
International Assignment Services Taxation of International Assignees Country – Slovak Republic

Human Resources Services

International Assignment

Taxation Folio



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Introduction – International assignees working in the Slovak Republic

When an international assignee accepts an employment contract or is assigned by his/her foreign employer to work in the Slovak Republic, he/she is often relatively uninformed about the tax and other consequences of this move.

The aim of this folio is to assist both the foreign employee as well as the employer in dealing with the tax, social insurance, health insurance and other issues that are related to employment in the Slovak Republic.

This folio is not intended to be comprehensive, but deals with the most important elements and reflects the law at 1 July 2013. It should be noted that laws and interpretations in the Slovak Republic are still subject to relatively frequent changes, without much prior notice. More detailed and specific up-to-date advice should always be sought before any decisions are made.

Further information may be obtained from any one of the contacts listed at the end of this folio.

Last updated: July 2013

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Menu

Step 1 – Understanding basic principles

The scope of taxation in the Slovak Republic

1. An international assignee working in the Slovak Republic is likely to be subject to Slovak taxation, either as a Slovak tax resident or as a Slovak tax nonresident. Income tax is the main tax which expatriates are subject to, although it is possible for the expatriate to be subject to social insurance and health insurance contributions as well as other taxes.

The tax year

2. The tax year corresponds to the calendar year for individuals. For income tax purposes, income is taxed in the year when it is actually received or, in the case of non-monetary benefits, in the year when the benefit is received.
3. Employment income received up to 31 January of the following year and income relating to work performed in the previous year must be included in the tax base of that previous year.

Determination of residence

4. An individual is regarded as a Slovak tax resident under Slovak domestic law if he/she has permanent residence in Slovakia or if he/she usually stays in Slovakia. An individual "usually stays" in Slovakia if he/she is here for 183 days or more in a calendar year, either continuously or in several periods. EU nationals usually can obtain only the permanent residence.

Permanent establishment issue

5. For Slovak tax purposes, a permanent establishment is interpreted in line with OECD commentary. In some cases, there is a risk that the foreign entity, by virtue of having its employees in the Slovak Republic providing services that could be regarded as conducting business activities of their foreign employer in Slovakia, creates a fixed place of business in Slovakia, and thus a permanent establishment in the Slovak Republic.

Method of calculating income tax

6. The tax base is determined by adding together all types of taxable income and deducting the appropriate tax-deductible items. The result is rounded down to the next Eurocents. From 1 January 2013, the flat tax rate of 19% was abolished. Instead, the progressive tax rate is being introduced depending on the amount of the tax base of a taxpayer. The progression is as follows:
 - 19% tax rate - for annual tax base (gross income less employee mandatory social security contributions) up to EUR 34,401.74; and
 - 25% tax rate - for annual tax base (gross income less employee mandatory social security contributions) exceeding EUR 34,401.74.

Sample calculations are shown in Appendix B.

Payment in foreign currency

7. Individuals employed directly by foreign companies can be paid in foreign currency. Since Slovakia adopted the Euro from 1 January 2009 individuals employed directly by Slovak companies are paid in Euro.

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Step 2 – Understanding the Slovak tax system

Taxable income

8. In defining taxable income, the Slovak Income Tax Act includes the following items:
- Income from dependent activity (employment), including directors' fees and income from public office;
 - Income from entrepreneurial activities, other self-earning activities and rental income;
 - Income from capital (interest, dividends, etc.);
 - Other income.

Taxation of employment income

9. An individual who has permanent residence in the Slovak Republic is subject to Slovak tax on his worldwide income. The same principle applies to any individual (whether a Slovak national or an expatriate) who is present in the country for 183 days or more in any calendar year. However, if such an individual is also considered a tax resident in a foreign country with which the Slovak Republic has concluded a double-tax treaty, then he/she will be taxed in Slovakia only on his Slovak-source income.
10. A tax nonresident international assignee is subject to tax on his Slovak-source income only.
11. If an expatriate is present in Slovakia for less than 183 days in any 12-month period, and all of the following conditions are met, then the employee's income should be exempt from Slovak taxation:
- He does not have a permanent residence in Slovakia.
 - His foreign employer does not have a permanent establishment in Slovakia.
 - The costs of his remuneration are not borne by a Slovak entity.
 - The expatriate does not have a local or economic employer in Slovakia.
- However, if one or more conditions are not met, the foreign employee's Slovak income tax position requires more research.
12. On the permanent establishment issue, please refer to paragraph 5 above.

Economic employee/employer

13. Economic employment applies where the foreign entity "leases" its employee(s) to a Slovak entity in order for them to perform work under the instruction of the Slovak entity, in accordance with its needs. In this case, the Slovak entity is treated for tax purposes as the "economic employer" of a person legally employed by the foreign entity. The Slovak entity should have its economic employees on its Slovak payroll. The employee is taxed in the Slovak Republic from the start of his working activities here, regardless of the 183 day rule.

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14. The Slovak personal income tax liability of an expatriate under the economic employment structure will not differ from that which he/she would have had as an employee of the Slovak entity.

Benefits in kind

15. Taxable employment income includes salary, bonuses and benefits in kind.

Company cars

16. If an international assignee is provided with a company car by an employer, and the car is also available for private use, then the value to be included in the individual's tax base is 1% of the car's purchase price, including customs duty and VAT, for each calendar month or part of a month that the car is made available also for private use.
17. The benefit does not vary with the amount of kilometers travelled; this benefit is taxable even if the company car is used for only one private kilometer in a given calendar month. Fuel consumed on private trips is considered a benefit in kind if paid for by the employer, and it is taxable for the individual. If fuel is provided for personal use, the actual amount paid on behalf of the employee and related to personal use is the employee's taxable benefit. If the employee pays for his/her own fuel used for business purposes, he/she can claim a refund from his employer.

Accommodation costs

18. The provision of accommodations by the employer is a taxable benefit in kind. If the international assignee is provided with an allowance for housing or reimbursement of his housing costs, then the amount of the allowance or the amount reimbursed is included in his/her taxable income. The value of the benefit is equal to the amount of rent or contribution actually paid by the employer.

Other taxable benefits

19. Almost all private expenses paid to an individual by his Slovak or foreign employer are taxable benefits. These include private health insurance, private pension contributions, flight allowances, relocation allowances, accommodation costs, utilities, school fees, language lessons for family members, etc.

Reimbursement of expenses

20. 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 nontaxable limits (which are regularly changed) for meals on national business trips are currently as follows:

Business travel for 5-12 hours	EUR 4.00
Business travel for 12-18 hours	EUR 6.00
Business travel over 18 hours	EUR 9.30
Business travel of less than 5 hours if performed during normal meal times (breakfast, lunch or dinner)	Up to EUR 4.00

21. Reimbursed expenses above these limits will normally be subject to personal income tax.
22. The nontaxable daily meal allowance for business trips outside the Slovak Republic varies according to the country visited and is updated on an annual basis. Nontaxable pocket money for business trips outside the Slovak Republic may reach 40% of the statutory limit for meal allowances for that country.

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23. 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. The entitlement also applies to weekend days. These allowances are nontaxable for the employees, up to the statutory limits. Examples of current daily travel allowances are as follows: Germany - EUR 45, Austria – EUR 45, France – EUR 45, Great Britain – GBP 37, Hungary – EUR 39.

Tax deductions

24. Certain (limited) deductions from taxable income or from the tax charge are available if the required conditions are met. These include:
- Compulsory social security contributions paid by the employee;
 - Personal and spouse allowances (see paragraphs 28 and 29);
 - Child tax credits (see paragraph 30 and 31)
 - Employee premium (see paragraph 32)

Capital gains

25. There is no special tax on capital gains; these gains are included in the expatriate's taxable income and are subject to tax at the normal rate. Capital gains usually mean gains from the sale of registered movable assets (e.g., securities) and from property. A capital gain on the sale of movable assets (other than securities) will be tax exempt unless the taxpayer accounts for these assets in his accounting records (which would generally only apply if he/she is an entrepreneur). From 1 January 2011 the health insurance is payable on capital gains and sale of shares.
26. A capital gain on the sale of securities will be exempt from income tax if the securities were acquired before 31 December 2003, and held for more than three years. Capital gains on the sale of securities acquired after 1 January 2004 are fully subject to income tax. However, EUR 500 for 2013 of such gains are tax exempt, provided this exemption has not already been used against other income (e.g., rental).
27. Capital gains on the sale of property are exempt from tax where the taxpayer owned the property for five years. Exemption from tax also applies to the sale of property acquired before 31 December 2010, if the owner had his residence registered there for at least two years immediately preceding the sale.

Tax allowances

Personal

28. A personal allowance of 19.2 times the minimum subsistence amount valid on 1 January each year is available to all individuals whose taxable income does not exceed certain limits. For 2013, the maximum personal allowance is EUR 3,735.94 and this is available to individuals whose annual tax base for 2013 does not exceed EUR 19,458 (calculated as 100 times the minimum subsistence level). Individuals with a higher tax base than this cannot apply the entire nontaxable personal allowance. Their personal allowance is progressively reduced to nil, based on a formula stated in the tax law, so that those with a tax base over EUR 34,401.74 in 2013 will not be entitled to any personal allowance. This reduction should be done in the personal income tax return for 2013 or through the employer's payroll year-end tax reconciliation, both due by the end of March the following year.

Spouse

29. A dependent spouse allowance of up to 19.2 times the minimum subsistence amount can also be claimed by individuals with permanent residence in Slovakia, to the extent that the spouse does not have income in

excess of the allowance amount, i.e., EUR 3,735.94 for 2013. The spouse allowance is the difference between 19.2 times the subsistence minimum (i.e., EUR 3,735.94) and the spouse's actual income. However, if the individual's tax base is higher than EUR 34,401.74, the available spouse allowance will be progressively reduced to nil, based on a formula stated in the tax law, such that those with an annual tax base over EUR 49,345.94 in 2013 are not entitled to any spouse allowance. A dependant spouse allowance is also available to individuals who are not Slovak tax residents, if their income from sources located in Slovakia in the tax period is at least 90% of their total income.

Children

30. A tax bonus of EUR 21,41 (applied in July – December 2013) monthly 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 337.70 per month). The tax bonus changes on an annual basis and decreases the tax liability.
31. The child bonus is available for Slovak tax residents with their permanent residence in Slovakia and for Slovak tax non-residents only if their income from sources located in Slovakia in the tax period is at least 90% of their total income.

Employee premium

32. A maximum employee premium of EUR 48.17 is available to individuals if the following conditions are met:
 - Individual's taxable employment income in Slovakia is at least six times the minimum wage (being currently EUR 337.70 per month),
 - The taxpayer received employment income based on an employment contract for at least six months of the calendar year, and
 - The employee's only income in the year was employment income.

Low paid individuals whose annual employment income is at least half of the minimum wage times twelve (EUR 2,026.20 in 2013) are entitled to the employee premium. For individuals with monthly income exceeding the minimum wage, the employee premium should gradually decrease, reaching zero where the tax base equals the personal allowance (i.e. EUR 4,052.40 for 2013).

Last updated: July 2013

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Menu

Step 3 – What to do before you arrive in the Slovak Republic

Work and residence permits

33. Most foreign assignees (non-EU citizens) who intend to work in the Slovak Republic (rather than just coming for a short business trip) must obtain a work permit and a temporary residence permit to live and work in Slovakia. An entry visa may be required in addition to work and residence permits for citizens of certain non-EU countries with which Slovakia has not concluded a relevant treaty. As of 21 December 2007, Slovakia became a member of the Schengen zone. The common visa policy and the procedures and conditions for Schengen visas are set out in the Common Consular Instructions.
34. Holders of a residence permit issued by Slovakia who are third-country nationals can spend up to three months in any other Schengen state. That also holds true for residence permits issued before 21 December 2007. Similarly, holders of a residence permit and Schengen visa issued by one of the "old" Schengen states do not need a visa to enter any of the "new" Schengen states.
35. EU citizens do not need a work permit. They only need to notify the Slovak Foreign Police of the beginning of their stay in Slovakia within 10 working days after arrival. If EU citizens intend to stay in Slovakia for more than three months, they are obliged to register their stay in Slovakia with the Slovak Foreign Police within 30 days after three months from the date of entry to Slovakia. However, should they start to pay taxes from the start of their stay, we recommend to register their stay in the first month. The Foreign Police should then issue a residence card called "Residence card of EU national" which is valid for a maximum five years. EU citizen is entitled to have a permanent residence, if he/she is continuously and legally present in Slovakia for five subsequent years. EU citizen who were granted permanent residence, or who stay in Slovakia for more than three months, are obligated to report any voluntary termination of their residence in Slovakia and state where they will travel. An employer who wants to employ an EU citizen must inform the Labour, Social Affairs and Family Office within seven days of the day that the work contract is concluded or the employee is seconded to Slovakia. An employer must complete an information card for each employee or assignee and send it to the Labour, Social Affairs and Family Office.
36. Paragraphs 37 to 38 below are applicable to residence permits for non-EU citizens.
37. An application by a non-EU citizen for a short-term (less than 90 days) visit, temporary or permanent residence, with relevant documents, must be submitted personally at the Slovak diplomatic mission or consular office in the applicant's country of residence or at the Slovak Police, depending whether or not a visa is also required. Where there is no Slovak diplomatic mission or consular office in the foreign person's country, he/she should apply for a residence permit in the nearest country where there is such an office.
38. The Police Department will decide about granting a residence permit within 90 days after the date of receipt of the submitted application.

Employment contract

39. An international assignee working in the Slovak Republic is not required to have a specific Slovak employment contract unless (part of) his/her salary will be paid by the Slovak host company. If this is the case, this might have an impact on his/her social security status – whether or not he/she qualifies for the exemptions under the EU rules.

Importing personal possessions and cars

40. Slovakia has been part of the EU since 1 May 2004, and the EU customs legislation applies in Slovakia. This means that the EU customs tariff determines the import duty rates on goods that are to be imported from non-EU countries. The law sets out cases in which, owing to special circumstances, goods that the customs authorities have authorized to be put into free circulation are exempt from import duties. The customs authorities will decide on the exemption immediately or no later than 30 days after the date of filing an application for such an exemption, which must be in the form of a customs declaration. The circulation of goods within the EU is not subject to customs duties.

Import of goods by members of diplomatic missions, administrative technical personnel (ATP) and consular officers

41. Members of diplomatic missions, ATP and consular officers assigned from outside the EU are allowed to import their personal possessions for personal use or consumption duty free. This also applies to relatives of members of diplomatic missions and consular officers.
42. Goods for use or consumption that have been admitted duty free may not be lent, given as security, hired out or transferred for a certain period, as set out in the reciprocity agreement between Slovakia and the non-EU country. However, this period must be at least 12 months from the acceptance date of the customs declaration. When the person plans to do one of the activities mentioned above with the goods before this period, he/she should notify the customs authorities beforehand of this. He/she will also have to pay import duties.
43. An exemption from customs duties on imported cars is provided for up to two cars imported within two years. If the car is lent, given as security, hired out or transferred within two years from the acceptance date of the customs declaration, then import duties must be paid. If an imported car is re-exported within this period, or import duties are paid, or the car is damaged, the next imported car is also exempt from import duties.
44. An ATP may apply for relief from import duties within six months of the time they first arrive here to work.

Import of personal property belonging to individuals

45. The personal property of individuals transferring their normal place of residence from a non-EU country (including cars) to the customs territory of the EU should be imported to the EU exempt from import duties.
46. This exemption is limited to personal property that, except in special cases, has been in the possession of the person concerned at his former place of residence for a minimum of six months and is intended to be used for the same purpose as before at his new place of residence in the EU. In the case of consumable goods, it is not necessary to use the goods for a minimum of six months. The exemption may be granted only to people whose normal place of residence has been outside the customs territory of the EU for a continuous period of at least 12 months.
47. No relief shall be granted for alcoholic products, tobacco or tobacco products, commercial means of transport and articles for use in the exercise of a trade or profession, with certain specific exceptions.
48. Personal property that has been admitted duty free may not be lent, given as security, hired out or transferred, whether for a consideration or free of charge, until 12 months from the date on which its entry into free circulation was accepted.

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49. An exemption shall be granted only for personal property entered into free circulation within 12 months from the date that the normal place of residence in the customs territory of the EU is established. The personal property may be released into free circulation in several separate consignments within this period.
 50. When the person concerned leaves the non-EU country for job-related or other reasons before establishing his normal place of residence in the customs territory of the EU, the exemption may also be granted. In this case, the person must state in writing that he/she plans to establish his/her normal place of residence in the EU within a specific period. The person must also submit a security (such as a cash deposit or the statement of a guarantor), as determined by the customs authorities. If the person does not do this, any goods he/she imports to the EU will not be exempt from customs duty.
 51. The customs authorities may grant other exemptions when a person has to transfer goods as a result of exceptional political circumstances.

Last updated: July 2013

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Step 4 – What to do when you arrive in the Slovak Republic

Immigration requirements for non-EU citizens

52. If asked by an immigration office at the border, non-EU citizens are required to show that they have sufficient financial means to cover their travel expenses back to their country of origin and to cover their stay in the Slovak Republic. The stated amount for each person per month is the Slovak minimum wage (EUR 337.70) and it should be sufficient to cover the person for at least one year. Documents confirming payment for an individual's stay are considered to be evidence of financial means.
53. If a non-EU citizen wishes to apply for a temporary residence permit, he/she must notify the police of his/her arrival and address within three days after arriving in the Slovak Republic. Please note that a temporary residence permit is not issued/valid without a work permit, unless the person is to be a statutory representative in a Slovak company. The process of obtaining the temporary residence permit is very bureaucratic and it often takes 90 days since all documents are delivered to the Foreign Police to process the necessary permit.
54. On or before arrival in the Slovak Republic, non-EU citizens must apply for a work permit at the Labour, Social Affairs and Family Office in the region where the Slovak company they will work for has its registered seat. The work permit is given for a maximum period of two years; an application for the extension of a work permit must be made at least 30 days before the expiry date.
55. An application for an extension of a temporary residence permit must be made at least on the last day before the permit's expiry date at the Foreign Police Department in the Slovak Republic. The application needs to be accompanied by supporting documentation similar as submitted for the original permit.
56. If a non-EU citizen is living in the Slovak Republic without a temporary residence permit, the police can deport him/her and he/she will not be allowed to enter or stay in the Slovak Republic for three to five years from the date of deportation stamped in the passport.

Currency

57. Slovakia adopted the Euro as of 1 January 2009. The official conversion rate was SKK 30.1260 = EUR 1. There is an extensive network of ATMs (automated teller machines) which accept international credit and debit cards. MasterCard, Visa and American Express are accepted by most retail outlets.

Tax registration

58. In general, if the assignee is employed by a foreign employer and performs his/her employment duties in the Slovak Republic, he/she should be registered for tax purposes. The deadline for registration is within 30 days of becoming subject to Slovak tax. Upon tax registration, the individual will receive a tax registration number. Individuals are not obliged to register as taxpayers if they only receive employment income provided they do not need to pay individual tax advances, capital income, other income or income that is subject to withholding tax or a combination of these.

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Step 5 – What to do at the end of the year

Tax return submission

59. Individuals subject to Slovak income tax must submit a personal income tax return to the tax office by 31 March of the year following that in which the income was earned, unless they have no income other than that which is taxed through a final withholding tax or via Slovak payroll or their annual income is less than EUR 1,867,97. If the employment income is taxed through Slovak payroll, the employer may arrange for a year-end payroll reconciliation for the individual, upon the individual request. Payroll must be maintained in the following cases:
- If the foreign employers employ the staff at the territory of the Slovak Republic for more than 183 days;
 - If this is the permanent establishments of the foreign companies in Slovakia, providing activities other than services,
 - If the assignees are the leased to the Slovak entities, where these as the economic employers must pre-pay the wage tax advances for the assignees final tax liability.

Applying for an extension

60. It is possible to notify the tax authorities about an extension for filing a personal income tax return; this notification has to be filed with the tax authorities within the normal filing deadline, i.e. by 31 March. The extension will be granted up to 30 June at the latest or, where an individual has income from foreign sources, up to 30 September.

Paying your tax liability

61. The final tax liability is normally due by the filing deadline (31 March following the year concerned, unless a filing extension was granted by the tax authorities). From 1 January 2012, a taxpayer who files a Slovak tax return must pay his liability to a bank account held by the tax administrator for each taxpayer. The taxpayer should have been informed of the number of the personal bank account.

Advance tax payments

62. Advance payments must normally be made for tax on non-employment income not taxed through payroll or withholding tax on the following basis:
- 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 2,500.00 and EUR 16,596.96, one-quarter of the prior year's liability must be paid on 30 June, 30 September, 31 December and 31 March.
 - No advance payments are required where the previous year's tax liability was below EUR 2,500.00.70.

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63. Individuals who receive employment income for work in Slovakia paid abroad that is not already taxed under Slovak payroll procedures (local payroll or shadow payroll) must 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 payroll by the end of the month in which first receives this income.
 - The tax advances must be calculated from the amount of employment income that is actually paid to the individual. The tax advance must be paid by the end of the calendar month following that in which the income was paid.
 - The tax advances should generally be calculated in the same manner as the payroll tax advances of regular Slovak employees.
64. Slovak tax residents must pay the above advances from the first day they start working in Slovakia. Slovak tax nonresidents must pay advances only after they have spent 183 days or more in Slovakia. However, if it is clear from the start that they will be in Slovakia for more than 183 days, they should register with the local tax office and pay advances from when they start working in Slovakia. The payment deadline is the end of the calendar month following that month in which the remuneration was received.
65. Tax advances are treated as prepayments of the tax liability for the year in which they are paid. Tax advances (as well as the final tax liability) must be settled in Euro.

Fines and penalties

66. The tax authorities may levy a fine for filing a tax return late. When fines are imposed, the seriousness, duration and consequences of the matter are taken into consideration. The tax authorities may charge a penalty of EUR 30 up to EUR 16,000, if the tax return is not submitted on time.
67. If the tax return is submitted by the statutory deadline, but the taxpayer subsequently recognizes that he/she has understated his/her tax liability, the penalty for correcting this by submitting an amended tax return is half of the normal underpayment penalty. The normal underpayment penalty is three times the base interest rate of the European Central Bank (currently 0,5%) multiplied by the tax underpaid. However the minimum penalty is 10% of tax due. The full penalty rate applies if the tax administrator identifies the tax underpayment.
68. There are also penalties for paying a tax liability late. The penalty is calculated as the tax liability multiplied by four times the base interest rate of the European Central Bank for each day of late payment. However the minimum penalty is 15% of the tax due. These penalties also apply to the late payment of tax advances.

Obtaining tax credits in the home country

69. If an expatriate needs to obtain a tax credit in his home country for Slovak taxes paid, the tax authorities will provide, on request, a certificate declaring his total Slovak income and the amount of Slovak tax paid. This can then be sent to the financial authorities in his home country.
70. Likewise, if an individual wants to obtain a tax credit or exemption of income taxed abroad in the Slovak Republic, the Slovak tax authorities will request a similar confirmation issued by the foreign tax authorities. Individuals whose employment income was provably taxed abroad, can exempt their employment income from taxation in Slovakia (even though based on the applicable DTT the tax credit method should be applied).

Other filings

71. Individuals subject to Slovak social security (including social insurance and health insurance) are subject to the Health Insurance Reconciliation (HIR). This is done by the health insurance company by 30 September of the following year based on their income tax return for particular year and based on the dividend report which is due by the end of May of the following year more information on HIR in Section 7).

Last updated: July 2013

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Step 6 – What to do when you leave the Slovak Republic

Informing the tax authorities

72. If the individual was registered with the Slovak tax authorities, it is necessary to notify the tax authorities within 15 days of individual's departure from the Slovak Republic. At the same time, a request can be submitted to release him/her from any obligation to pay further tax advances, if applicable.

Filing your tax return

73. The expatriate's tax return should be prepared and submitted in the normal time scale. Due to the fact that he/she will not be present in the Slovak Republic at the time the tax return must be filed, it is advisable to appoint an official tax adviser with a power of attorney to act on his/her behalf.

Exporting your personal possessions

74. Exporting your personal possessions to a country within the EU is, in general, free of any restrictions. However, the personal possessions exported from the EU customs territories (including cars) are subject to the export customs clearance. Although the written customs declaration for export is not mandatory, the customs authorities might upon their discretion require to file the declaration or another relevant document (such as list of the specific items that belong to the personal possessions) Currently, no export customs duties are applicable.

Last updated: July 2013

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Step 7 – Health and social security contributions

Health and social security contributions

75. Social security contributions in the Slovak Republic are paid into seven separate funds: the Health, Retirement, Sickness, Unemployment, Permanent Disability, Guaranteed and Reserve funds. Both the employer and employee must contribute to the social security system.
76. Social insurance includes sickness insurance, retirement (consisting of old-age and permanent disability insurance) and unemployment insurance and is administered by the Social Insurance Authority established and governed by the Act on Social Insurance. Health insurance is currently administered by three health insurance companies.
77. Social insurance applies to employees with taxable income, to self-employed persons with taxable income and to the voluntary payers.
78. Health insurance is compulsory for:
 - Persons with permanent residence in the Slovak Republic, unless they are:
 - Employed abroad and insured abroad in the state of their activity;
 - Self-employed abroad and insured abroad in the state of their activity;
 - Staying more than 6 months (cumulatively following each other) abroad and are insured abroad.
 - Health insurance is compulsory also for persons who do not have permanent residence in the Slovak Republic, if they are not insured in other EU member state or EEA state or in Switzerland and are: Employed by person having seat or a permanent establishment in Slovakia (unless this employer uses diplomatic privileges and international immunities).
 - Self-employed on the territory of Slovakia.
79. Health insurance is not compulsory for individuals who do not have permanent residence in Slovakia, who are insured abroad (besides EU member states) and are statutory representatives in Slovak Ltd, activities of the head of the branch of foreign entity, members of statutory bodies, members of the boards of directors, members of control committee and members of other self-governing body of the legal person or activities of shareholders in Ltd, general partner in partnership or members of cooperatives located in Slovakia.
80. The contributions for each social security category are calculated as a percentage of the "computation base." The minimum computation base for health insurance and social security contributions of an employee is set as the Slovak minimum monthly salary of EUR 337.70 for the period from 1 January 2013.
81. The social security and health insurance contribution rates, maximum computation bases and maximum monthly contributions amounts for the period from 1 January 2013 to 31 December 2013 are as follows:

In EUR	Employee contributions			Employer contributions		
	Rates	Maximum base	Maximum monthly contribution	Rates	Maximum base	Maximum monthly contribution
Sickness	1.4%	3,930.00	55.02	1.4%	3,930.00	55.02
Retirement	4%	3,930.00	157.20	14%	3,930.00	550.20
Permanent disability	3%	3,930.00	117.90	3%	3,930.00	117.90
Unemployment	1%	3,930.00	39.30	1%	3,930.00	39.30
Health	4%	3,930.00	157.20	10%	3,930.00	393.00
Guarantee insurance*	-	-	-	0.25%	3,930.00	9.82
Reserve fund**	-	-	-	4.75%	3,930.00	186.67
Total	13.4%	-	526.62	34.4%	-	1,351.91

* Guarantee insurance represents the employer's contribution to the employers' fund from which remuneration related claims of employees whose employer became insolvent, are settled.

** Reserve fund represents a Social Insurance Company's fund that may be used by the Social Insurance Company to cover the insolvency of other insurance titles (e.g. retirement fund).

The minimum and maximum assessment bases for both health and social insurance contributions are valid for the entire calendar year 2013.

82. In addition to the above contributions, the employer must make injury insurance contributions based on its safety classification determined according to the law. However, until 31 December 2013, there is only one rate for every employer, which is 0.8% of the total employees' taxable employment income, with no maximum limit.
83. For self-employed individuals, the minimal computation base for the purpose of social and health insurance has been determined at EUR 393 for 2013.
84. The obligation to pay contributions to health and social insurance has been extended to individuals working on the basis of an agreement on work performed outside employment.
85. The monthly health insurance contributions are regarded as advances for the yearly liability and are subject to an annual health insurance reconciliation (HIR), which is done by the health insurance company by the end of September of the year following that for which the health insurance advances were paid. The health insurance company issues the Health insurance assessment to the individual based on information available to them, based on the income tax return and based on the dividend report which is due to be submitted to the Health insurance company by end of May following the calendar year for which the reconciliation is made.

86. From 1 January 2011 all the individuals whose employment income is subject to income tax under income tax law, will be liable to health contributions unless exempt from this rule due to application of the EU Regulation of the bilateral treaty on social security. The changes have been implemented also in relation to business, capital, other income (including sales of shares), and even non-taxable dividend income that the individuals receive. Income which is subject to Slovak withholding tax is not liable to health insurance levies.
87. Health insurance contributions applicable to dividends, capital and other income are:

	Rates	Assessment base	Advances
Dividends paid from profits generated in 2011 and 2012*	10%	The maximum annual assessment base is EUR 28,296. The first EUR 347.41 is not subject to health insurance contributions.	No advances need to be paid during the year****
Dividends paid from profits generated in 2013**	14%	The maximum annual assessment base is EUR 94,320 for 2013. For dividends paid from profits generated in 2013 and following periods, the minimum annual assessment base was abolished.	The advance payment is due within eight days after the calendar month in which the dividend income is paid by the Slovak company.
Capital income and other income (e.g. sale of shares)	14%	The assessment base is the tax base for a particular calendar year***	No advances need to be paid during the year****

*The obligation to pay contributions applies to dividends paid from profits generated in 2011 and in the following periods. This means an individual will declare the dividends for the first time in his annual health insurance reconciliation for 2012, i.e. by September 2013.

**With effect from 1 January 2013, the dividend income paid from profits generated in 2013 and following years is subject to increased health insurance contributions of 14%.

***For the sale of shares (classified as other income), the tax base is income from the sale less actual acquisition costs and expenses connected with the sales of shares;

****Contributions will be settled based on the annual health insurance reconciliation.

Capping

88. All partial assessment bases from capital income or other income are subject to limitation of cumulative assessment base, which is capped for the respective year at 60 multiple of average salary for the calendar year two years previously (i.e. in 2013, the average salary of 2011 is taken into account). A new separate maximum assessment base for dividend income is capped at 120 multiple of average salary for the calendar year two years previously (for 2013 it is set at EUR 94,320).
89. After Slovakia's accession to the European Union on 1 May 2004, regulations No 1408/71 and No 574/72 relating to the obligation to pay social security and health insurance contributions apply to Slovak citizens who work or carry out business activities in other EU member states. The new EC Regulations No 883/2004 and No 987/2009 are effective from 1 May 2010 and apply to employees or entrepreneurs falling under the legislation of one or more EU member states and who are EU citizens or persons without citizenship staying in any EU member state. Regulation No 883/2004 replaced regulation No 1408/71. In general, the

regulations relate to employees or entrepreneurs falling under the legislation of one or more EU member states, and who are EU citizens or persons without citizenship staying in any EU member state. The old regulations will still apply to non-EU citizens legally staying in an EU country.

90. The main principles of the EU social security regulations are as follows:
 - Each individual falling under these regulations should pay social security and health insurance contributions only in one state.
 - The individual should pay the contributions in the state where he/she carries out his/her employment or business activities, unless some of the exceptions in the regulations apply to this individual.
 - Decisive periods (i.e., periods when the individual's income was subject to social security) in each member state should be added together for the purpose of determining the entitlement to social security and health insurance benefits.
91. These rules mainly affect individuals who are assigned to Slovakia from another EU member state or vice versa or those that work in more than one member state. However, there are various exceptions in connection with the form and length of the individual's assignment that may have an impact on the individual's social security situation.
92. Individuals who are assigned from Slovakia to another EU member state, and who are registered for and are paying Slovak social security contributions, can apply in Slovakia for an A1 form to cover them against the requirement to pay any social security contributions in another EU member state where they work. This exemption applies for 24 months. There is also a possibility to apply for an exception under Article 16 of the EU regulation No 883/2004 and obtain the form for a period of up to five years.
93. Individuals who often work or travel abroad to other EU member states should apply for a European health insurance card (EHIC). An EHIC enables individuals temporarily staying abroad (and their family members) to be covered by the Slovak health insurance system, for necessary basic health treatment abroad. EHICs have been valid since 1 January 2006, when they replaced E111 forms. For Slovak expatriates and their family members to receive full (rather than only basic) medical treatment in the EU member state where they work on the long term basis, they should apply for a S1 form. However, if they obtain a S1, this means they may be covered in Slovakia for emergency health treatment only.
94. However, these rules do not apply to individuals from outside the EU who are assigned to Slovakia by an employer with its registered seat outside the EU. Bilateral treaties between the two countries may affect their social security position. From 1 January 2011 the individuals assigned to Slovakia from outside the EU are subject to social security if they have employment income subject to the Slovak income tax.
95. The list of countries where Slovakia concluded bilateral treaties on social security can be found in Appendix C.

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Step 8 – Other matters requiring consideration

Road tax

96. Most cars used for business purposes fall within the scope of the Local Tax Act, and such cars are subject to vehicle tax. Certain vehicles are exempt.
97. Taxable vehicles are those used for business purposes or for other entrepreneurial activities subject to income tax in the Slovak Republic, whether or not they are registered here.
98. The amount of tax payable for passenger cars varies between each self-governing region, which may decide on the tax rate in its general binding resolution. Vehicle tax is paid to the tax authorities in the place where the vehicle is registered or temporarily based, if it is not registered in Slovakia.
99. With effect from 1 October 2012, a new fee (registration tax) was introduced. The fee is payable when registering vehicles of certain categories in the register of vehicles in Slovakia. The amount of tax ranges from EUR 33 to EUR 2,977 depending on the engine capacity of the registered car, and other factors.

Highway stickers

100. A highway sticker must be obtained to use a car on the highways and other specified road sections in the Slovak Republic. The cost of the annual highway sticker for passenger cars up to 3.5 tons is EUR 50. Stickers for vehicles over 3.5 are not available from 1 January 2010. For these vehicles, the electronic toll collection system has been introduced from 1 January 2010. Toll rate is stipulated per one km of a driven distance and depends on the vehicle category, number of axles and emission class. The electronic system operates in two payment regimes – prepaid and postpaid. Vehicles must have special electronic device installed that will serve for the calculation of the toll.

Purchasing property

101. Currently, it is possible for all individuals to purchase property in the Slovak Republic, except for agricultural land and forests.

Real estate tax

102. Registered owners of land, buildings or flats located in the Slovak Republic are subject to real estate tax. This tax is generally payable by the registered owner of the land, building or flat, although in certain cases another party may be liable to pay the tax. The taxable period is the calendar year, and the taxpayer must file the real estate tax return by 31 January of the relevant tax period, unless there has been no change in the size or type of real estate he/she owns since he/she last filed a real estate tax return. The tax rates depend on the size, type, use and location of the land and buildings. The rates are set by the municipal administrator.
103. The tax administrator will issue the tax assessment according to the status on 1 January of the relevant tax period. The tax is due within 15 days after the validity date of the tax assessment. The tax administrator may allow the real estate tax to be paid in installments, especially when the tax amount exceeds a certain limit.

Asset return

104. No individuals or entities, except for certain state administration employees, are required to file a return declaring their assets.

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Appendix A – Individual income tax rates

Personal income tax rates

The tax rate applicable to individuals in 2013 is as follows:

- 19% tax rate - for annual tax base (gross income less employee mandatory social security contributions) up to EUR 34,401.74; and
- 25% tax rate - for annual tax base (gross income less employee mandatory social security contributions) exceeding EUR 34,401.74.

Taxable income on dependent activity (employment) of selected constitutional officers will be subject to a special tax rate of 5%.

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Appendix B – Typical tax computation

Typical tax computation for 2013

- A A Slovak tax resident having permanent residence in Slovakia employed directly by a Slovak legal entity. He/she is an EU national who is not exempt from Slovak social security obligations and who has a nonworking spouse and one child.
- B. A Slovak tax resident employed by a foreign company, being a non-EU national who is seconded to work for a Slovak legal entity and who is not subject to compulsory social security obligations, having certificate of coverage from the home country.

Tax computation	A (EUR)	B (EUR)
Base salary	82,500	82,500
Bonus	16,500	16,500
Other (nonmonetary) benefits	11,000	11,000
Company car	3,960	3,960
Gross income	113,960	113,960
Less –		
Health & social contributions (13.4%)	(6,319.44,)	-
Allowances –		
-Personal	(0)	(0)
-Spouse (nonworking)	(0)	(0)
Taxable income (round down to Eurocents)	107,640.56	113,960
Tax rate 19% (up to EUR 34,401.74)	6,536.33	6,536.33
Tax rate 25% (above EUR 34,401.74)	18,309.70	19,889.56
Tax credit for 1 child	(254.64)	(254.64)
Tax due	24,591.39	26,171.25
Net monetary income	68,089.17	72,828.75
Employer's social security contributions	17,134.60	-

- The foreign compulsory social security contributions of the employee are also tax deductible for the purpose of determination of the tax base.

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Appendix C – Double-taxation agreements

Countries with which the Slovak Republic currently has double-taxation agreements with:

Australia	Indonesia	Romania
Austria	Ireland	Russia
Belarus	Israel	Serbia and Montenegro (Yugoslavia)
Belgium	Italy	Singapore
Brazil	Japan	Slovenia
Bulgaria	Kazakhstan	Socialist Republic of Vietnam
Canada	Korea	South Africa
China, P.R.	Latvia	Spain
Croatia	Libya	Sri Lanka
Cyprus	Luxembourg	Sweden
Czech Republic	Lithuania	Switzerland
Denmark	Macedonia, Bosnia and Herzegovina	Syrian Arab Republic
Estonia	Malta	Taiwan*
Finland	Mexico	Tunisia
France	Moldavia	Turkey
Georgia	Mongolia	Turkmenistan
Germany	Netherlands	Ukraine
Greece	Nigeria	United Kingdom of Great Britain and Northern Ireland
Hungary	Norway	United States
Iceland	Poland	Uzbekistan
India	Portugal	Vietnam

*Taiwan: The administrative agreement is concluded with a non self governing territory, which acts independently in international relations. The double-tax treaty with Egypt has been concluded, but it has not yet been ratified by the Egypt.

The double-tax treaty with Kuwait has been concluded and is subject to approval by Slovak parliament.

After Slovakia's accession to the European Union, EU regulations No 1408/71, No 574/72, and new regulations No 883/2004 and 987/2009, regarding social security and health insurance also apply to Slovak citizens. For more details about these regulations, please refer to Part 7.

Reciprocal agreements regarding social security (pension security) have been concluded with:

1. EU countries and Switzerland (EC regulations apply)
2. Non-EU countries:
 - Serbia & Montenegro (this agreement may still be valid for Bosnia and Herzegovina and Macedonia)
 - Canada
 - Ukraine
 - The Canadian province of Quebec
 - Russian Federation,
 - Belarus,
 - Moldova,
 - Armenia,
 - Azerbaijan,
 - Turkmenistan,
 - Tajikistan,
 - Kyrgyzstan,
 - Kazakhstan,
 - Uzbekistan
 - Korea,
 - **Australia**
 - **Israel.**

Some of these agreements include reciprocal provisions about healthcare.

Reciprocal agreements regarding healthcare have been concluded with:

1. Yemen
2. Serbia and Montenegro
3. Bosnia and Herzegovina
4. Macedonia

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Appendix D – Slovak Republic contacts and offices

Contacts

Marc-Tell Madl

Tel: [421] (2) 59 350 470
Email: m.madl@sk.pwc.com

Natália Fialová

Tel: [421] (2) 59 350 612
Email: natalia.fialova@sk.pwc.com

Zuzana Maronová

Tel: [421] (2) 59 350 634
Email: zuzana.maronova@sk.pwc.com

Tomáš Alaxin

Tel: [421] (2) 59 350 664
Email: tomas.alaxin@sk.pwc.com

Offices

Bratislava

PricewaterhouseCoopers Tax, k.s.
Námestie 1. mája 18
815 32 Bratislava
Slovak Republic
Tel: [421] (2) 59 350 111
Fax: [421] (2) 59 350 222

Košice

PricewaterhouseCoopers Tax, k.s.

Protifašistických bojovníkov 11

040 01 Košice
Slovak Republic
Tel: [421] (55) 321 53 11
Fax: [421] (55) 321 53 22

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