

Pocket Tax Book 2019

A Practical Guide to the Slovak
Tax System



Dear Friends and Business Partners,



Last year was almost a unique one in our history – lawmakers almost succeeded in fulfilling what they had promised for 2018 – to keep the tax laws unchanged. In the end, the ruling coalition approved specific tax-related and political changes, including the contribution to recreation of employees and a separate levy for retail chains (the constitutionality of which is currently being considered by the Constitutional Court). So, we will have to wait a little longer for the first year in Slovak history without changes to tax legislation.

However, it is questionable whether such an expectation is realistic due to global tax events – a tightening of rules to reduce tax evasion and increase taxation transparency so that part of tax revenues in the country where value is generated ends up in the appropriate national budget. The most discussed issue internationally is a tax on digital services. Towards the end of 2018, the European Parliament endorsed the concept of a temporary digital tax of 3 % on sales revenues as of 2021 (the final wording of the EU Directive is expected to be published prior to the European Parliament elections in May this year).

In addition to the above tax-related and political changes, mainly cosmetic adjustments were introduced after the tax laws were amended (in the last quarter of the previous year). Amendments to the Act on Using Electronic Cash Registers are an exception, changing electronic cash registers into online electronic cash registers connected to the Financial Administration, the e-kasa client. Extensive public discussions were held on these amendments. After taking into consideration comments from the business sector and the professional public, the date on which these amendments will become effective has been postponed to 1 April and 1 July 2019.

The assignment of a tax reliability index, an innovation from last-year, was implemented. The tax reliability index should motivate taxpayers to fulfil their obligations, making doing business easier for those who observe the rules and sanctioning those who circumvent them. Since the end of the previous calendar year, the Tax Administration has begun sending messages about the benefits to those who meet the criteria– e.g. faster issuance of written confirmations, compliance with requests for the permission to postpone tax payments, longer intervals between tax audits, determination of the date on which an excess input VAT audit will commence upon mutual agreement, etc. This year, we will be able to assess whether the tax reliability index is meeting its purpose.

My colleagues and I will continue to help you navigate the labyrinth of local and international tax rules and, through our active work in professional organizations, keep working on shaping the legal environment so that it reflects everyday business practise and, as far as possible, meets your needs.

Christiana Serugová
Partner, Tax Leader, PwC

A handwritten signature in blue ink that reads "Christiana Serugová".

Content

Individuals	08
Personal Income Tax	08
General Principles	08
Tax Residence	08
<i>Slovak Tax Residents</i>	08
<i>Slovak Tax Non-Residents</i>	08
Personal Income Tax Base and Tax Losses	09
Tax Allowances	10
Tax Registration	10
Tax Returns	10
Allocation of Tax Paid	11
Penalties	11
Health Insurance and Social Insurance	11
Health Insurance	11
Social Insurance	12
<i>Overview of Social Insurance Contributions from employment income</i>	13
Companies	14
Corporate Income Tax	14
Entities Subject to Corporate Income Tax	14
Tax Rate	14
Minimum Corporate Tax	14
Tax Base	14
Income not Subject to Tax	15
Income Exempt from Taxation	15
Tax-deductible Items	16
Allocation of Tax Paid	17

Dividends	17
Interest	17
Foreign Exchange Differences	17
Tax Losses	18
Tax Depreciation	18
Business Combinations	19
Exit Tax	19
Rules for Controlled Foreign Corporations (“CFCs”)	20
Multilateral Convention to Implement Tax Treaty Related Measure to Prevent Base Erosion and Profit Shifting (“MLI”)	20
Capital Gains and Securities	20
Taxable Period	21
Filing	22
Amended Tax Return	22
Payment	22
Fines and Penalties	22
Transfer Pricing	23
General Principles of Transfer Pricing	23
Transfer Pricing Documentation	24
CbCR – Country-by-Country Reporting	24
Dispute Resolution Mechanism (“DRM”)	25
Corporate Taxation of Foreign Entities	25
General Principles	25
Branch of a Foreign Entity	25
Permanent Establishment	25
Withholding Tax and Tax Securement	26
State Aid and Investment Incentives in Slovakia	27
Investment Incentives	27
Super-Deductions of R&D Costs	28

Other Taxes	29
Value-Added Tax	29
VAT Registration	29
VAT Group	29
Call-off Stock Simplification	29
VAT Rates	30
Special VAT Treatment - Cash Accounting	30
Reverse Charge in the Construction Industry	30
Exempt Supplies	31
Input VAT Deduction	32
VAT Compliance	32
EC Sales List	33
Control Statement	33
Obligation of Electronic Filing	33
VAT Refunds	34
<i>VAT Refund for Slovak VAT Payers</i>	34
<i>VAT Refund for Foreign VAT Payers from Another EU Member State</i>	34
<i>VAT Refund for Foreign Entities from Non-EU Countries</i>	34
Compensation for VAT Refund Retention	35
Electronic Cash Register (ECR)	35
Excise Duties	35
Goods Subject to Excise Duties	35
Authorised Entities	36
Registration	36
Excise Duty Compliance	36
Excise Duty Refunds	37
Customs Duties	37
General Principles	37
Right of Representation	37
Customs Procedures	38
Customs Debt	38

Simplifications	38
Violation of Custom Regulations	39
Motor Vehicle Tax	39
Real Estate Tax	40
<i>Land Tax</i>	40
<i>Building Tax</i>	40
<i>Apartment Tax</i>	40
<i>Common Provisions for Tax on Land, Buildings and Apartments</i>	41
Bank Levy	41
Special Levy in Regulated Industries	41
Special Levy on Retail Chains	42
Insurance Tax	42
FATCA and CRS	42
Local Fee for Development	43

Individuals

Personal Income Tax

General Principles

- Slovak tax residents are subject to personal income tax on their worldwide income, taking into account relief under Slovak law or an applicable double tax treaty.
- Slovak tax non-residents are subject to personal income tax on their Slovak source income.
- The taxable period is the calendar year.
- Personal income tax rates depend on the individual's income. A tax base of up to 176.8 times the subsistence level (i.e. EUR 36,256.38) is subject to a 19% tax rate. Amounts in excess of this are subject to a 25% tax rate. Taxable income from dependent activities of selected constitutional officers is subject to a special tax rate of 5%.
- The tax rate applicable on certain income from (holding) capital assets is unified at 19%.
- Dividends paid from profit generated during an accounting period starting on or after 1 January 2017 are subject to a tax rate of 7% (or 35% if the individual is a resident of a non-contracting state).

Tax Residence

Slovak Tax Residents

- Individuals are considered Slovak tax residents if they:
 - Have permanent residence in the Slovak Republic (“Slovakia”); or
 - Are physically present in Slovakia for 183 days or more, in a calendar year, either continuously or in total; or
 - Have a residence in Slovakia (i.e. accommodation not intended only for occasional use) and it is evident that the individual intends (due to personal and economic reasons) to remain in Slovakia permanently.

Slovak Tax Non-residents

- Slovak tax non-residents are subject to personal income tax on their Slovak source income such as:
 - Income from employment carried out in Slovakia;
 - Income paid by a Slovak company for acting as a statutory representative of such a company;
 - Income from self-employed activities, or from provision of services in Slovakia;

- Income from interest, licence fees, sale or rental of property located in Slovakia, or from lottery winnings; and
 - Income from dividends.
- Income may be subject to tax regardless of whether or not it is paid in Slovakia.

Personal Income Tax Base and Tax Losses

- An individual's tax base is calculated by adding income from different sources (from employment, entrepreneurial activities, other self-employment activities, rent, and other income).
- Specific income from holding capital assets, i.e. interest, is included in a separate tax base from 2016.
- Dividends paid from profit generated during a taxable period starting on or after 1 January 2017 are subject to a specific tax rate of 7% (or 35% if the individual is a resident of a non-contracting state).
- Dividends paid from profit generated during taxable periods from 2004 until 2016 are not subject to tax.
- Since 2018, the income from the sale of virtual currency is considered tax-able income. The sale of virtual currency is considered to be any exchange of a virtual currency, e.g. exchange of a virtual currency for assets, for the provision of services, for another virtual currency, or sale for a consideration. Taxable income may be reduced by tax-deductible expenses incurred to achieve the income, of a maximum up to the amount of the income achieved. This means the taxpayer cannot achieve a tax loss, which would be tax deductible.
- The Income Tax Act specifies income that is tax exempt. From 2016, such income includes, subject to certain conditions, income from the sale of securities listed on a regulated market, provided the period between acquisition and sale exceeds one year, and income from long-term investment savings, after 15 years.
- In May 2018, a tax-benefit for 13th and 14th salaries was introduced (subject to certain conditions) in an amount of up to EUR 500. The amount of such income must be at least equal to the average monthly earnings of the employee.
- Since 1 January 2019, contributions for recreation are also tax exempt. Employers are obliged (subject to certain conditions) to provide employees with a contribution for recreation in the amount of 55% of qualified expenses up to a maximum of EUR 275 per year.
- As a rule, expenses unavoidably incurred when generating and maintaining taxable income are deductible from such income. However, eligibility for a deduction must be analysed for each income type with regard to the individual's specific circumstances.

- Tax losses from entrepreneurial or other self-employment activities may be utilised equally during no more than four subsequent taxable periods, but only to offset taxable income from entrepreneurial or other self-employment activities. A tax loss cannot be utilised against, for example, rental income or income from capital investments.

Tax Allowances

- Tax allowances may only be claimed on income from employment and income from entrepreneurial or other self-employment activities. Such allowances are: personal allowance, dependent spouse allowance, spa care allowance, tax bonus for dependent children, tax bonus for young people on mortgage interest paid and contributions to the supplementary old-age pension scheme allowance. The entitlement and method of calculation of each of the allowances are legally defined.

Tax Registration

- Individuals must register with the Slovak tax office for income tax if they have a business permit in Slovakia, have started performing other self-employment activities in Slovakia, or have rented real estate in Slovakia. They must register by the end of the month following the month in which they started such an activity.
- Individuals are not obliged to register as taxpayers if they only receive income from employment (§ 5), income from capital investments (§ 7), other income (§ 8), or income subject to withholding tax (§ 43), or receive a combination of the above.

Tax Returns

- Anyone liable for Slovak personal income tax whose taxable income for the year exceeds a specific amount (EUR 1,968.68 in 2019) must file a personal income tax return, except for individuals:
 - Who have no other income than that which is taxed by withholding tax (such as bank interest);
 - Whose income is exempt from Slovak personal income tax; or
 - Whose salary is taxed via a Slovak payroll and the employer prepared an annual tax reconciliation for them based on the employee's request in which the employee confirmed that they have no other taxable income.
- The filing and tax payment deadline is 31 March of the calendar year following the year in which the income was earned. This deadline may be extended by three calendar months if the tax office is notified in advance.

The maximum extension is six months if the individual also receives income from abroad.

- Married couples must file separate, individual tax returns.

Allocation of Tax Paid

- A taxpayer can allocate 2% (or 3% if certain conditions are met) of his tax liability for 2018 to a qualifying entity of his choice.

Penalties

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

Health Insurance and Social Insurance

- For 2019, the maximum assessment base for all types of social insurance (except for injury insurance that is unlimited) is 7x the average salary earned two years ago, i.e. EUR 6,678.00.
- As of 2017, the maximum assessment base for the purposes of health insurance has been cancelled for all types of income, except dividend income.
- For self-employed individuals and other compulsorily insured individuals, the minimum assessment base for the purpose of social and health insurance in 2019 is set at EUR 477.

Health Insurance

- Health insurance contributions are compulsory for individuals who:
 - Have permanent residence in Slovakia;
 - Do not have permanent residence in Slovakia (e.g. only have temporary residence) and are not insured in another EU or EEA member state (or in Switzerland) and who have an employment contract with a Slovak employer, or with a foreign employer who has a Slovak permanent establishment; or
 - Do not have permanent residence in Slovakia, are not insured in another EU or EEA member state (or in Switzerland) and are carrying out, or have a licence to carry out, business activities in Slovakia.
- Health insurance contributions are 4% for the employee and 10% for the employer from the total gross earnings of the employee.
- Income subject to health insurance contributions includes all types of

taxable income (income under § 5, § 6, § 7, and § 8 of the Income Tax Act) including dividends paid from profit generated from 2011 to 2016. Health insurance is not paid on rental income.

- The rate for health insurance contributions for individuals who receive dividends subject to health insurance contributions is 14% of the assessment base.
- The maximum base for dividends for 2011-2016 paid in 2019 is EUR 57,240. Health insurance contributions are not paid on dividends and shares traded on regulated local or international market.
- Individuals with permanent residence in Slovakia who perform activities abroad, are not employed in Slovakia, and are insured in a state where they perform their activities are exempt from the obligation to pay contributions into the Slovak health insurance scheme.
- Regular monthly contributions to the health insurance scheme are considered advances on the annual liability, and are subject to an annual reconciliation performed by the relevant health insurance company, if required, by 30 September of the year following the year for which the contributions were made.

Social Insurance

- The Slovak social insurance system covers state old-age pensions, and insurance for sickness, permanent disability, unemployment, injury and employer insolvency, and contributions to the guarantee insurance and reserve fund.
- The Slovak old-age pension insurance system consists of three pillars. The first and (with some exceptions) the second pillar are compulsory, while the third one is voluntary.
- Any employment income and income from entrepreneurial or other self-employment activities (income pursuant to § 5 and § 6 of the Income Tax Act) is subject to social insurance contributions, however, only up to the amount of the maximum assessment base (EUR 6,678 per month for 2019).

Overview of Social Insurance Contributions from employment income

EMPLOYEE		
	Rate	Maximum monthly contributions for 2019 (in EUR)
Sickness	1,4%	93,49
Retirement	4%	267,12
Permanent disability	3%	200,34
Unemployment	1%	66,78
Guarantee insurance	-	-
Reserve fund	-	-
Total	9,4%	627,73

EMPLOYER		
	Rate	Maximum monthly contribution for 2019 (in EUR)
Sickness	1,4%	93,49
Retirement	14%	934,92
Permanent disability	3%	200,34
Unemployment	1%	66,78
Guarantee insurance	0,25%	16,69
Reserve fund	4,75%	317,20
Total	24,4%	1 629,42

- In addition to these social insurance contributions, an employer must also make injury insurance contributions of 0.8% of the employee's assessment base.

Companies

Corporate Income Tax

Entities Subject to Corporate Income Tax

- Any legal entity with its seat or management in Slovakia is considered a Slovak taxpayer with unlimited tax liability (tax resident) and the taxpayer's worldwide income is subject to Slovak tax. To avoid double taxation, tax treaties with relevant countries apply.
- Taxpayers with limited tax liability (tax non-residents) are only taxed on income from Slovak sources.
- Group taxation is not allowed.

Tax Rate

- The corporate tax rate for 2019 is 21%.

Minimum Corporate Tax

- The minimum tax (tax licence) was cancelled from 1 January 2018.
- Taxpayers can continue to claim a tax licence from previous periods after 31 December 2017 in the amount of the positive difference between the tax licence and the tax calculated in the tax return for no more than three consecutive taxable periods for which the tax licence was paid.

Tax Base

- As a rule, the tax base is the profit/ (loss) as determined under the Slovak Accounting Act, adjusted for tax purposes.
- If a taxpayer is obliged to report under International Financial Reporting Standards ("IFRS"), the tax base is derived from either:
 - The profit/(loss) under IFRS, adjusted for tax purposes using the IFRS bridge issued by the Slovak Ministry of Finance; or
 - The profit/ (loss) that would be reported if double entry bookkeeping was applied in accordance with Slovak accounting standards.
- From 1 January 2019, a taxpayer reporting profit under IFRS rules is also required to adjust their tax base for the following items:
 - When changing the accounting method (including the first application of the relevant international standard) that caused an increase or decrease

in own funds, the taxpayer is obliged to increase or decrease its tax base in the tax period in which the change was accounted for.

- If the taxpayer has applied the option to value financial assets at their fair value via equity (with no impact on the accounting result), they will be required upon the realization of such an asset to tax the amount related to any changes booked via equity from the moment of acquisition until the realization (except for assets where income from their sale is exempt.)
- For tax non-residents who are not obliged to keep accounting records and do not do so, the tax liability is calculated by looking at the difference between income and expenses. An alternative method can be used to calculate the tax liability if the tax office gives its consent.

Income not Subject to Tax

- The following items are not subject to corporate income tax:
 - Dividends paid from profits reported after 1 January 2004 (except for dividends received and paid to taxpayers from countries with which Slovakia has not concluded a double tax treaty or tax information exchange agreement);
 - Shares on liquidation balances and settlement amounts paid to shareholders, to which the shareholders were entitled after 1 January 2004 (except for those received and paid to taxpayers from countries, with which Slovakia has not concluded a double tax treaty or tax information exchange agreement);
 - Income received by donation or inheritance; or
 - Income from acquiring new shares due to an increase in share capital from retained profits from previous years, or due to exchange of shares in mergers, fusions and demergers.

Income Exempt from Taxation

- Exempt income includes:
 - Interest and certain other income from granted loans and borrowings, bonds, etc. and royalties paid from sources in Slovakia to a taxpayer from an EU member state who is the beneficial owner of such income, provided that a relationship has existed between the entities for at least two years preceding the date on which the income is paid.
 - 50% of income from considerations for granting a right to use, or for using a protected patent, utility model, or software created by the taxpayer (basic patent box). A tax exemption refers only to assets created by own activities and applies to taxable periods in which amortisation

of an intangible asset is included in tax expenses. A similar exemption also applies to a certain part of income from selling goods which were manufactured based on a protected patent or a utility model (extended patent box). The tax exemption accounts for 50% of income attributed to the sales price, less related costs and less profit margin.

Tax-deductible Items

- As a rule, tax-deductible expenses are expenses a taxpayer incurs when generating, securing, and maintaining taxable income. Documentation, such as receipts, invoices, and specific forms of documentation on transactions with foreign related parties, must be kept to support tax deductibility.
- When using an asset that qualifies as an asset for personal use, only the prorated part of related expenses/costs is tax deductible which is verifiably incurred to generate, secure, and maintain tax-deductible income. A flat rate of 80% applies if the asset is also used for private purposes.
- Some expenses are only tax deductible for a debtor upon payment (e.g. rent for the lease of movable properties, real estate properties, fees for the use of software, know-how, copyright, etc.).
- Expenses incurred in hybrid mismatches to related parties are tax non-deductible if, for example, such expenses are tax deductible for several entities, or are not included in the taxable income of other entities.
- Employer expenses incurred on transporting employees to their place of work and back (specific means of transport are defined in the law) are tax deductible under the following conditions:
 - There is documentably no suitable public transport, or not in the extent the employer needs;
 - For the accommodation of employees (specific types of accommodations are defined in the law), where the predominant activity of the employer is a multi-shift manufacturing operation.
- Since 1 January 2019, tax deductible expenses include the contribution for recreation expenses provided to an employee (at their request) whose employment with the employer has lasted for at least 24 months and the employer has more than 49 employees and further conditions specified in the Labour Code have been met (for example the recreation must be taken in Slovakia). This contribution for recreation expenses is in the amount of 55% of qualified expenses, up to a maximum of EUR 275 per year.
- In addition, the Income Tax Act limits the tax deductibility of certain other types of expenses.

Allocation of Tax Paid

- A taxpayer may donate 1% (or 2%, if certain conditions are met) of his tax liability for 2018 to a qualifying entity of his choice.

Dividends

- Dividends paid from profits generated after 1 January 2004 are not subject to Slovak income tax, except for the following dividends:
 - Paid to legal entities which are residents of non-contracting states;
 - Received from residents of non-contracting states;
 - Paid to legal entities if the taxpayer cannot provide evidence of the beneficial owner of dividends;
 - Received by a general partnership or a limited partnership, and subsequently paid to its partners of a non-contracting state.

Such dividends are subject to a special tax rate of 35%.

Interest

- Interest is generally tax deductible.
- Interest (and related costs) on borrowings and loans provided by related parties are tax deductible at no more than 25% of adjusted EBITDA (the total of the result of operations before tax, including depreciation charges, and interest expense).
- Interest on loans for the acquisition of shares is only tax deductible during the period of their sale, and the income from such the sale cannot be exempt from tax.
- Interest paid by a Slovak tax resident to a Slovak tax non-resident is subject to withholding tax of 19%, unless it is tax exempt in accordance with the EU directive on the common system of taxation applicable to interest and royalty payments as incorporated into Slovak tax legislation. A 35% tax rate is applied to interest* paid to a resident of a country not specified in the list published by the Slovak Ministry of Finance, or a country with which Slovakia has not entered into a double tax treaty, or an agreement on information exchange relating to taxes.

* The 35% tax rate also applies to certain other types of income.

Foreign Exchange Differences

- Foreign exchange differences charged via profit and loss accounts and

arising from the revaluation of unsettled receivables and payables at the balance sheet date are treated as taxable or tax deductible in accordance with their accounting treatment. However, they can be excluded from the tax base if the taxpayer states this in the tax return.

Tax Losses

- A taxpayer may utilise a tax loss equally over four consecutive taxable periods.

Tax Depreciation

- Tax depreciation (capital allowances) is generally available for expenditure incurred on non-current tangible and intangible assets. Tax depreciation may also be applied to assets acquired via a financial lease.
- The tax depreciation charges of non-current intangible assets equal the depreciation for accounting purposes, except for certain specific instances relating to goodwill.
- Non-current tangible assets are classified into tax depreciation groups to which different tax depreciation periods apply, as follows:

Depreciation group	Depreciation period (years)	Examples
1	4	Motor vehicles, office machines, and computers
2	6	Engines, cooling and freezing equipment, some types of production equipment and machinery
3	8	Assets of a technological character, turbines, furnaces
4	12	Prefabricated buildings made of concrete and metals, air conditioning systems, elevators
5	20	Manufacturing and commercial buildings and constructions
6	40	Residential and administrative buildings and constructions

- Certain types of assets are excluded from depreciation.
- Tax depreciation may be interrupted for one or more taxable periods and continued subsequently as if no interruption occurred.
- With regard to assets classified in depreciation groups 2 and 3, the taxpayer may select either the straight-line or accelerated depreciation method. A separate formula applies for calculating tax depreciation charges for each method. The straight-line depreciation method applies to the majority of other assets.

- For non-current tangible assets placed in service, only a proportion of the depreciation charge may be applied. This is based on the number of months in which the asset was in use.
- For some types of non-current tangible assets, where the tax written down value is only tax deductible up to the amount of income from their sale, taxpayers are entitled to apply tax depreciation charges in the year of sale in an amount corresponding to the number of whole months these assets have been on their books.

Business Combinations

- In-kind contributions, mergers, fusions, and demergers of commercial companies may only be performed for tax purposes in most cases at fair (market) values.
- The historical price method may only be applied for mergers, fusions and demergers of commercial companies, in-kind contributions, or cross-border transactions if certain conditions are met.

Exit Tax

- The exit tax applies to income when taxpayers (Slovak tax residents and non-residents with a permanent establishment in Slovakia) transfer outside of Slovakia:
 - Individual property (transfer carried out by a tax resident from their headquarters in Slovakia to a permanent establishment in another country, or by a tax non-resident from their permanent establishment in Slovakia to their headquarters of a permanent establishment in another country);
 - Business activities (transfer carried out by a tax resident to another country, or by a tax non-resident from their permanent establishment in Slovakia to another country);
 - Tax residence (tax resident is no longer Slovak tax resident).
- The tax is calculated by applying a 21% tax rate to a specific positive tax base, which is determined as follows:
 - When transferring individual property, its fair (market) price at the time of exit will be considered as income and its tax value will be regarded as an expense;
 - When transferring business activities, its fair (market) price of transferred asset and liabilities at the time of exit will be considered as income and the specific tax base will be calculated in the same way as when selling a business, or part thereof.

- The exit tax must either be paid in one instalment in the period for filing the tax return or, upon request, in five annual instalments if it is a transfer to an EU or EEA member state. When paying the tax in instalments, the taxpayer must also pay interest on outstanding instalments.

Rules for Controlled Foreign Corporations (“CFCs”)

- Since 1 January 2019, the rules for CFCs will come into place.
- The company is considered a CFC:
 - If it is controlled or managed, directly or indirectly, by the Slovak company (e.g. by voting rights, share capital, or share in profit); and in addition
 - The corporate income tax paid abroad is lower than 50% of the tax the CFC would pay in Slovakia.
- The income of a CFC is taxed in Slovakia by including the tax base of the CFC in the tax base of the Slovak parent company to the extent that the assets / risks are associated with the significant functions of the Slovak company which controls or manages the CFC.
- In order to prevent double taxation, the tax paid by the CFC abroad may be considered by the Slovak parent company when calculating / paying the tax in Slovakia.

Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (“MLI”)

- The MLI will allow effective and rapid implementation of the selected Base Erosion and Profit Shifting measures in individual double taxation treaties without the need for individual changes. For Slovakia, 36 bilateral agreements on the avoidance of double taxation will be modified under the MLI.
- From the relevant MLI partners for Slovakia, the following countries have already ratified the MLI, and will start to apply it to double tax treaties concluded with Slovakia as of 1 January 2019: Australia, France, Israel, Japan, Lithuania, Poland, Austria, Slovenia, UK and Serbia. Bilateral modifications of these agreements were published in the Collection of Laws separately, under the individual Announcements of the Ministry of Foreign and European Affairs.

Capital Gains and Securities

- Income from the sale of shares in joint-stock companies, ownership interests in limited liability companies, or limited partnerships (hereafter

“Participation”) may be exempt from corporate income tax if certain conditions are met (for example, the possession of at least 10% of shares or ownership interests for at least 24 months). A taxpayer who performs substantial functions in Slovakia, bears and manages the risks associated with the participation ownership, and has adequate personnel resources and material equipment to perform these functions may apply the tax exemption. However, the tax exemption does not apply to taxpayers who trade in securities, to the sale of companies in liquidation, bankruptcy or restructuring, or to taxpayers in liquidation.

- A loss from the sale of securities (cumulatively) and shares (individually) is tax non-deductible.
- The total costs related to derivatives are only tax deductible up to the total income from these derivatives arising in the same taxable period. However, costs related to hedging derivatives and derivatives incurred by insurance companies, reinsurance companies or by a taxpayer holding a license for trading in securities issued by the state authorities, are tax deductible in full.
- Income from the transfer of an ownership interest in a commercial company or a membership interest in a cooperative with its seat in Slovakia is taxable in Slovakia. The relevant double tax treaty may provide for a different taxation of such income in Slovakia.
- Income from the transfer of ownership interest in a commercial company or membership share in a cooperative, provided that the company or cooperative holds intangible assets in Slovakia, the carrying value of which amounts to more than 50% of the transferor's equity, is taxable in Slovakia. The relevant double tax treaty may provide for a different taxation of such income in Slovakia.
- In-kind contributions in the share capital of a commercial company or cooperative with its seat in Slovakia may be taxable in Slovakia. The relevant double tax treaty may provide for a different taxation of such income in Slovakia.

Taxable Period

- The corporate taxable period is either a calendar year or a fiscal year (other than the calendar year) which consists of 12 consecutive months.
- Special rules apply to winding up without liquidation, bankruptcy, and, in some cases, to a change of a taxpayer's legal form.
- The taxpayer must notify the tax office of a change of the taxable period from a calendar year to a fiscal year and/or a different 12-month period.

Filing

- Corporate tax returns must be filed by the general filing deadline of three months from the end of the taxable period. This deadline may be extended by another three calendar months based on a notification to the tax authority. If the taxpayer's income also includes income from sources abroad, the deadline may be extended by a maximum of six months.

Amended Tax Return

- If a taxpayer discovers an error in their filed tax return after filing deadline resulting in a higher tax liability, or a lower tax loss, an amended tax return must be filed within one month of the month in which the error was discovered. Any additional tax must be paid by this deadline.
- If a taxpayer discovers an error in his favour, an amended tax return may be filed under certain conditions.
- An amended tax return may also be filed within 15 days of the start or extension of a tax control.

Payment

- The tax balance due for a fiscal year is payable by the general or extended tax return filing deadline.
- A company must also pay corporate income tax advances if its last known tax liability for the taxable period exceeded EUR 2,500
- Advances are payable:
 - Quarterly (one-fourth of the last known tax liability) if the last known tax liability was between EUR 2,500 and EUR 16,600; or
 - Monthly (one-twelfth of the last known tax liability) if the last known tax liability exceeded EUR 16,600.
- Withholding tax applicable to certain income types (e.g. dividends, bank interest, monetary and in-kind supplies received by healthcare providers, their staff and healthcare workers) is considered a final tax and cannot be treated as a tax advance. Withheld tax may be treated as a tax advance in some cases.

Fines and Penalties*

- The amount of a penalty for certain administrative tax offences is subject not only to the reported tax difference, but also to a significant extent by the length of the period during which the tax was reported incorrectly. For example, this relates to situations where tax reported in the tax return is increased by an amended tax return, or if the tax authority initiates a tax

control, or imposes additional tax as a result of a control.

- The penalty will be imposed at the level of at minimum 1% of the additionally assessed tax, however, at maximum of 100% of the additionally assessed tax.
- Penalties for certain administrative offences will continue to be assessed at a flat rate, such as for a late filing or a failure to meet other non-monetary obligations.
- A system of collective penalties has been introduced for more than one administrative offence.
- In some cases, where a taxpayer intentionally reduces his tax liability by using incorrect pricing in controlled transactions, the tax authorities may double the penalty.

* Based on the Tax Order, these sanctions also apply to taxes other than corporate income tax, e.g. VAT.

Transfer Pricing

General Principles of Transfer Pricing

- Prices and conditions in controlled transactions between related parties must be set at fair market value (arm's length principle) for income tax purposes.
- The principle of an independent relationship is based on a comparison of the conditions agreed in controlled transactions between dependent persons with terms that would be agreed between independent persons in comparable transactions under comparable circumstances.
- A controlled transaction is a legal relationship or other similar relationship between several related parties, where at least one party is a taxpayer with income from entrepreneurial activities and other self-employment activities or a legal entity, which gains taxable income (profit) from activity or from the use of its assets. When assessing a controlled transaction, the tax authority focuses on its substance.
- A related party is a relative, a party economically or personally related, or a party otherwise connected or an entity (an "other relationship" arises if the parties have established a legal relation or similar relation, in particular for the purpose of decreasing the tax base or increasing the tax loss) and an individual or an entity who is part of the consolidated party.
- A taxpayer may request the tax authority for unilateral or multilateral approval of its transfer pricing method for recognition of a controlled transaction. Multilateral approval of the transfer pricing method for recognition of a controlled transaction is granted in accordance with the application of the particular double tax treaty. The fee for unilateral approval is EUR 10,000 or EUR 30,000 for multilateral approval based on

application of a double tax treaty.

- The tax authorities may increase the tax base and assess penalties if they ascertain that arm's length prices were not used in transactions between related parties, and this has resulted in a reduction of the Slovak entity's tax base, or an increase of a tax loss. If a taxpayer intentionally did not use arm's length prices, penalties imposed on taxpayers may be doubled.
- If a Slovak tax resident has made an adjustment to the tax base on the basis of transfer pricing requirements, or if the Tax Office has made the adjustment, the other party of the transaction (Slovak tax resident) whose price was subject to the adjustment may make a corresponding adjustment to the tax base and is obliged to notify the Tax Office.
- The Tax Office may levy a tax during a tax inspection focused on transfer pricing for the previous 6 years for domestic controlled transactions. For cross-border controlled transactions to which international agreements apply, the tax may be levied for 11 years retrospectively.

Transfer Pricing Documentation

- Taxpayers must retain transfer pricing documentation in a specified scope. They must present such documentation to the tax authorities upon request within 15 days of a request (without the need to open a tax inspection focused on transfer pricing). The tax authorities may only send a request to present the documentation after the deadline for filing the tax return for the relevant taxable period.
- The Slovak Ministry of Finance defines the content and scope of such documentation in the directive, which was updated for documentation for tax periods starting after 31 December 2017. Taxpayers may be required to keep one of the following types of documentation: shortened, basic, or full scope.
- Together with complete documentation, the taxpayer is required to have undertaken a benchmarking study of the controlled transactions. The Tax Office may request a benchmarking study during the tax inspection even if it is not required in the guidance issued by Tax Authorities.
- From 2015, maintaining transfer pricing documentation is mandatory for domestic and cross-border controlled transactions between related parties.

CbCR – Country-by-Country Reporting

- CbCR was introduced into the Slovak legislation by an amendment to the Act on International Assistance and Cooperation in Tax Administration.
- Entities that are part of a group of multinational companies defined by law with consolidated revenues of at least EUR 750 million are required to either submit CbCR in Slovakia, or a notification of which entity (and in which tax jurisdiction) they will report CbCR. Most companies in Slovakia

are only obliged to submit to the Slovak Tax Office a notice containing basic information.

- The deadline for submitting a CbCR notification is the same as the deadline for submitting a Slovak corporate income tax return for the relevant tax period.
- A CbCR notification need not be submitted annually unless the circumstances determining its origin have changed.

Dispute Resolution Mechanism (“DRM”)

- From 1 July 2019, a new Act on Tax Rules (tax disputes) that may arise in connection with double taxation will enter into force.
- The Act also regulates the resolution of disputes that may arise between the Slovakia and a state which is party to the convention in relation to the adjustment of the profits of associated entities, provided these disputes arise from the interpretation and application of the convention.
- The Act contains formal and substantive elements, information on the taxpayer's practice and the competent authorities in the event of dispute settlement by mutual agreement by an advisory commission, or the commission for alternative dispute resolution.

Corporate Taxation of Foreign Entities

General Principles

- Slovak tax non-residents are only subject to Slovak tax on income generated in Slovakia. This income also includes certain services provided via a digital platform.
- A double tax treaty may wholly or partially eliminate double taxation of the income of Slovak tax non-residents earning income from Slovak sources.

Branch of a Foreign Entity

- The founder of a branch must, to the same extent as a Slovak company, register for tax, file a tax return, and pay tax and tax advances. A branch must apply Slovak accounting procedures.
- The rules for taxing a permanent establishment must also be appropriately applied to a branch.

Permanent Establishment

- A permanent establishment need not be entered in the Slovak Commercial Register, but a foreign entity with a Slovak permanent establishment is a taxable entity in Slovakia.

- A permanent establishment is created if:
 - A foreign company uses, either continually or repeatedly, a permanent place or facility for carrying out its business activities in Slovakia; or
 - A foreign company repeatedly mediates transportation and accommodation services via a digital platform; or
 - An individual acting on behalf and in the name of a foreign company repeatedly discusses, mediates or plays a leading role in negotiating contracts that are subsequently concluded in the name of a taxpayer; or
 - The period of provision of services by the foreign company, or by individuals working for such a foreign company in Slovakia, is longer than 6 months in any consecutive 12-month period.
- The conditions for creating a permanent establishment may be regulated in more detail by a double tax treaty.
- A foreign entity with a Slovak permanent establishment has the same tax registration, filing, payment, and tax advance payment obligations as a Slovak company.
- The tax base of a foreign company's permanent establishment may not be less than one that which would have been achieved if it performed similar activities under similar conditions as an independent entity (e.g. a Slovak company).

Withholding Tax and Tax Securement

- The following payments made by Slovak companies to foreign parties are subject to withholding tax.

	Standard rate	Non-contractual state*
Dividends	7%**	35%
Fees for services provided in Slovakia (unless provided by a permanent establishment)	19%	35%
Fees for advisory services (business, technical, other), data processing, marketing, management and intermediary activities, i.e. services provided without physical presence	19%	35%
Licence fees (royalties)***	19%	35%
Interest on loans and deposits***	19%	35%
Rental fee for movable assets	19%	35%

* Income paid to a resident of a country not included in the list issued by the Slovak Ministry of Finance, or a country that has neither a double tax treaty nor a treaty on

information exchange relating to taxes with Slovakia, is subject to a 35% tax rate.

** Only if dividends are paid to an individual.

*** Interest and licence fees paid to related parties resident in the EU are not subject to withholding tax if certain conditions are met.

- However, a double tax treaty may reduce the withholding tax rate.
- Some taxpayers (mostly EU tax residents) may treat the tax withheld on certain types of income as a tax advance and deduct it in their tax return.
- Individuals or legal entities may be obliged to withhold securement tax on certain Slovak sources of income from Slovak non-residents if these persons are not tax residents in another EU member state.
- The tax office will issue a confirmation of a withholding or security tax payment on request.

State Aid and Investment Incentives in Slovakia

Investment Incentives

- Only a legal person or an entrepreneur with a place of business or a registered office in Slovakia may submit an application for investment aid in the Slovak Republic. Incentives are available for industrial manufacturing projects or technology centres or their combinations and for business services centres. For each of the supported areas, the specific conditions must be met by applicants for investment aid, inter alia, depending on the form of assistance required.
- Investment incentives are provided in the form of grants for purchasing non-current tangible and intangible assets, corporate income tax credits, financial contributions for creating new jobs and transfers or leases of immovable property at a value lower than its value determined by an expert opinion.
- The maximum aid volumes are 25% (West Slovakia, with the exception of Bratislava) and 35% (Central and Eastern Slovakia) of the total eligible costs, which can be increased by 10% for medium enterprises and 20% for small enterprises.
- A project's eligible costs from which the aid amount is calculated may be, for example, cost of acquisition of land, buildings, machinery and equipment, industrial rights and licenses, rental costs of land, buildings, technology and labour costs. The main general conditions that must be met by applicants for investment incentives are, for example: establishment of a new operation, or its extension, diversification of the existing production, starting work on the project after submitting an investment plan to the Ministry of Economy of the Slovakia, spending the

minimum investment costs and realising the investment project for up to 3 or 5 years (depending on the amount of eligible costs) from the receipt of the decision approving the aid).

- For each of the supported areas, the specific conditions must be met by applicants for investment aid, depending on the required form of assistance, the location, and whether the investment project is implemented in a priority area.

Super-deduction of R&D Costs

- Taxpayers who perform R&D activities may deduct the following items from their tax base adjusted by the tax loss deduction:
 - 100% of R&D costs incurred in the taxable period for which the tax return is filed;
 - 100% of the positive difference between the average of the total R&D costs incurred:
 - In the taxable period for which the taxpayer applies a super-deduction, and in the immediately-preceding taxable period, and
 - In two immediately-preceding taxable periods.
- If a tax loss is recorded, or if the tax base after the tax loss deduction is lower than the available deduction, the deduction may be applied in the next taxable period in which the taxpayer reports a positive tax base; however, this may not exceed four taxable periods immediately following the period in which the entitlement to make a deduction arises.

Other Taxes

VAT

VAT Registration

- The threshold for obligatory VAT registration for taxable persons with their seat or permanent address, place of business, or permanent establishment in Slovakia, is a turnover of EUR 49,790 for the previous consecutive 12 calendar months. Voluntary registration is also possible before reaching the threshold.
- A VAT registration obligation in Slovakia may arise for foreign persons (taxable persons without a seat or VAT establishment in Slovakia) if, for example, they supply goods to Slovakia as a mail order service, or prior to the supply of goods or services provided that the tax obligation is not transferred to the recipient.
- Any taxable person who is not a VAT payer, or a legal entity who is not a taxable person must, in some cases, (such as receipt/provision of certain services from/to another EU member state and acquisition of goods from another EU member state) file an application for VAT registration for the purposes of paying VAT or reporting the supply of services.
- Automatic VAT registration has been introduced for taxable persons who supply a building, or part thereof, or building land, who are not VAT exempt, and a turnover of EUR 49,790 will be achieved from such a supply.
- Taxpayers are obliged to notify the tax authority of a change in registration in the event of the creation/termination of a VAT establishment within 10 days of the change.
- Correction of the VAT treatment of transactions carried out before the registration and input VAT deduction is available in some instances.
- In specific cases, a foreign person may be represented by another tax representative and need not register.

VAT Group

- A VAT group may be created in Slovakia. This option allows persons who are financially, economically, and organisationally interconnected and have their seat or permanent establishment in Slovakia, to register for Slovak VAT as a single VAT payer. As a result, transactions within the VAT group are not subject to VAT.

Call-off Stock Simplification

- A simplified call-off stock scheme applies where a foreign supplier registered for VAT in an EU member state (other than Slovakia) transfers their own goods from another EU member state to a warehouse in Slovakia

in order to supply them to a single Slovak VAT payer. If the foreign entity meets all the requirements set out in the Slovak VAT Act for applying a call-off stock regime, he need not register for Slovak VAT. In this case, the customer must apply a reverse charge and pay VAT upon the acquisition of goods in Slovakia.

VAT Rates

- The standard VAT rate of 20% applies to most goods and services. A reduced rate of 10% applies to certain basic foodstuffs (e.g. meat, milk, and bread), pharmaceutical products, certain medical aids, depending on the commodity code (as listed in Annex 7 of the VAT Act), certain books, and similar products.
- Since 1 January 2019, a reduced rate of 10% is also applied to accommodation services listed in Annex 7a of the VAT Act, i.e. accommodation services classified under code 55 of the statistical classification of products by activity (CPA classification).

Special VAT Treatment - Cash Accounting

- Certain local taxpayers may use a special approach for claiming VAT on a sale based on the receipt of payment for goods or services (cash accounting).
- When using this scheme, a tax liability only arises to the supplier of goods or services on the day that payment for goods or services is received. Input VAT may be deducted by a VAT payer who applies this scheme on the day on which an invoice is paid. Similarly, a tax liability arises for all VAT payers who receive an invoice from a supplier who applies this special treatment, on the day their supplier receives the payment.

Reverse Charge in the Construction Industry

- For certain supplies between two Slovak VAT payers in the construction industry, a transfer of the tax liability to the recipient has been introduced (reverse charge). This concerns, inter alia, the supply of construction work, the supply of buildings, the supply of goods with assembly or installation, provided they are included in a special statistical classification (section F in the CPA classification).
- When providing such supplies, the supplier does not charge VAT on the invoice, and the obligation to assess the VAT is transferred to the recipient (VAT payer), who may claim the input VAT deduction upon compliance with legal requirements.
- A general amnesty has been issued to provide a degree of certainty for entities in the construction sector when applying the reverse charge. The recipient of a service must automatically apply a reverse charge on

received construction work provided that the supplier could reasonably assume that the service was subject to a reverse charge mechanism, and a reverse charge reference was stated in the invoice.

- Additionally, suppliers of such construction work are obliged to report issued invoices for the supply of construction work in section A.2 of a VAT Control Statement, although they need not be reported in a VAT return.

Exempt Supplies

- Exempt supplies for which input VAT may not be deducted include postal services, financial and insurance services, educational services, radio and TV broadcasting services, health and social services, the supply and lease of real estate (with some exceptions), and lotteries and similar games.
- Exempt supplies for which input VAT may be deducted include, for example, the following transactions:
 - Intra-community supply of goods;
 - Financial and insurance services if provided outside the EU;
 - Triangulation transactions;
 - Transport of passengers in certain cases; and
 - Export of goods outside the EU.
- The sale of construction land is subject to VAT. The sale of buildings, including construction land on which the building is to be built, is VAT exempt, after five years from the issue of the official final inspection and occupancy approval, or from their first use. Since 1 January 2019, the 5-year period for the purposes of the exemption does not always begin upon the issue of the first building permit (first use of the building). In certain cases, it begins upon the issue of a building approval after performance of the construction work, the cost of which is at least 40% of the value of a comparable building prior to the start of construction work).
- If the conditions for exemption from VAT are fulfilled, a VAT payer may elect not to apply such an exemption on such a supply (in such a case, the tax liability is transferred to the recipient). However, this option is not available to a payer if he supplies a building intended for housing, a single apartment or an apartment in a housing unit.
- The rent of real estate (with some exceptions, i.e. parking spaces) is VAT exempt. A VAT payer may decide to charge VAT on the lease of a building to another taxable person. However, renting a flat, a family house or an apartment in a residential building or parts thereof are VAT exempt, without the option to decide for taxation.

Input VAT Deduction

- A VAT payer may deduct input VAT relating to a received taxable supply intended for use for taxable supplies of goods and services on which a deduction may be claimed.
- A VAT payer may not deduct input VAT on goods and services to be used for exempt supplies for which input VAT may not be deducted.
- A partial deduction based on a coefficient calculated under the law applies to purchases of goods and services used on taxable supplies, on which input VAT deduction may be claimed, and on those on which input VAT deduction may not be claimed.
- Input VAT deduction relating to the acquisition of certain non-current assets must be adjusted if the purpose of the use of such assets changes within five years of acquisition (20 years for real estate).
- If the scope of use is changed for business purposes and for a different purpose than business, there is an obligation since 1 January 2019 to adjust proportionately deducted VAT on movable tangible assets with a purchase price of EUR 3,319.39 or more and a usable life longer than one year.
- A VAT payer may not deduct input VAT for entertainment and refreshments costs.

VAT Compliance

- VAT is administered by the tax authorities, except for import VAT, which is administered by the customs office.
- A valid VAT document (invoice) must be issued for every supply of goods or services to a taxable person and for mail order services within 15 days of the supply of goods, services, or receipt of payment prior to their supply. An invoice may also be issued and received in electronic form. An amending document must be issued within 15 days of the end of the calendar month in which the event occurred that gave rise to a change to the tax base.
- A VAT payer must be able to document the authenticity of origin, integrity of content, and readability of an invoice from its issue until the end of the invoice-archiving period.
- VAT returns must be filed on a monthly basis. A VAT payer may decide on a quarterly filing period provided that more than 12 months have elapsed from the end of the calendar month in which they became a VAT payer, and their turnover was less than EUR 100,000 over the preceding 12 consecutive calendar months.
- VAT returns must be filed within 25 days of the end of the taxable period, and any VAT liability must be paid by the filing deadline.
- In some instances, a VAT payer is liable for the tax shown on an invoice if

the supplier fails to pay the tax to the tax office, or if the supplier became unable to pay the tax and the taxpayer knew, or could have known, that the tax would not be paid.

EC Sales List

- VAT payers must submit EC sales lists if they make intra-community supplies of goods from Slovakia to another EU member state, transfer own goods from Slovakia to another EU member state, participate in a triangulation trade as the first customer, or provide services with the place of supply in another EU member state to another taxable person and this person is obliged to pay the VAT.
- A VAT payer may submit an EC sales list for a calendar quarter if the value of goods does not exceed EUR 50,000 in the respective quarter and the four previous concurrent calendar quarters. If the threshold is reached, a monthly EC sales list must be submitted.
- EC sales lists must be submitted within 25 days of the end of the period to which they relate, and must be filed electronically.

Control Statement

- All taxpayers (including foreign persons registered for VAT in Slovakia) must present a control statement in electronic form. The control statement is a detailed list of all invoices issued and received.
- A control statement must be filed in electronic form by the 25th day after the end of the relevant taxable period.
- A control statement does not contain information about intra-community supplies of goods and services, or imports and exports of goods. A control statement need not be filed if only specific transactions are reported in the tax return (e.g. intra-community supply of goods, export of goods or supplies within triangulation) and where input VAT is not subject to deduction, or if only VAT deduction is reported on the import of goods.
- The tax authority may impose a penalty of up to EUR 10,000 for not filing a control statement, its late payment or for incomplete or incorrect data in a control statement. The maximum penalty for a recurrent breach of this obligation is EUR 100,000.

Obligation of Electronic Filing

- All tax entities who are VAT payers or are represented by a tax advisor, attorney or other person, must deliver submissions to the tax authority in electronic form, whether signed by a guaranteed signature (using an eID card – a citizen's ID card with a chip) or without a guaranteed signature on the basis of an electronic delivery agreement concluded with the tax administrator. Since 1 January 2018 such an agreement can only be

concluded with individuals.

- Since 1 January 2018, the obligatory electronic communication with tax authorities was extended to all legal entities listed in the Slovak Commercial Register. From 1 July 2018, this obligation was also applied to individual entrepreneurs.

VAT Refunds

VAT Refund for Slovak VAT Payers

- A VAT payer is not automatically entitled to a cash VAT refund if they report a VAT refund. If the VAT refund cannot be fully offset in the following VAT period, the tax authorities will refund the excess input VAT, or part thereof, within 30 days of the filing of the VAT return for the following VAT period, provided that the tax authorities did not open a tax control prior to that date.
- However, if certain conditions are met, the tax office must refund the VAT within 30 days of the day of the filing of the VAT return (i.e. in a shorter period).

VAT Refund for Foreign VAT Payers from Another EU Member State

- A foreign VAT payer from another EU member state may claim Slovak VAT via the VAT refund scheme for foreign persons not registered for VAT in Slovakia.
- A request must be filed by 30 September of the calendar year following the period for which the VAT refund is claimed.
- A VAT refund claim may be submitted for a maximum period of one calendar year, and the total amount of VAT claimed must be at least EUR 50.
- A foreign VAT payer is entitled to a deduction of input VAT via a VAT return provided that the above stated requirements for a VAT refund via the VAT refund system to foreign VAT payers are met.

VAT Refund for Foreign Entities from Non-EU Countries

- A VAT-entity registered, or similar general consumption tax, in non-EU countries may claim a refund of Slovak VAT paid on the purchase of certain goods or services, under certain conditions stipulated by law.
- A VAT refund may be claimed by submitting a request to the Bratislava Tax Office by 30 June of the calendar year following the year for which the refund is claimed. The total amount of a VAT claim must be at least EUR 50.
- A decision regarding a VAT refund must be issued to a foreign company

- within six months of the date on which the refund request was filed.
- VAT may be refunded to entities from non-EU countries which have concluded reciprocity agreements with Slovakia.

Compensation for VAT Refund Retention

- VAT payers are entitled to financial compensation, i.e. interest on a VAT refund retained during a tax inspection (if a tax office opened a tax inspection during the statutory period for VAT refund) that lasts longer than 6 months.
- The interest rate in this case is double the base interest rate of the European Central Bank, and a minimum of 1.5% p.a.

Electronic Cash Register (ECR)

- Entrepreneurs will no longer be able to use the electronic cash register in accordance with current legislation.
- The amendment to the law on the use of the ECR proposes an obligation for entrepreneurs to record received revenues via an “e-register client”, which will be either an online cash register, or a virtual cash register. The essence of the new system is online interconnection of all cash registers with the Financial Administration’s systems. Information from the “e-register client” will be sent via the internet in real time to the central database of the Financial Administration (“e-register system”).
- All subjects must start using the e-register client (irrespective of the subject of business) from 1 July 2019. Entrepreneurs will also be able to start using the e-register client from 1 April 2019. New entrepreneurs who have the obligation to record sales for the first time from 1 April 2019, will only be required to use the e-register client.

Excise Duties

Goods Subject to Excise Duties

- Slovak excise duty is payable on the import of the following goods into Slovakia from outside the EU, or when these goods are released from a duty suspension regime for tax-free circulation in Slovakia:
 - Mineral oil;
 - Alcoholic beverages (beer, wine, intermediate products, and spirits);
 - Tobacco products;
 - Electricity, coal, and natural gas.
- An excise duty liability for electricity, coal, and natural gas arises at the

moment the product is delivered for final consumption.

- The rate of excise duty depends on the specific type of product.
- In certain limited cases, the products listed above are exempt from excise duty.

Authorised Entities

- An excise duty suspension arrangement enables the tax liability to be postponed until the day the product is released into a tax-free circulation regime.
- The production, processing, storage, receipt, and dispatch of products under the duty suspension arrangement must be carried out by an authorised warehouse keeper.
- Companies must register as a licensed recipient before obtaining excisable products from another EU member state under the duty suspension regime.
- A tax guarantee must be lodged with the Customs Administration for transactions under the duty suspension regime (storage and transport).
- The company must be authorised to use excisable products exempt from excise duty.

Registration

- An excise taxpayer must be registered with the customs office. Entities to which a tax liability has not arisen, but which transact in goods subject to excise tax, must also register.
- Entities wishing to produce, store, receive, or send products subject to excise duty under the suspension arrangement must register with the customs office and lodge the required tax guarantee before authorisation can be granted.
- Companies using excisable products exempt from excise duty must register with the respective customs office, and apply for a licence and a voucher. The company then provides a voucher to its supplier, who may then provide the excisable products free of excise duty.
- Based on authorisation from the customs office, the registered consignee is entitled to dispatch the goods under suspension after they are released into tax-free circulation. He may not receive or store excisable goods.

Excise Duty Compliance

- The excise duty administrator is the Customs Authority. Communication with the Customs Authority must be in electronic form if the company is a VAT payer registered in Slovakia, or if it is represented by a tax adviser or attorney.
- Communication with taxpayers regarding excise duties is undertaken by e-mail.

- The taxable period is usually a calendar month.
- Monthly excise duty returns must be filed within 25 days of the end of the taxable period, and excise duty liabilities must also be paid by this deadline. However, this obligation does not arise in certain specific cases.

Excise Duty Refunds

- In certain circumstances, a tax warehouse keeper, or another authorised entity, may claim a refund of Slovak excise duty on a product that has been taxed. As a rule, this applies if excisable products released for tax-free circulation in Slovakia are supplied for use in another EU member state, or are used for purposes exempt from excise duty.

Custom Duties

General Principles

- Goods imported from non-EU countries are subject to import customs clearance.
- Goods exported from the EU customs territory must be declared for export customs clearance.
- The person responsible for paying the customs debt is the declarant.
- The declarant is the person submitting the customs declaration in his own name, or the person in whose name the customs declaration is submitted.
- A customs declaration must be submitted in the prescribed form and manner (electronically, in writing, or otherwise).
- Import or export duties are customs duties and other charges payable on the import or export of goods (import VAT, excise duties, and charges with similar effect).
- The customs authorities require declarants to provide a guarantee to cover a customs debt if a customs debt has arisen or may arise in future. A customs guarantee may be made in cash, or provided by a guarantor.
- For communication with the customs offices, each person must be identified by an EORI number (**E**conomic **O**perator **R**egistration and **I**dentification Number) allocated by the customs authorities on request. EORI registration is mandatory for customs clearance.
- Export, import, and transit customs clearance is based on the electronic information exchange. Import customs clearance using paper customs declarations may be carried out in Slovakia until 2019.

Right of Representation

- Any person may appoint a representative in his dealings with the customs authorities. Such representation may be direct or indirect.

Customs Procedures

- The declarant may propose to release goods into free circulation, or place such goods under an export customs procedure. Depending on the intended purpose of the goods, the following special customs procedures may be applied:
 - Transit (external, internal);
 - Storage (customs warehousing, free zones);
 - Specific use (temporary admission, end use); and
 - Processing (inward processing, outward processing).

Customs Debt

- A customs debt arises at the time of acceptance of a customs declaration by:
 - Releasing goods liable to import duties into free circulation, including the release of goods according to the final usage provision; or
 - Placing such goods under the temporary import procedure with partial relief from import duties; or
 - Re-exporting goods after terminating a drawback custom regime.
- A custom debt also arises when failing to meet obligations or comply with the terms and conditions set out in the custom regulations.
- The debtor is the declarant and, for indirect representation, the representative is also the declarant. As a rule, the debtor must pay customs duty within 10 days from the day on which a notification of the customs debt was delivered to the debtor.

Simplifications

- To simplify customs formalities and procedures the customs authorities may grant permission to use the following simplified procedures:
 - Simplified customs declaration;
 - Centralised customs clearance;
 - Entry in the declarant's records;
 - Self-assessment.
- The status of an Authorised Economic Operator allows the simplification of customs procedures in various areas and its holder is considered a reliable partner of the customs authorities.
- The Registered Exporter System (REX) enables economic operators to self-certify the preferential origin of goods. This certificate replaces

certificates on the origin of goods that have been used so far.

Violation of Custom Regulations

- If a legal entity commits a customs offence (e.g. non-compliance with the customs regime conditions), the customs office may impose the following sanctions:
 - Penalty; or
 - Seizure of goods or property.
- For a customs offence, a fine of up to EUR 99,581.75 may be imposed, depending on the seriousness of the violation (in specific cases, up to EUR 331,939.18).
- If an individual commits a customs offence (e.g. illegal import of goods), the customs office may also reprimand the person (in addition to imposing fines or seizing goods or property). The imposed fine may be up to EUR 3,319.39, depending on the seriousness of the violation (in specific cases, up to EUR 33,193.91).

Motor Vehicle Tax

- Motor vehicle tax is payable to the tax office where a car was registered at 31 December of the preceding year. Employee motor vehicle tax is subject to the employer's tax jurisdiction.
- Taxable vehicles are those registered in Slovakia and used for business purposes.
- As a rule, motor vehicle tax is payable by the car's registered keeper. In specific cases, it is payable by the individual who uses the car for business purposes even if he is not the car's registered keeper (e.g. the car's registered keeper's employer).
- Annual tax rates are set for:
 - Passenger cars based on engine capacity in cm³; and
 - Utility cars and buses, based on the number of axles and the vehicle's total weight.
- The annual tax rate is uniform across Slovakia. The rate changes depending on the time since the first registration. A reduced tax rate applies to cars used for intermodal transportation and/or using an eco-engine.
- The taxable period is a calendar year.
- Taxpayers must file a tax return and pay the tax liability for the previous year by 31 January. Taxpayers must enter the commencement and

termination of the tax liability in the tax return.

- The taxpayer must pay monthly and/or quarterly tax advances depending on the amount of expected tax to a single tax administrator, provided the expected tax exceeds EUR 700.
- The Act on Administration Fees regulates the fee for initial and each subsequent vehicle registration by a car registered keeper in the L, M1, and N1 categories in the Slovak vehicle register. The fee ranges from EUR 33 to EUR 3,900 depending on the engine power of the registered car, its age, and other details.

Real Estate Tax

- Real estate tax is governed by the Act on Local Taxes, and is divided into:
 - Land tax;
 - Building tax; and
 - Apartment tax.

Land Tax

- As a rule, the land's registered owner pays the land tax. In certain cases, it is paid by the land manager or the lessee.
- The basic tax rate is 0.25% of the land value set by law. The municipality usually modifies this rate, and different rates apply to different land types.

Building Tax

- As a rule, the building's registered owner pays the building tax. In certain cases, it is paid by the property manager or a lessee.
- The basic tax rate is EUR 0.033 per m² of land occupied by the building. The municipality usually modifies this rate (within the set limits) in a generally binding regulation.
- Car parks, including underground car parks, are also subject to building tax.

Apartment Tax

- As a rule, the apartment's registered owner pays the apartment tax. In certain cases, it is paid by the property manager.
- The basic annual tax rate is EUR 0.033 per m² of the apartment's floor area. The municipality usually modifies this rate in a general binding regulation.

Common Provisions for Land, Building, and Apartment Tax

- The taxable period is the calendar year.
- The tax liability arises on 1 January following the year in which the taxpayer obtained an interest in the property subject to tax.
- Taxpayers must file a tax return by 31 January of the taxable period in which the tax liability arises, relating to their tax liability on 1 January of this period. If a change occurs in the next taxable period, such as the acquisition of new property, a change of the type or area of declared property, the taxpayer must file a partial tax return by the same deadline. The obligation to file a tax return during the taxable period arises upon acquisition of property by inheritance.
- If the taxpayer discovers that the data in a filed tax return based on which the tax liability is calculated is incorrect, they are obliged to file an amended tax return no later than four years after the end of the year in which the obligation to file a tax return or a partial tax return arose.
- As a rule, a tax liability is payable within 15 days of a tax assessment becoming valid.

Bank Levy

- Since 2012, banks and branches of foreign banks must pay a special levy payable by certain financial institutions (bank levy). The bank levy for 2017–2020 is 0.2% p.a. of the base set by law.
- A bank is obliged to pay the levy in four quarterly payments by the 25th day of the respective calendar quarter.
- The tax office is the bank levy administrator.

Special Levy in Regulated Industries

- A legal entity or branch of a foreign entity authorised to do business in regulated industries (such authorisation must be issued in Slovakia or another EU or EEA member state) which expects to carry out its business activities over the entire levy period and whose total annual result per accounts exceeds EUR 3 million is obliged to pay a special levy on doing business in regulated industries.
- Regulated business sectors include: power industry, insurance, reinsurance, public health insurance, e-communication, pharmaceutical industry, postal services, rail transport, public water and drainage systems, air transport, and healthcare provision.
- Monthly levies are calculated by multiplying the levy base, i.e. the pre-tax operational result by a coefficient, which from 1 January 2019 is 0.00545%.
- It is planned to decrease the levy rate from 2021 to 0.00363%.

- The tax office responsible for the administration of the corporate income tax is also the levy administrator.

Special Levy on Retail Chains

- The levy will apply to retail chains where at least 25% of net turnover is from food sales to final customers and which have subsidiaries in more than 15% of all districts of the Slovak Republic.
- The base for levy calculation is net turnover, for the respective levy period. The levy rate is 2.5%.
- The levy period is three consecutive calendar months of the relevant accounting period. The first levy period will be the first three months of the accounting period beginning after 31 December 2018.

Insurance Tax

- The subject of the tax is non-life insurance if the insurance risk is located in the Slovakia.
- Entities liable to pay the tax to the Tax Office are insurance companies, insurance companies from another EU state and branches of foreign insurance companies. Domestic risk insurance charged by a foreign person who has not established a branch in the Slovak Republic is subject to this tax. In this case, the person liable to pay the tax is the recipient of the service (the insurer or legal entity who the insurer recharged the cost of the insurance).
- The tax obligation may be determined in several ways. The taxation period is the calendar quarter and the payer is obliged to file a tax return by the end of the calendar month following the end of the tax period and pay the tax by the same deadline.
- A tax rate of 8% applies to insurance. Liability for damage caused by a motor vehicle has a 0% tax rate, as this insurance is subject to an 8% insurance tax under certain rules.

FATCA and CRS

- In the context of the global fight against tax evasion, Slovakia participates in administrative cooperation with other countries regarding automatic information exchange between the tax administrators of individual countries.
- In connection with the above, under FATCA (i.e. U.S. Foreign Account Tax Compliance Act) and CRS (Common Reporting Standards) Slovak financial institutions are obliged to collect and report selected information on financial accounts.
- For FATCA purposes, Slovakia has adopted a bilateral intergovernmental agreement for mutual cooperation between Slovakia and the US on

reciprocal exchange of information on financial accounts. As part of this cooperation, Slovak financial institutions are obliged to report information on American accounts to the Slovak Financial Directorate. The Slovak Financial Directorate provides such information to the US Internal Revenue Service.

- For CRS purposes, Slovakia has acceded to a multilateral agreement on mutual exchange of information on financial accounts with EU member states and contractual states. The basic requirement is that if Slovak financial account holders are tax residents of certain countries, our financial institutions are obliged to report selected information to the respective tax authorities – the list of such countries is available on the Slovak Financial Directorate's and the Slovak Ministry of Finance's websites. CRS-related obligations result from local legislation and the DAC2 EU Directive.

Local Fee for Development

- The Local Fee for Development Act gives municipalities the right to introduce and collect a local fee for development. A municipality is entitled to set this fee for its entire territory, or part thereof, by adopting a generally binding regulation.
- The local development fee is payable by a builder who has been issued: a building permit, a decision to permit a change to the building before its completion, a decision on an additional permission for the building in the municipality, or if the builder has notified the building to the municipality.
- The basis for calculating this fee is the size of the above-ground floor area of the construction in square metres. The fee is calculated as the product of the base reduced by 60 square metres and the rate of the development fee set by the municipality. If a building serves multiple purposes and the municipality has set different rates for the development fee, the fee base is determined from the floor area with the largest share of the total area of the building.
- The fee rate can range from EUR 3 to EUR 35 per square metre.
- The local fee for development is administered by the municipality which imposed it on its territory.

Notes

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