the goods should be placed based on the purpose of the goods. Customs-approved treatment or use of goods means:
  - the placing of the goods under a customs procedure,
  - their entry into a free zone or free warehouse,
  - their re-export from the customs territory of the EU,
  - their destruction,
  - their abandonment to the exchequer,
- The goods may be released into free circulation or for export. The movement of non-EU goods should be covered by the transit customs procedure. Alternatively, the following regimes may be applied:
  - customs warehousing,
  - inward processing,
  - onward processing,
  - processing under customs control, and
  - temporary admission.

CUSTOMS DEBT

- A customs debt is incurred at the time of acceptance of the customs declaration through:
  - the release for free circulation of goods liable to import duties, or
  - the placing of such goods under the temporary import procedure with partial relief from import duties.
- The debtor is a declarant, and, in the event of indirect representation, a representative as well. The customs duty must be paid by the debtor within ten days of the announcement of the customs debt to the debtor. The period for which payment is deferred is 30 days without interest. For a longer period, interest will be charged. Based on the system of relief from customs duty, some products may be admitted free of import duties when the conditions set out in the customs legislation are met.

SIMPLIFICATIONS

- In order to simplify formalities and procedures, the customs authorities may grant permission to use the following simplified procedures:
  - an uncompleted customs declaration,
  - a commercial or administrative document instead of the customs declaration,
  - a local customs clearance,
  - an authorized consignee and sender.
- Being an Authorized Economic Operator means that one is considered a reliable partner of the customs authorities, and it allows customs procedures in various areas to be simplified.

ENVIRONMENTAL FEES

- Importers and producers are obliged to pay environmental fees to the Recycling Fund of the Slovak Republic for selected commodities, as follows:
  - Batteries and accumulators - EUR 0.27 to EUR 6.31 per kg, depending on the weight of the product
  - Mineral Oils - EUR 0.07/kg
  - Tyres - EUR 0.27/kg
  - Multilevel Combined Materials - EUR 0.23/kg
  - Packages made of metal - EUR 0.04/kg (for iron and steel), EUR 0.14/kg (for aluminium)
  - Electronic machines - various rates, based on the type of product (for example, EUR 1.66/kg for a TV)
  - Glass - EUR 0.02/kg
  - Paper and paperboard - EUR 0.02/kg
  - Cars - EUR 66.39/one car
  - Plastic products - EUR 0.17/kg.
- Importers and producers of the above items and their packaging have to report to the Ministry of Environment of the Slovak Republic the total amount of goods that will become an environmental burden in Slovakia in the form of waste.

The reporting obligations relate to:

- production of the above items;
- import of the above items; and
- packaging of products.

- Packaging used for products placed on the Slovak market have to be recycled, based on the percentage limits set out in the Slovak packaging law.
  - Environmental fees may be reduced if the importer or producer proves that the selected items:
  - were exported out of Slovakia;
  - were recycled;
  - were used for energy generation.

VEHICLE TAX

- Vehicle tax is governed by the Act on Local Taxes.
- Under this Act, each self-governing region decides on the tax rate in a General Binding Resolution, and vehicle tax is paid to the tax authority in the place where the vehicle is registered.
- Taxable vehicles are those used for business purposes or for other entrepreneurial activities subject to income tax in the Slovak Republic.
- Each self-governing region may decide in a General Binding Regulation that vehicle tax on the following vehicles can be reduced:
  - public emergency and rescue vehicles;
  - buses used for regular public transport;
  - vehicles used exclusively in agricultural and forest production;
  - vehicles used for business purposes, meeting the requirements set by technical emission norms EURO 3, EURO 4 or EURO 5.
- The taxpayer is an individual, legal entity or registered branch, which:
  - is registered as an owner of the vehicle;
  - uses the vehicle for business purposes, and the person registered as owner does not do so;
  - uses the vehicle for business purposes, and the person registered as owner has its permanent residence or its seat abroad;
  - is an employer who pays travel allowances to employees for use of their own vehicles for the employer's business purposes.

- Tax rates are set:
  - for passenger cars, based on engine capacity in cm3;
  - for other vehicles, such as delivery vans, lorries, buses, trucks and trailers, based on the number of axles and the vehicle's weight.
- The tax period is a calendar year. A taxpayer must file the tax return and pay the tax liability for the previous year by 31 January. If a taxpayer expects that his total vehicle tax liability will, in the current calendar year, exceed:
  - EUR 660, he should divide his tax liability into four equal quarterly advance payments; or
  - EUR 8,292, he should divide his tax liability into 12 equal monthly advance payments.
- The taxpayer must reconcile the advances paid to the final tax liability in the annual tax return.
- The extent of the vehicle's use for business purposes throughout the tax period has no effect on the amount of the tax liability.

PROPERTY TAX

- Property tax is also governed by the Act on Local Taxes, and is divided into:
  - Land tax;
  - Building tax; and
  - Tax on apartments.

Land Tax

- Land tax is generally payable by the registered owner of land, or the registered custodian of land that is owned by the state or by a self-governing region, or the lessee, if the lease is to last for at least five years and the lessee is registered in the Cadastral Register, or leases land administrated by the Slovak Land Fund.
- If ownership cannot be determined, the tax is payable by the user of the land.
- The basic tax rate is 0.25% of the tax base, but this is normally changed by the Municipality, and different rates generally apply to different types of land, within certain limits.

Building Tax

- Building tax is generally payable by the registered owner of the building, or the registered custodian of a building owned by the state or by a self-governing region, or the lessee of a building administered by the Slovak Land Fund.
- If the taxpayer cannot be determined, the tax is payable by the individual or legal entity who uses the building.
- The basic tax rate is EUR 0.033 for each square metre of ground space occupied by the finished building.
- The tax rate is normally changed, within certain limits, by the Municipality issuing a General Binding Regulation.
- Rates generally depend on the type of building, and the number of floors it has, as well as the Municipality in which it is located.
- If the building has more than one floor, a surcharge for each additional floor can apply.

Tax on apartments

- Tax on apartments is generally payable by the registered owner of an apartment, or the registered custodian of a flat owned by the state or by a self-governing region.
- The basic annual tax rate is EUR 0.033 per square metre of floor area of the apartment.
- The tax rate is normally changed by the Municipality issuing a General Binding Regulation.

Common provisions for tax on land, buildings and apartments

- The taxable period is the calendar year.
- The tax liability arises on 1 January following the year in which the taxpayer obtained an interest in the property subject to the tax.
- The taxpayer must file the tax return by 31 January of the tax period in which the tax liability arises. In the next tax period, a tax return should be filed only if there are changes in circumstances that affect the tax liability, such as a change in the type or area of the property (but not just changes in the real estate tax rates levied by the Municipality).
- The Municipality may allow the tax to be paid in instalments, depending on the amount payable. The full tax liability is payable by 15 days after the tax assessment became valid.

Inheritance Tax, Gift Tax, and Real Estate Transfer Tax

- Inheritance tax and gift tax were abolished from 1 January 2004.
- Real estate transfer tax was abolished from 1 January 2005.

APPENDIX

LIST OF COUNTRIES WITH WHICH SLOVAKIA HAS CONCLUDED A VALID DOUBLE TAX TREATY, AS AT 20 JANUARY 2009

Recipient			Interest (%)		Royalties (%)	
	Treaty:					
1	Australia	157/2000	10		10	
2	Austria	48/1979	0		0/5	(1)
3	Belarus	112/2001	0/10	(3)	5/10	(1)
4	Belgium	92/2007	0/10	(2a)	5	
5	Bosnia and Herzegovina	99/1983	0		10	
6	Brazil	200/1991	0/10/15	(2) (3)	15/25	(1b)
7	Bulgaria	287/2001	0/10	(3)	10	(6)
8	Canada	96/2007	0/10	(14)	0/10	(1)
9	China, P.R.	41/1988	0/10	(4)	10	
10	Croatia	220/1997	10		10	
11	Cyprus	30/1981	0/10	(3)	0/5	(1)
12	Czech Republic	238/2003	0		0/10	(1)
13	Denmark	53/1983	0		0/5	(1)
14	Egypt16	In progress	n/a	n/a	n/a	n/a
15	Estonia	383/2006	0/10	(15)	10	
16	Finland	207/2001	0		0/1/5/10	(8)
17	France	73/1975	0		0/5	(1)
18	Germany	18/1984	0		5	
19	Greece	98/1989	0/10	(3)	0/10	(1)
20	Hungary	80/1996	0		10	
21	Iceland	225/2003	0		10	
22	India	77/1987	0/15	(4)	30	
23	Indonesia	12/2002	0/10	(3)	10/15	(5)
24	Ireland	365/2000	0		0/10	(1)
25	Israel	327/2000	2/5/10	(9)	5	
26	Italy	17/1985	0		0/5	(1)
27	Japan	46/1979	0/10	(4)	0/10	(1)
28	Kazakhstan	257/2008	0/10	(3)	10	
29	Korea	244/2003	0/10	(4) (11)	0/10	(1)

Recipient			Interest (%)		Royalties (%)	
	Treaty:					
30	Latvia	317/2000	0/10	(4)	10	
31	Lithuania	756/2002	0/10	(4)	10	
32	Luxembourg	227/1993	0		0/10	(1)
33	Macedonia,	99/1983	0		10	
34	Malta	318/2000	0		5	
35	Mexico	429/2007	0/10		0/10	
36	Moldavia	514/2006	10		10	
37	Mongolia	30/1979, 49/1979	0		0	
38	Montenegro	269/2002	10		10	
39	Netherlands	138/1974	0		5	
40	Nigeria	339/1991	0/15	(3)	10	
41	Norway	35/1980	0		0/5	(1)
42	Poland	95/1996	0/10	(4)	5	
43	Portugal	11/2005	10		10	
44	Romania	105/1996	0/10	(4)	10/15	(1a)
45	Russia	31/1998	0		10	
46	Serbia	269/2002	10		10	
47	Singapore	381/2006	0		10	
48	Slovenia	386/2004	10		10	
49	South Africa	39/2001	0		10	
50	Spain	23/1982	0		0/5	(13)
51	Sri Lanka	132/1979	0/10	(12)	0/10	(1)
52	Sweden	9/1981	0		0/5	(13)
53	Switzerland	127/1998	0/10	(7) (11)	0/5/10	(1) (10)
54	Tunisia	419/1992	0/12	(3)	5/15	(1)
55	Turkey	90/2000	0/10	(3)	10	
56	Turkmenistan	100/1999	0/10	(3)	10	
57	Ukraine	173/1997	10		10	
58	United Kingdom & North Ireland	89/1992	0		0/10	(1)
59	United States	74/1994	0		0/10	(1)
60	Uzbekistan	444/2003	10		10	
61	Vietnam	In progress	n/a		n/a	n/a

The numbers in parentheses refer to the notes below:

1. The lower rate applies to cultural royalties.

1a. The rate of 10% applies to royalties for the use of trademarks, patents or know-how. The higher rate applies in any other cases.

1b. The rate of 25% applies to royalties for the use of trademarks. The lower applies in other cases.

2. The lower rate applies to interest on loans and credits granted by a bank for at least ten years in connection with: the sale of industrial equipment; the study, installation or furnishing of industrial or scientific units; or public works.

2a. The zero rate applies to interest: on certain commercial debt-claims, loans guaranteed by public entities for export promotion, accounts/loans between banks/public institutions of the two states, and interest paid to another state or political subdivision of a local authority.

3. The zero rate applies if the interest is received by the government / the central bank / other state institutions (see the relevant treaty for the exact conditions).

4. The zero rate applies if the interest is received by the government or the central bank or by other state institutions, OR if the receivables on which the interest is paid are guaranteed / financed / indirectly financed by the government / governmental institutions (see the treaty for the exact conditions).

5. The rate of 10% applies to royalties for cinematography/ TV broadcasting/ radio broadcasting as well as for giving up rights related to royalties. The higher rate applies in other cases.

6. This rate also applies to payment for services.

7. Withholding tax is nil on bank loans.

8. The zero rate applies to copyrights, 1% applies to the finance lease of equipment, 5% applies to equipment rental and royalties for software/ cinematography/ TV and radio broadcasting, and 10% applies to payments for the use of trademarks and know-how.

9. The rate of 2% applies to state bonds and obligations, and loans insured or guaranteed by the National Bank of Slovakia/Israel, the Slovak Society for Insurance of Foreign Credits and Loans, or the Israeli Society for Insurance of Foreign Trade; 5% applies if interest is received by a financial institution; 10% applies in all other cases.

10. Slovakia can apply the rate of 5% to royalties for the use of trademarks, patents or know-how paid from Switzerland to Slovakia, if Switzerland does not apply the 10% rate.

11. The zero rate applies to interest on loans and credits in connection with the sale of industrial, business or scientific equipment, or the sale of goods.

12. The zero rate applies if the interest received is related to loans (monetary or non-monetary) provided to the government of the other contracting state or to any other institution with a state shareholding, or to loans provided to a bank institution under governmental approval.

13. The zero rate applies to copyrights.

14. The zero rate applies to interest received by a resident of one state in respect of indebtedness of the other state's government or a political subdivision/local authority, OR in respect of a loan made or guaranteed by the other state government in respect of imports or exports.

15. The zero rate applies if the interest is received by the government or the central bank, or by other state institutions, OR if the receivables on which the interest is paid are guaranteed / financed / indirectly financed by the government / governmental institutions (see the treaty for the exact conditions).

16. A double tax treaty with Egypt, has been concluded, but has not been ratified by the Slovak Parliament yet.

The following PricewaterhouseCoopers publications provide further information about tax legislation:

Tax & Legal Alert

This monthly bulletin includes comments on new changes in Slovak tax and related legislation, and is issued in Slovak, English and German.

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This booklet provides general tax and economic information about each CEE-CIS countries.

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