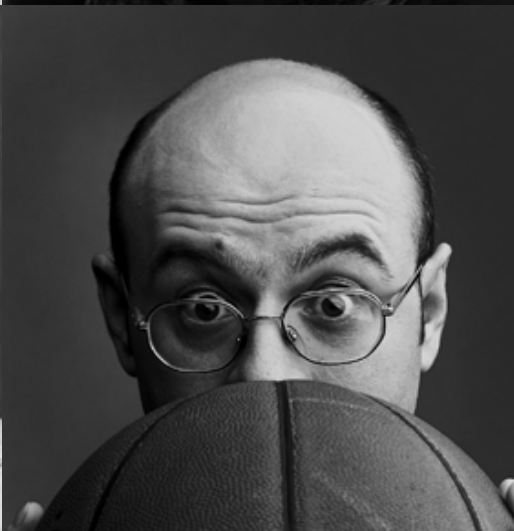


Foreign National Working In Slovakia

September 2002



Introduction

This guide has been prepared by PricewaterhouseCoopers for the assistance of foreign nationals planning to work in Slovakia. The guide contains general information about Slovak tax law and related issues.

This guide traces a Slovak assignment through seven steps. These steps address the specifics of what to do before you arrive in Slovakia, what to do when you are here, and what to do before you depart from Slovakia. Familiarity with these issues will make your assignment easier and more enjoyable.

This guide does not cover the subjects exhaustively, but is merely intended to help answer some of the important questions that may arise and to describe the procedures and documents required by the Slovak authorities. In particular, given the frequent changes in law, and the specific circumstances associated with individual cases, it is strongly recommended that specialist advice is sought.

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Step 1

Understanding basic principles

The scope of Slovak taxation

1. The current tax system in Slovakia was introduced on 1 January 1993. A foreign national working in Slovakia is likely to be subject to Slovak taxation. Income tax is the main tax which expatriates are subject to, although social security, health insurance contributions and other taxes may also apply.

The tax year

2. For individuals, the tax year corresponds to the calendar year. For income tax purposes, income is taxed in the year when payment is actually received or, in the case of non-monetary benefits, in the year when the benefit is received. Employment income received in January relating to work performed in the previous year must be included in the tax base of the previous year.

Determination of residency

3. An individual is considered resident for tax purposes in Slovakia if any of the following conditions are met:

- a) The individual possesses a permanent home in Slovakia; or
- b) The individual has a temporary residence permit; or
- c) The individual has a permanent residence permit; or
- d) The individual is present in Slovakia for 183 days or more in a calendar year;

Deemed permanent establishment issue

4. Under Slovak tax legislation, a permanent establishment is a permanent place or facility through which a foreign entity carries out its activities located in Slovakia. It should be noted that a "deemed" Slovak permanent establishment of a foreign entity is created where employees of a foreign company provide any commercial, managerial, advisory or other services in Slovakia for more than six months in any twelve successive calendar months. This time limit may be modified by the double tax treaty that Slovakia has concluded with the country of residence of the foreign entity. Existence of a deemed permanent establishment can cause individuals in Slovakia for less than 183 days in a calendar year and who do not possess a temporary residence permit to become liable to Slovak tax.

International leasing of manpower

5. Special rules may apply when an employee of a foreign company is leased to perform work for a Slovak employer. The leasing of personnel is deemed to exist if the foreign employer has no contractual obligations regarding the final result of the services rendered. The foreign employer's contractual obligation is basically limited to that of providing personnel to the Slovak employer, where services are performed under the supervision of the Slovak employer.

6. In such a situation, the Slovak company leasing the personnel is deemed to be the economic employer of the expatriates for Slovak tax purposes. Thus, the salary paid to the expatriates by the foreign entity would be subject to Slovak income tax as if it were paid via a Slovak payroll. However, the individual will be subject to Slovak personal income tax from his first day in Slovakia.⁷ The advantage of this arrangement is that, provided it is properly structured and documented, the days spent in Slovakia by the economic employees should not count towards the six-month threshold for creation of a Slovak permanent establishment of their foreign employer.

Method of calculating income tax

8. Taxable income is calculated by adding together all (taxable) sources of income. In order to calculate the annual tax base, annual income from employment (net of exemptions and deductions) is added to other income, e.g. profits from entrepreneurial activities, capital income, and rental income. The annual tax base does not include Slovak-source income from which tax is withheld at source, e.g., dividends, interest and shares of profits. Losses arising from one source of income are offset against income from most other sources, with the exception of employment income. In other words, it is not possible to offset losses arising from capital, entrepreneurial, rental or other sources against employment income.

9. Appropriate deductions are then taken, and the result is rounded down to the nearest SKK 100. Progressive taxes are then applied to this figure to arrive at the tax liability for the year.

Payment in foreign currency

10. Individuals employed directly by foreign entities can be paid in a currency other than Slovak crowns; individuals employed by local companies or directly by branches of foreign companies can also be paid in a non-Slovak currency, provided that their employment contract is governed by foreign labour law. If governed by Slovak labour law, they must be paid in Slovak crowns (although the amount of salary payable can be linked to a fixed amount in a foreign currency).

Step 2

Understanding the Slovak tax system

Taxable income

11. Taxable income under the Slovak Income Taxes Act includes the following:

- Income from dependent activities (employment)
- Income from independent activities (entrepreneurial and other profitable activities)
- Income from capital (interest, dividends, etc.)
- Rental income
- Other income

Employment income

12. Income from dependent activities includes income and related remuneration from employment. Taxable remuneration from employment includes all remuneration, both monetary and non-monetary benefits-in-kind given to or provided for an employee or family member, including directors fees, except where noted below. The location of the payment of salaries, bonuses etc does not affect the tax treatment.

Income from entrepreneurial and other profitable activities

13. Entrepreneurs, independent consultants and other self-employed individuals who are not Slovak tax residents will nevertheless be taxed in Slovakia on their activities, to the extent that the income is derived from a Slovak permanent establishment or from services provided in Slovakia. Broadly speaking, expenditure required to “attain, secure and maintain” the taxpayer’s income is deductible when calculating taxable income. Deductible expenditure can be determined either as actual documented expenses or as a lump-sum percentage of taxable income (generally 25%). The Slovak legislation specifies certain items that are deductible for tax purposes. Deductible expenses are the same as those permitted under corporate income tax rules.

Income from capital

14. Income from capital, i.e. dividends, and other yields from securities, limited liability companies or limited partnership interests and profit shares from silent partnerships is taxable income and is treated as a separate tax base. In many circumstances the entity paying the income to the individual will withhold Slovak tax, and this will constitute the final tax liability on the income.

15. Dividends from limited liability companies or limited partnership are subject to a 15% withholding tax. Profit shares from silent partnerships are subject to a 25% withholding tax.

16. A special 15% withholding tax applies to interest income received by individuals and other yields from savings or deposit accounts that are not designated for business activities.

17. The withholding tax may be reduced under an applicable double tax treaty. Several treaties provide for the withholding tax rate to be reduced to 5% or 10% on dividends, and, in some cases, to 0% on interest. These reduced rates are only applicable if the individual remains a tax resident in the other country and is not treated as a Slovak tax resident under the relevant tax treaty.

18. The Slovak entity paying the dividend or interest withholds the tax. Besides the withholding, no further tax needs to be paid. Therefore, the income does not need to be included in the individual's annual tax return.

19. If an individual is a Slovak tax resident, dividends and interest received from foreign (i.e. non-Slovak) sources are part of the person's taxable income. Individuals can credit foreign tax paid on dividends and interest received from abroad against any Slovak tax liability on that same income, up to the amount of the Slovak tax liability. Credit relief is not given for tax on company profits from which a dividend is paid.

Rental income

20. This includes income from letting real estate or leasing or renting out moveable property.

21. Buildings that produce rental income qualify for depreciation, normally over a period of 40 years (30 years from 1 January 2003). Deductions may also be taken for interest and finance charges, real estate taxes, repairs, maintenance and certain other types of rental expenses. Alternatively, the taxpayer can make a general expense claim of up to 25% of the rental income.

Other income

22. Other income consists of occasional income, prizes from sports or advertising competitions, lottery prizes, and income from the sale of real estate, moveable property and securities. Exemptions are available for gains that arise on disposal of assets that have not been used for commercial purposes and have been held for a certain period of time. These are set out below:

- Shares and securities held for more than three years;
- Slovak-traded shares held for less than three years – an individual's profit on the sale of such shares is tax exempt only if the gain does not exceed SKK 50,000 in any calendar year;
- Cars and other moveable assets (not used for business purposes). In the case of motor vehicles and certain other types of assets, the exemption only applies if the asset was held for more than one year;
- Real estate held for more than five years;
- A gain arising on the sale of a flat or house (containing a maximum of two flats) that has been the taxpayer's permanent residence and his own property for at least the two-year period prior to the sale.

Taxation of employment income

23. Under Slovak legislation, an individual who has a permanent home in Slovakia is subject to tax on his or her worldwide income, as is an individual who holds a Slovak residence permit. Furthermore, this treatment applies in principle to any person (whether Slovak national or expatriate) who is present in Slovakia for 183 days or more in a calendar year. However, if an individual is tax resident in both Slovakia and another country, a double tax treaty concluded between Slovakia and that other country should determine which country has primary taxing rights. If this is not Slovakia, the individual should only be taxed on his or her Slovak source income.

24. A non-resident foreign national present in Slovakia for less than 183 days in a calendar year should be subject to Slovak taxation on Slovak-source income only. However, no Slovak tax should be payable by the individual if he or she remains on the payroll of a foreign company, and the employer does not have a taxable presence in Slovakia (i.e. a permanent establishment).

25. This exemption has been used by expatriates who are considered to be Slovak tax non-residents to avoid tax on employment income in the year of arrival and in the year of departure from Slovakia. If there is no Slovak double tax treaty with the country of residence of the foreign individual, this exemption should apply to income earned from employment activities performed by such foreign residents in Slovakia if the time period related to the performance of the activity does not exceed 183 days in any consecutive twelve-month period. In cases where a double taxation treaty has been concluded by Slovakia, the treaty rules indicate the conditions for a full exemption of income from Slovak income tax.

Calculation of time period

26. When applying the above time test to determine if an individual should be taxable in Slovakia in a particular year, all days when the individual is physically present in Slovakia (including days of arrival and departure) are included. This generally includes Saturdays, Sundays, public holidays, private holidays, and business trips directly related to employment in Slovakia where a double tax treaty does not apply. Where a double tax treaty has been concluded, any rules set out in the treaty will apply.

27. The above does not apply to income from activity performed personally and in public by artists, sportsmen, entertainers and their co-performers. Income of artists, sportsmen, entertainers and their co-performers is always subject to a 25% withholding tax in Slovakia.

Foreign expert relief

28. As of 1 January 2001, no beneficial tax regime for foreign individuals exists. Relevant relief from double taxation may be applicable if the foreign individual is a tax resident in a foreign country.

Benefits in kind

29. Taxable income includes employment income and benefits-in-kind (e.g., a company car used for private purposes, accommodation paid by the employer, travel expenses over statutory limits, etc.).

Reimbursement of expenses

30. For certain items of monetary income, special regulations apply. For example, the reimbursement of travel expenses and meals on business trips can be tax-free only up to certain limits. The maximum daily allowable limits are regularly changed. According to Slovak law, as of 1 July 2002, the daily allowance for meals on business trips in Slovakia for individuals employed under Slovak labour law or hired by a Slovak company are as follows:

- Business travel of between 5 and 12 hours SKK 72
- Business travel of between 12 and 18 hours SKK 110
- Business travel of over 18 hours SKK 170
- Business travel of less than 5 hours, performed during meal times (breakfast, lunch or dinner) SKK 72

31. The daily meal allowances for business trips outside Slovakia vary according to the country visited and are updated on a regular basis.

32. Reimbursed expenses above these limits will normally be treated as payments from the company's profits after tax and will not be tax deductible for the company. Such amounts are also recharged as part of the employee's salary and are subject to personal income tax.

Tax deductions

33. Certain tax deductions from taxable income are available to taxpayers. These include:

- Compulsory payments for social security and health insurance contributions
- A general personal allowance of SKK 38,760

In addition, tax residents with permanent residence in Slovakia can also claim the following deductions:

- An allowance of SKK 16,800 for each dependent child living with the taxpayer
- A spouse allowance of SKK 12,000 if the spouse lives with the taxpayer and does not have annual income in excess of SKK 38,760
- For taxpayers in receipt of a partial disability pension, SKK 8,400
- For taxpayers in receipt of a disability pension, SKK 16,800
- For contributions paid to a state-subsidised supplementary pension scheme under certain conditions, up to SKK 24,000 per year

Company cars

34. If an individual is provided with a company car that is available for private use, the taxable benefit to the individual is calculated as 1% of the car's purchase price for each month the car is available for private use. The minimum monthly taxable benefit is SKK 2,000. The benefit does not vary with the amount of kilometres traveled; the 1% increase of taxable income applies even if the company car is used for only private purposes. Petrol consumed on private trips is considered a benefit-in-kind if paid by the employer and is taxable for the individual.

Housing benefit

35. Temporary housing provided as non-monetary benefit is taxable to the employee. In most cases the employer cannot treat the housing benefit as a tax-deductible expense.

36. Where the foreign national is provided with an allowance for housing or reimbursement of his/her housing costs, the amount of the allowance or the amount reimbursed is included in his/her taxable income.

School fees

37. School fees paid as non-monetary benefit directly to the educational institution by the employer are not considered a taxable benefit to the employee as long as the expenses are paid from the company fund for cultural and social needs or from its profit after tax (the payment is not tax deductible for corporate tax purposes).

Payroll withholding tax

38. Income tax on employment income must be withheld by the employer on a monthly basis for the following individuals:

- All employees of a Slovak company
- All employees of a Slovak branch of a foreign company registered at the Commercial Register, including expatriates assigned to work at the branch

- All employees of a permanent establishment or individuals employed in Slovakia for 183 days and more, with the exception of persons providing services through a Slovak deemed permanent establishment
- All individuals hired by a Slovak company under an international leasing of manpower (i.e. all economic employees).

39. Tax is withheld at source by the employer from the salary of the employee and should be paid to the appropriate tax authorities. The employer is also obliged to operate a payroll and is responsible for tax registration and for correct payment of tax. Furthermore, if the employee has no income to declare other than employment income and the employee has not simultaneously obtained income from other employers, the employer must, if requested by the employee, also produce a year-end tax reconciliation on behalf of the employee. This reconciliation, in effect, replaces the tax return of the employee.

40. If payroll withholding is not required, e.g., if the expatriate works for a deemed permanent establishment, the employee is personally responsible for reporting employment income subject to Slovak tax and for paying the tax due.

Step 3

What to do before you arrive in Slovakia

Entry formalities

41. Slovakia is a member of the Central European Free Trade Association (CEFTA) and is an associate member of the European Union (EU). Its current policy is towards full EU membership. Slovakia also became a member of the Organisation for Economic Cooperation and Development in 2000.

42. At present, all foreign nationals must obtain work and residence permits (or residence registration in the case of EU nationals) to live and work in Slovakia before commencement of employment begins.

43. Work and residence permits must be obtained separately. The initial process is to obtain a work permit from the local Labour Office through a Slovak company (employer). Once obtained, the work permit is then needed as part of the application for a residence permit (or registration). EU Citizens can file the residence registration application at the local Foreign Police in Slovakia. However, non-EU citizens must apply for their Slovak residence permit at a Slovak embassy abroad. Although a seemingly daunting process, applications which are genuine, and which are made with full supporting documentation, are usually processed by the authorities without question.

44. In addition to these two permits, some foreign nationals must obtain a tourist entry visa before arrival in Slovakia. This situation arises for foreign nationals from countries with which Slovakia has yet to conclude a treaty exempting their citizens from the entry visa requirement. As a result, each time a foreign national who is required to have an entry visa travels abroad and then returns to Slovakia, he/she is obliged to renew the entry visa. Individuals are not exempt from this obligation even if they have obtained a temporary residence permit in Slovakia (which is sometimes also called a visa, often causing confusion).

45. Tourist entry visas can be provided on a half-year basis as a multiple visa and can be extended. The extension can be secured prior to the visa's expiry date at the office of the Slovak Foreign Police or at the relevant Slovak embassy abroad.

Work permit

46. A work permit is required where an expatriate will work for a Slovak entity, either under a local employment contract with a Slovak company or if the expatriate is seconded by a foreign employer to provide professional services to a Slovak entity.

47. If, however, the foreign national is to be registered in the Slovak Commercial Register as the statutory representative of an entity registered in Slovakia, a work permit is not needed if he is not also carrying out duties as an employee. In this case a temporary residence permit can be applied for on the basis of the individual's appointment as statutory representative.

48. Please note that fees paid to a statutory representative of a Slovak entity are not tax deductible for that entity.

49. Generally, a work permit is obtained upon filing the following documents:

- Application for work permit
- Employer's declaration issued by the Slovak company which is, for this purpose, considered to be an employer
- Employer's letter setting out reasons for the secondment
- Extract from the Commercial Register of the Slovak Company
- Copy of a commercial agreement between the employer and the Slovak entity based on which an expatriate is seconded to Slovakia
- Certificate of education, translated into Slovak language
- Confirmation issued by the Labour Office that the Slovak company has no debts towards the respective Labour Office
- Announcement of the Slovak company that it has a working position available

50. Please note that the requirements of each Labour Office often differ and therefore we suggest that you contact the relevant Labour Office in order to confirm the list of documents required prior to filing an application.

51. Work permits are normally issued one week to one month after the completed application has been filed. If the work permit is collected personally by the applicant, or by the person who filed the application, it may be faster than having the work permit sent by post from the Labor Office.

No fee is due for the issuing of a work permit.

Long-term residence permit or residence registration

52. The following procedures relate mainly to an expatriate who is either employed locally or seconded from abroad and who is not only a statutory representative of a Slovak entity or of a Slovak branch of a foreign entity.

53. The following documents are required to obtain a long-term residence permit:

- Application for a residence permit
- Application for a visa (for nationals of certain countries only)
- Work permit
- Employer's confirmation of the employee's yearly income
- Extract from the criminal register from the employee's home country
- Extract from the Slovak criminal register
- Medical tests (for non-EU nationals only)
- Verified lease/rental agreement
- Three passport-size photographs
- Payment of SKK 5,000 (approximately USD 110)
- Duty stamps of SKK 50 (approximately USD 1) and of SKK 1,000 (approximately USD 20)
- Confirmation of health insurance that is valid in Slovakia

Please note that the particular Slovak embassy or office of the Foreign Police may require additional documents to those listed above.

54. Please note that the spouse of a seconded employee or a statutory representative who will live in Slovakia also requires a residence permit. Spouses of non-EU nationals who are not working in a managerial position in Slovakia can only obtain a residence permit after their spouse has been working in Slovakia for one year or more, and then only if the spouse's stay will last another two years. Separate residence permits for children are not required.

Employment contract

55. Foreign nationals working in Slovakia for a foreign company or for a Slovak entity based on a service agreement are not required to have a specific Slovak employment contract, although it is advisable to be aware of the terms and conditions set down by the employer for the duration of the individual's stay in Slovakia. If a foreign national is employed by a Slovak company directly, a written Slovak employment contract must be concluded.

Importing personal possessions

56. Foreign nationals are allowed to import personal possessions for personal use duty-free. For customs clearance, however, a copy of the foreign national's temporary residence permit is generally required. The Customs Office will provide the appropriate form for the import of personal items; this form should be retained, as it is required when the personal items are exported.

Importing your car

57. If a foreign national imports his/her car for personal use, no customs duty is charged if the following two conditions are met:

- The car is the personal property of the individual and was used for at least six months in his place of permanent residence abroad
- The owner had a continuous permanent residence abroad for at least twelve months

Exchanging your foreign currency

58. The Slovak crown (SKK) is still not a fully convertible currency. It is possible to obtain local currency using your debit or credit card at most automatic cash dispensing machines; additionally, Master Card, Visa, American Express, and Diners Club are accepted by many retail outlets.

59. It is now usual for some forms of retail transaction to be priced or carried out in a currency other than the Slovak crown. Private transactions with foreigners, such as the payment of rent to landlords, often take place in Euros or US dollars. Slovak citizens are permitted to maintain foreign currency bank accounts with Slovak or foreign banks.

60. Exchange rates at the beginning of September 2002 were as follows:

1 USD = 44,088

1 CHF = 30,434

1 GBP = 68,455

1 EUR = 43,460

Foreign exchange regulations

61. Expatriates are not subject to foreign exchange or similar regulations in the same way as Slovak citizens. However, under current regulations, the following points should be considered:

- Expatriates can operate foreign currency bank accounts with Slovak banks without restrictions.
- Expatriates can hold Slovak currency bank accounts

- Generally, only Slovak citizens or Slovak legal entities are legally allowed to own Slovak real estate, unless it is inherited. Hence, an expatriate cannot normally purchase freehold real estate.

Accommodation

62. Finding suitable accommodation in Slovakia often takes time. The standard of housing varies widely, and foreign nationals are likely to have to pay a higher rent for accommodation than Slovak nationals.

63. Once the foreign national finds a flat or house to live in during their assignment in Slovakia, he/she should report the new address to the local Foreign Police Department if the address differs from the accommodation stated on the temporary residence permit/registration application.

Tax registration

64. Foreign nationals employed by a foreign employer and who are not considered economically employed by a Slovak entity must register for Slovak tax purposes. The tax authorities require a copy of both the individual's work permit and temporary residence permit (or registration), together with a completed application form; confirmation of the individual's work position may also be required.

65. The registration for tax purposes is important not only to satisfy the legal regulations but also due to the fact that upon tax registration, you will be allocated a registration number (DIC). This number must be used in any communication with the Slovak tax authorities.

66. Individuals whose employer, Slovak or foreign, operates a Slovak payroll, and who do not have income other than employment income that is taxable in Slovakia, are not required to register personally with the Slovak tax authorities.

Driving licence

67. Foreign nationals who do not have an international driving licence, are present in Slovakia for more than six months, and who drive a car here, should have a Slovak driving licence.

Step 5

What to do at the end of the tax year

Tax return submission

68. Individuals who receive income subject to Slovak taxation exceeding SKK 10,000 per year that is not taxed under a payroll withholding system or by withholding tax must submit a personal income tax return to the appropriate tax authority.

69. Foreign nationals are required to submit a Slovak tax return if their presence in Slovakia exceeds more than 183 days in a calendar year or if employment is by a foreign company which has a deemed permanent establishment in Slovakia, unless all of their taxable income is taxed under a payroll withholding system

70. The tax return must be filed by 31 March following the end of the tax year in which the income arises. Spouses must file independent tax returns. The fiscal year is the calendar year in Slovakia for personal taxation purposes.

Applying for extension

71. The deadline for filing the tax return can be extended to 30 June if the tax return is prepared by a Slovak registered tax advisor under a Power of Attorney, which has been filed at the Tax Office by 31 March.

Paying your tax liability

72. The points outlined below apply if the tax liability is not regarded as completely settled by payroll withholding.

73. Generally, taxes are payable in advance, based on the last known Slovak tax liability of the individual (i.e. as stated on the last filed annual tax return) adjusted where appropriate to reflect changes in the liability as notified by the Tax Office.

74. However, in the year of arrival, the full tax liability is due on the date of submission of the first tax return, as there was no last known tax liability and therefore no tax advances were paid.

75. The tax due should be paid to the appropriate Tax Office in Slovak crowns by bank transfer to the Slovak National Bank. Each payment should specify the type of tax payment being made. Payments orders should indicate the exact bank account number and the location of the Slovak National Bank branch corresponding to the relevant local Tax Office. When making payment, the unique identification number (DIC) issued upon tax registration, must be stated.

Advance payments

76. After submission of the first tax return, advance payments are required against following year's tax liability. The amount of tax advances and frequency of payment depends on the amount of the previous year's tax liability. The advances apply from the day following the submission of the tax return to the last day of the deadline for submitting next year's tax return. Tax advances are payable as follows:

Tax due in previous year in SKK	Amount of advance	Payable
Under 10,000	0	-
10,000 – 500,000	1/4	Quarterly
over 500,000	1/12	Monthly

77. Tax advances are treated as advances against the tax liability for the calendar year in which they are paid. If the tax return for the first year is filed in June of the second year, and the tax liability necessitates quarterly payments, two tax advance payments for the second year will need to be made in September and December of the second year. In the third year, the first advance payment for the third year is due in March, at the same time as the income tax liability for the second year is due (if the tax return is filed by the normal March deadline). Tax advances (as well as the final tax liability) must be paid in Slovak crowns.

Fines and penalties

78. The tax authorities may levy a fine for late submission of a tax return. The fine can be up 1,000,000 SKK and is normally calculated as 10% of the tax liability declared in the tax return.

79. There are also penalties for late payment of a tax liability. The penalty is 5% of the tax liability for each month or part month of late payment. If a taxpayer recognises he has incorrectly understated his tax liability, the penalty upon correction via an amended tax return is 2.5% per month.

80. Penalties for late payment of personal tax advances of 0.1% of the late paid amount for each day of delay can also be levied.

Tax overpayment

81. An overpayment of tax can be offset by the tax administrator against other tax arrears, if any, and the balance can be credited against a future tax liability. However, where there are no tax arrears, the taxpayer can apply for a refund of overpaid tax. The overpaid tax should be returned to the taxpayer within 30 days of delivery of the application.

82. In case of failure to return the tax overpayment within the deadline, the Tax Office is obliged to pay to the taxpayer interest of 140% of the Slovak National Bank's discount rate effective on the first day of the applicable calendar quarter.

Obtaining credits in your

83. If it is necessary for a foreign national to obtain a tax credit in his/her home country for Slovak taxes paid, the Tax Office will provide, upon request, an official certificate declaring the total amount of Slovak taxable income and the amount of tax paid. The certificate can also be translated by the authorities into English or German. This can be sent to the Tax Office in the home country.

Step 6**What to do when you leave Slovakia**

Informing the Tax Office

84. The tax authorities need to be advised within 30 days of departure that the foreign national has left Slovakia permanently. This releases the foreign national from any obligation to pay further tax advances.

Filing your tax return

85. The foreign national's tax return for the final year should be prepared and submitted within the normal time scale. As the foreign national will not be present in Slovakia, it is advisable for the foreign national to appoint an official tax advisor with a general Power of Attorney to act on his/her behalf.

Exporting your personal

86. In order to re-export personal possessions free of duty, a personal possessions declaration (in Slovak) must be delivered to the Customs officials. The declaration must state that the goods are personal possessions.

Exporting your car

87. If a car was imported duty free (i.e. the two conditions for duty free import were met), the car can be exported without any other obligations.

Exchanging Slovak currency

88. Slovak currency is sometimes difficult to convert outside Slovakia. Currency should therefore be exchanged before leaving Slovakia.

Work permit;
Long-term residence permit

89. The work permit should be cancelled by completing a form at the Labour Office within five working days from the date of departure. The date of departure should also be announced to the Foreign Police three days before departure. The temporary visa will be cancelled if a written note is sent to the Foreign Police enclosing the residence permit card.

Step 7**Other matters requiring consideration****Health and social security contributions**

90. Health and social security contributions need to be paid if an individual is locally employed by a Slovak entity. If the individual is not employed by a Slovak entity, neither the expatriate nor the employer is subject to Slovak health and social security contributions. However, an international social security agreement should be taken into account, if one has been signed between Slovakia and the country of the individual's citizenship. Some agreements may require an individual employed under a non-Slovak labour law contract to contribute to the Slovak mandatory social security scheme.

91. Health insurance is administered by several health insurance companies independently of the state budget. Individuals are free to choose to which company they pay contributions. Health insurance covers health and medical care.

92. Social security contributions provide funding for two separate funds: pensions and sickness.

93. The amount of contributions to each fund, as applicable in 2002, are as follows:

	Employer %	Employee %	Total Compulsory %	Entrepreneur %	Voluntary %
Health care insurance	10.0	4.0	14.0	14.0	14.0
Sickness insurance	3.4	1.4	4.8	4.8	4.8
Pension insurance	21.6	6.4	28.0	28.0	28.0
Unemployment fund	2.75	1.0	3.75	3.0	3.0
Guarantee fund	0.25	0.0	0.25	0.0	0.0
Total	38.0	12.8	50.8	49.8	49.8

Purchasing real estate

94. At present, it is not possible for individuals who are not permanently resident in Slovakia to purchase Slovak real estate, other than through a Slovak legal entity.

Road tax

95. Most cars which are used for business purposes fall within the scope of the Road Tax Act.

96. The amount of road tax payable on passenger cars varies between SKK 1,600 and SKK 5,600 per year, depending on the cylinder capacity of the car. Tax is payable by either the owner, driver, employer, or branch of the foreign company.

Highway toll

97. Every car using the Slovak highway system must have a special sticker on the inside of the car window as evidence of payment of the highway toll. The amount depends on the weight of the car. For cars up to 1.5 tonnes, the toll sticker for one calendar year is SKK 400. Toll stickers for one week or one month are also available.

Other taxes

98. There are no local taxes on income in Slovakia. There is no wealth tax. Individuals may be subject to real estate tax on land and buildings that they use or own. The transfer of assets by way of inheritance and gift, and the sale or other transfer of real estate in Slovakia, may create a liability to gift, inheritance or real estate transfer tax.

Appendix 1**Personal income rates in 2002**

From SKK	To SKK	Tax payable
-	90,000	10%
90,000	180,000	9,000 + 20% of the base over 90,000 SKK
180,000	396,000	27,000 + 28% of the base over 180,000 SKK
396,000	564,000	87,480 + 35% of the base over 396,000 SKK
564,000	and more	146,280 + 38% of the base over 564,000 SKK

Appendix 2

Double tax treaties

Countries with which Slovakia has double tax treaties as of 1 September 2002:

Australia	22 December 1999
Austria	12 February 1979
Belarus	5 July 2001
Belgium	15 June 2000
Brazil	14 November 1990
Bulgaria	2 May 2001
Canada	20 December 2001
China	23 December 1987
Croatia	14 November 1996
Cyprus	30 December 1980
Czech Republic	1 July 1993
Denmark	27 December 1982
Finland	6 May 2000
France	25 January 1975
Germany	17 November 1983
Greece	23 May 1989
Hungary	21 December 1995
Iceland	not ratified yet
India	13 March 1987
Indonesia	31 January 2001
Italy	26 June 1984
Ireland	30 December 1999
Israel	23 May 2000
Japan	25 November 1978
Lithuania	ratified, but not published in the Collection of Law
Latvia	12 June 2000
Luxembourg	30 December 1992
Malta	20 August 2000
Mongolia	1 January 1979
Netherlands	1974, 19 December 1996 (Protocol)
Nigeria	2 December 1990
Norway	28 December 1979
Poland	21 December 1995
Portugal	ratified, but not published in the Collection of Law
Romania	29 December 1995
Russia	1 May 1997
Slovenia, Macedonia	
Bosnia and Herzegovina	17 April 1983
South Africa	30 June 1999 2001
South Korea	not ratified yet
Spain	5 June 1981
Sri Lanka	19 June 1979
Sweden	8 October 1980
Switzerland	23 December 1997
Tunis	25 October 1991
Turkey	2 December 1999
Turkmenistan	26 June 1998
Ukraine	22 November 1996
United Kingdom	20 December 1991
United States	30 December 1993
Yugoslavia	15 October 2001

Appendix 3

Social security agreements

Countries with which Slovakia has social security agreements as of 1 September 2002:

Bulgaria	1 August 1957
Croatia	1 May 1998
Czech Republic	1 January 1993
France	1 July 1949
Germany	Not ratified, in the process of preparation
Hungary	30 January 1959
Poland	1 October 1948
Romania	20 March 1958
Russia	1 July 1960
Switzerland	1 December 1997
Yugoslavia	1 December 1957
Ukraine	1 January 2002
Holland	1 May 2002; Not published in the Collection of Law yet
Spain	Not published in the Collection of Law yet
Luxembourg	Not published in the Collection of Law yet
Canada	In the process of preparation
Austria	In the process of preparation

