DOING BUSINESS

Slovakia

2019

Table of contents.

1. TAXATION

Tax system in Slovakia is similar to those of other EU member states. The Slovak tax system seems to be simple, but it is also very formalistic and, from an administrative point of view, it is demanding. The Slovak tax system now includes the following types of taxes:

- **Corporate income tax 21%** tax rate (starting from 1, 2017),
- Personal income tax at 19% and 25% on their worldwide income,
- VAT (20% standard rate, 10% special rate for certain goods and services),
- Mandatory contributions to social security and health care insurance,
- Municipal taxes (real estate tax, motor vehicle tax, accommodation tax, etc.),
- Other fees based on specific legislation (administrative fees, court fees, etc.).

Slovakia operates a system of self-assessment, with tight filing deadlines. The tax authorities may perform detailed audits.
Significant interest and penalties can be payable for under-declaration or late payments of tax.

Not Subject to Tax

The following items are not subject to corporate tax:
• Dividends paid out of profits earned after 1 January 2004.
• Liquidation surpluses and settlement amounts paid to shareholders, to which the shareholders are entitled after 1 January 2004.
• Income received by inheritance or donation.
• Income from acquiring new shares due to an increase in share capital from retained profits, or from mergers, fusions and demergers.

Income Exempt from Taxation

Exempt income includes:
Interest and certain other income from loans, bonds, etc. as well as royalties earned from sources in Slovakia and paid to a taxpayer from an EU member state, who is the beneficial owner of such income provided that a certain relationship has existed between the entities for at least two years preceding the date when the income is paid.

Donations

A taxpayer can donate 1.5% (or 2% provided that certain conditions are satisfied) of his tax liability to a qualifying entity of his choice.

Dividends

Starting January 1, 2017 dividends paid to individuals, residents and non-residents, by domestic companies are subject **to withholding tax at the rate of 7%** if the applicable double tax treaty does not determine otherwise. If the recipient is an individual from the non-contracting state, the tax rate of 35% will apply.

In case that the individual will receive dividends from abroad, those dividends will be taxed within the separate tax base at rate either of 7% or of 35% if the dividends will be from foreign sources of the non-contracting state.

As a consequence of the introduced taxation of dividends paid to individuals at a rate of 7% or 35% will be that these dividends will not be subject to healthcare insurance contribution.
Dividends paid to employees who do not own shares in the company will be subject to the tax, too and taxed under regime applicable to wages and salaries.

Dividends paid to domestic companies will be taxed within the separate tax base at rate of 35% and only if the distributing entity is based in a jurisdiction that does not have a tax treaty in force with the Slovak Republic. Dividends paid by domestic companies to foreign companies based in jurisdictions that do not have a tax treaty in force with the Slovak Republic will be subject to a 35% withholding tax.

Dividends paid out of profits generated after 2004 until 2016 are not subject to Slovak tax. In some cases they are still subject to healthcare insurance contribution 10-14%.

Interest

Interest, including interest on foreign related party loans, is generally tax deductible.
Interest paid by a Slovak tax resident to a Slovak tax non-resident is subject to domestic withholding tax of 19%, unless it is exempt from tax in accordance with the EU Directive on the common system of taxation applicable to interest and royalty payments as incorporated into Slovak tax legislation.

Related Party Transactions / Transfer pricing

Prices between related parties must be set at fair market value (the arm's length principle) for corporate tax purposes.
A related party (an individual or an entity) is a relative, a party economically or personally related, or a party otherwise connected (this relationship arises if the parties have established a business connection only for the purpose of decreasing the tax base).
The tax authorities can increase the tax base and assess penalties if they decide that arm's-length prices were not used in transactions between Slovak and foreign related parties, and this has resulted in a reduction in the Slovak entity's tax base.
For transfer pricing purposes, taxpayers have to keep transfer-pricing documentation to a specifically prescribed extent and present it within 15 days to the tax authorities upon request.

The transfer pricing rules shall also apply to domestic connected persons. It shall also be possible to adjust the tax base of domestic related persons. Failure to provide the required transfer pricing documentation within 15 days of requirement by the tax office may be penalized with a penalty of up to 3.000 EUR.

Foreign Exchange Differences

Foreign exchange differences booked through the profit and loss account and arising from the revaluation of unrealized receivables and payables as at balance sheet date are normally treated as taxable or tax non-deductible in accordance with their accounting treatment. However, they can be excluded from the tax base if the taxpayer notifies it in attachment to tax declaration.

Depreciation

Tax depreciation (capital allowances) is generally available for expenditure incurred on tangible and intangible fixed assets.

Changes in depreciation groups and periods starting from 1st of January 2015:

The Amendment introduces six depreciation groups. In the 1st depreciation group the depreciation period is set at four (4) years, in the 2nd depreciation group for six (6) years, in the 3rd depreciation group for eight (8) years, in the 4th depreciation group for twelve (12) years, in the 5th depreciation group for twenty (20) years and in the 6th depreciation group for forty (40) years.

The Amendment divides the existing 3rd depreciation group with the depreciation period of twelve (12) years into the 3rd depreciation group with the depreciation period of eight (8) years and the 4th depreciation group with the depreciation period of twelve (12) years. Under the Amendment, the 3rd depreciation group with the shorter depreciation period of eight (8) years includes the assets of a technological nature (electric motors, generators,

transformers, etc.). The newest 6th depreciation group includes then Office buildings, hotels, houses, buildings for cultural events, public entertainment and education or health services and these assets should be amortized up to forty (40) years. Production halls will remain in the 5th depreciation group with depreciation over 20 years.

Assets allocated to the 2nd and 3rd depreciation group can still be depreciated via the accelerated method. All other assets will have to be depreciated via the straight line method.

On the one hand it will no longer be possible to suspend the tax depreciation during a tax audit, on the other hand it will be obligatory to suspend the tax depreciation if the tangible assets are not used for generating taxable income.

The tax depreciation of assets that are rented out will be limited to the income that is realized from the rent of these assets during that period. When changing the depreciation method, depreciation group, depreciation period and the like, the taxpayer must make changes even for the property being depreciated according to the act being in force to 31 December 2014 (this includes, for example, accelerated depreciation of property that does not belong to the 2nd and 3rd depreciation group). The depreciation already applied in the past shall not be adjusted retrospectively.

As a result of this all, buildings that until now have been depreciated over the lease period of 12 years, will have to be depreciated over 20 or 40 years (depending on the type, see above).

The changes also occur in case of the early termination of a financial lease and the early termination of an operating lease and subsequent purchase of previously leased assets at the purchase price less than their tax residual value.

Changes in financial leasing

The Amendment repeals the leasing method of depreciation of tangible assets acquired under financial leases such assets shall be depreciated using a straight line or accelerated method during the period of depreciation corresponding to the respective depreciation group in which the assets are included, and not over the lease term. Commencing on 1 January 2015, the new rules for tax depreciation shall also be applied to tangible assets acquired under the financial leases based on contracts concluded from 1 January 2004 to 31 December 2014. On top of this, the definition of financial lease has been updated slightly.

In the case of an assignment of the subject of the financial lease, a new lessee shall follow the same rules as in the case of purchase of assets. This means that for the new lessee the tangible assets acquired under financial leases must meet the condition of the lease term of at least 60% of the depreciation period. Based on meeting the condition of the duration of the lease, the new lessee shall enter the subject of the financial lease in the books as a newly acquired asset and depreciate it throughout the depreciation period stipulated by Article 26 of the Act. In particular, the Amendment provides for the lease term regarding a plot on which a building or structure is located depending on the depreciation group in which such building or structure is included.

Health care providers and their employees by pharmaceutical companies

Change of the method of income (cash and in-kind) taxation made by health care providers and their employees by pharmaceutical companies – the pharmaceutical product wholesale distributors. Cash income shall be subject to withholding tax 19% paid by, for example, a pharmaceutical company. Non-monetary income shall be subject to tax paid by the person that received such income.

Wasted investment

Wasted investment of tangible and intangible fixed assets shall be included in the tax base evenly over thirty six (36) months from the month in which the taxpayer entered the cancellation of work and permanent suspension of work in the books. In the event that there is a suspension of work because of damage, the cost of wasted investment shall be deemed non-deductible expenses. Non-cash employee income In addition to few exceptions (non-cash income resulting from the use of an employer's motor vehicle, contributions to supplementary pension saving, etc.), the employer may increase the amount of non-cash income according to the formula set out in Annex to the Act. In the event of such increase in non-cash income, the employer must pay for the employee the amounts withheld for insurance and contributions, as well as advance tax. If the employer chooses this procedure, he must proceed in this way for all his employees throughout the entire tax year.

Undercapitalization

The Amendment introduces a limit for the maximum amount of interest on loans and credits recognized as costs included in tax deductible expenditures provided that these are loans and credits granted by related legal entities (local and foreign). Such restriction also supports the related entities to make contributions to the basic capital instead of granting loans and credits and thus increase the guarantees for contingent liabilities.

The limit for the maximum amount of interest that can be considered a tax deductible expense is set to 25% of a variable defined as the sum of:

- profit before tax recognized on line 100 of a legal person income tax return; and
- the depreciation included in the current profit; and
- the interest expense included in the current profit.

In other words, this will be 25% from the EBITDA. Therefor companies that are showing a negative or low EBITDA will face a significant issue.

The assessed interest includes the expenses (costs) associated with the received loans and credits (e.g. expert opinions, fees for bank guarantees, loan brokerage commissions, fees for early repayment). Loans and credits or portions thereof, the interest on which is part of the asset acquisition costs, shall not be included in the assessed status of the loans and credits. A person related to a debtor shall also be considered a third party through which such credit (between the related parties) is granted.

The undercapitalization provisions shall not apply to financial institutions (banks, insurance companies, and collective investment and leasing companies).

Tax deductible expenses related to the assets of a personal consumption nature

Tax expense shall be deductible in the form of lump-sum expenditures of 80% if the assets are used for private purposes, or in the demonstrable amount in the proportion of the use of the assets for business purposes. The originally proposed list of items that would be included here was finally abandoned. So each entity will have to review this individually.

Business Combinations

Slovak tax law recognize two alternatives for the tax treatment of in-kind contributions to a company's share capital, and mergers, fusions and demergers. Any of these alternatives means a specific administrative procedure for entities involved in these transactions.
Any goodwill or negative goodwill acquired as a result of the purchase of a business (as a going concern) or its part should be included in the purchaser's tax base within seven tax periods.

Capital Gains and Securities

A profit from the disposal of securities is in general included in the corporate income tax base.
A loss from the sale of securities is tax deductible only if certain conditions are met, or for specific taxpayers.
The total costs related to derivatives are tax deductible only up to the total income from these derivatives arising in the same tax period. However, costs related to hedging derivatives and derivatives incurred by insurance companies, reinsurance companies or by a taxpayer who holds a securities trading license issued by the state authorities, are tax deductible in full.
Unless a relevant double tax treaty provides for a different treatment, income derived from the sale of, for example, securities issued by a Slovak company or shares in a company having its seat in Slovakia by a Slovak tax non-resident, is treated as income from Slovak sources provided it is paid by a Slovak tax resident or a permanent establishment of a tax non-resident.

Corporate Taxation of Foreign Entities

General Principles
Slovak tax non-residents are generally subject to Slovak tax on income generated in the Slovak Republic.
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 tax returns, pay tax and advances. A branch must apply Slovak accounting procedures.
The rules of taxation of a branch are appropriately applied to a permanent establishment.

Permanent Establishment (PE)
A PE is not necessarily entered to the Slovak Commercial Register, but a foreign entity having a Slovak PE is a taxable entity in Slovakia.
A PE is created mainly by: – A permanent place or facility being used either constantly or repeatedly by a foreign company carrying out business activities in Slovakia.; or – A person acting on behalf of the foreign company and repeatedly concluding contracts or negotiating details of contracts on its behalf.
The conditions for creating a PE may be modified by a double tax treaty.
A foreign entity having a Slovak PE has the same tax registration, filing, payment, and tax advance payment obligations as a Slovak company.
The tax base of a foreign company's PE may not be less than one that would be achieved if it performed similar activities under similar conditions as an independent entity (e.g. a Slovak company).

Withholding Tax and Tax Securement
Fee for services (Unless they are provided by a PE) , Royalties, Interest on loans and deposits, Rental fee for movable assets are subject to withholding tax.

Standard rate is 19%.

If the taxable income arising from the Slovak sources will be paid to the tax resident of the "non-contractual country", the paying entity will be obliged to deduct the 35% withholding tax securement (instead of 19% till 28 February 2014). The definition of the "non-contractual countries" includes the countries which did not conclude international double tax treaty or international tax information exchange agreement with the Slovak Republic, or which are not members of international tax information exchange structure for similar purposes.

However, a double tax treaty may reduce the rate.
Some taxpayers (mostly tax residents in the European Union) can treat the tax withheld on certain types of income as a tax advance and deduct it in their Slovak tax return.

Individuals or legal entities may have an obligation to withhold a securement tax on some Slovak source income of Slovak non-residents, provided that these persons are not tax residents in any other EU member state.
The tax office will issue confirmation of the withholding and security tax payment, upon request.

Tax licenses are canceled from 1.1.2018

Tax losses

Starting from 2014, it will be possible to amortize tax losses only for a period of 4 taxable periods and only evenly. According to the current version of the Income tax Act, the possibility to amortize is set for a period of 7 taxable periods, whereas the amortized amount is not limited.

Deduction of expenses (costs) for research and development

In the implementation of the research and development the following sum may be deducted from the tax base (less any tax loss):

- 25% of the expenditure incurred on research and development in the tax period for which a tax return is filed;

- 25% of wage and other labor claims of a graduate in permanent employment (the requirement of the age of 26 years and daily study completed two (2) years ago must be met);
- 25% of expenditure on research and development incurred in the tax period being included in the deduction in excess of the total of these expenses in the previous tax period.

In applying this possibility to deduct expenditure on research and development, records of these expenses shall be kept separately from the other expenses of the taxpayer. Deduction of expenditure on research and development may apply to services, licenses and intangible results of research and development acquired from third parties (except, for example, the Slovak Academy of Sciences, state and public universities).

2. LABOUR

Wages

Employees of Slovak legal entities and foreign branch offices may be paid only in euros for work performed in Slovakia. **As of 1 of January 2019**, the **minimum monthly wage is EUR 520 per month** and **EUR 2,989/per hour**. The employer is obligated to submit to all his employees written detailed information about the wage calculation and all contribution fees.

Overtime work

Overtime must not exceed an average of eight hours per week. In a calendar year, an employee can be ordered to work overtime for no more than 150 hours.

Benefits in kind

Employers can offer additional benefits in kind to their employees. Where a company car is used for private purposes, 1% of its acquisition price is added to the gross salary of the employee for income tax purposes, as well as for the calculation of social and health insurance. The rate decrease yearly in 12,5%.

For private car of an employee used for company trips, reimbursement of expenses at the statutory amount (EUR 0.183 per kilometer) plus fuel costs.

Employers are obliged to create a social fund and to increase this monthly by 0.6% of the salary. This money can be used only for exact purposes directed by law.
Employee who works more than 4 hours a day has the right to receive warm food from the employer. Generally this obligation on the employer is met by provision of food tickets.

Labour legislation (industrial relations / trade unions)

The Labour Code, which came into effect on 1 April 2002, includes the following provisions for employees:

- Trial period of a maximum of three months.
- An executive employee who reports directly to the statutory body or a member of the statutory body and an executive employee who reports directly to such an executive employee can have the trial period of maximum 6 months.

- The maximum working time per week is 40 hours.

- Employees may not work more than eight hours' overtime per week within an agreed period, which may not be longer than 12 months. The maximum overtime that the employee can be ordered to work is 150 hours per annum. However, the employer and the employee may agree on another 250 hours.

- Minimum annual paid holiday is 4 weeks. Employee over age of 33 years is entitled to five weeks holiday regardless of the number of years of work experience.

  Notice period is in general 2 months if employment more than 1 year. Provided the employment has been terminated by notice given on grounds of organizational reasons or the employer´s winding-up, the length of the notice period differs according to the length of employment due to the date of notice delivery. Conditions under which an employer may terminate employment are expressly stipulated in the Labour Code. Employment can be terminated immediately without notice if both the employer and employee agree. Moreover, the employer can terminate the employment immediately if the employee conducts fulfill crime or seriously breaches his obligations.

Social security and Health insurance

Payment calculation		
	Employee	Employer
Health insurance		
Health insurance	4,00 %	10,00 %
Health insurance together:	**4,00 %**	**10,00 %**
Social insurance		
Health insurance	1,40 %	1,40 %
Old-age insurance	4,00 %	14,00 %
Disability insurance	3,00 %	3,00 %
Unemployment insurance	1,00 %	1,00 %
Guarantee fund	0,00 %	0,25 %
Reserve fund	0,00 %	4,75 %
Accident insurance	0,00 %	0,80 %
Social insurance together:	**9,40 %**	**25,20 %**
Payments total		
Payments total:	**13,40 %**	**35,20 %**

Termination of the employment contract

- By agreement, if the employer and employee agree upon termination of the employment relationship. That relationship shall then terminate on the agreed day. The employer and employee shall conclude such an agreement in writing. Upon the employee's request, or if the employment relationship were terminated for reasons of organizational change, the agreement has to contain the reasons for termination.
- By notice, where both the employer and the employee may terminate the employment relationship by giving notice. The notice has to be in writing and delivered, otherwise it is invalid. The Labour Code stipulates the periods of notice. The period of notice is the same for both the employer and employee and is at least two months, provided that the employment has existed more than one year.

- If the employment has been terminated by notice given on grounds of organizational reasons or the employer´s winding-up of the business, the length of the notice period is:
  - 1 month, if the employment has existed less than 1 year
  - 2 months, if the employment has existed at least 1 year and less than 5 years
  - 3 months, if the employment has existed at least 5 years
  - By immediate termination, where the ending of the employment relationship is possible only during the period stipulated by law and only under conditions stipulated by law
  - By rescission during the period of probation, where both the employer and employee may terminate the employment relationship in writing for any reason or without giving the reasons. The written notification on termination of the employment relationship must be delivered to the other party generally at least three days before the day of the expected termination of the employment relationship By death of the employee
  - The employment relationship concluded for a fixed period shall terminate upon expiry of the agreed period.

Contracts of employment

1. Full-time agreement
2. Work performance agreement
3. Agreement on temporary jobs for students
4. Agreement on work activities

The contract of work must include:

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

Subcontractors and outsourcing

Special businesses (e.g. construction, computer programming) use a subcontractors (either a business or a self-employed person) instead of employing someone with particular skills for a specific task. Many businesses (such as catering, facilities management, accountants) use external suppliers in return for a fixed price. In both cases, the business has a contract with another business (or self-employed person) for the supply of a service or component product, rather than having to employ people direct. This can reduce costs and administrative time, and provide higher quality skills for specific tasks.

Rates

Income tax is charged at a 19% flat rate and tax base overlapping the yearly amount EUR 35 022,31 is calculated with tax rate 25%.

Changes effective starting from 2014

Relief on contributions for long-term unemployed natural persons - An exemption applicable to the employment of long-term unemployed persons, also called relief on contributions. (The employer does not pay 12 months contributions to sickness, pension, unemployment, health insurance.

Illegal employment has more strict rules and penalties starts from 2 000 – to 5 000 EUR.

Non-European Economic Area Citizens

Residence permits Non-EAA citizens may apply for a temporary or permanent residence permit in the Slovak Republic. A temporary residence permit enables a non-EAA country citizen to reside, travel to and repeatedly enter the Slovak Republic within the period for which he/she was granted the permit by the police. A temporary permit is bound to one purpose. If a non-EAA country citizen intends to carry out an activity other than that for which he/she was granted the temporary residence permit, he/she must apply for a new temporary residence permit. A non-EAA country citizen with a temporary residence permit may study during his/her temporary stay.
A temporary residence permit may be granted by the police for the period necessary for reaching the purpose as declared by the applicant, for the following purposes: entrepreneurship (for a period of no more than 3 years), employment (no more than 2 years), study (no more than 6 years), special activity (no more than 2 years), research and development (no more than 2 years), family reunification (no more than 5 years), the fulfilment of work duties by civil officers of the armed forces (no more than 5 years); granting the status of a Slovak living abroad (for 3 years), granting status to a long-term resident in another member state (no more than 5 years), and residency based on the EU Blue Card (no more than 3 years).

Temporary stay is also a stay based on the EU Blue Card (hereinafter referred to as the “Blue Card”).
The Blue Card enables a non-EAA country citizen to enter, reside, work within the Slovak Republic, and travel outside the Slovak Republic within the period for which the Blue Card was granted by the police.
The Blue Card is issued by the police solely for the purpose of highly qualified employment.

3. REAL ESTATE

Assignment and transfer of ownership title

An ownership title can be assigned by agreement (e.g. purchase contract, barter contract, deed of donation) or transferred by operation of law (e.g. by inheritance, by order of a state authority, or by statutory provision). The new owner’s title must then be registered at the Real Estate Registry.
Real estate transfers can now be affected by way of documents bearing attorney authorization or by way of a notarial record. If the Cadastral Administration receives an application for the registration of an agreement authorized by an attorney or an agreement drafted in the form of a notarial record, the cadastral procedure is simpler and the Cadastral Administration must decide through an expedited procedure within 20 days.

Leasehold titles

The Civil Code regulates leases for land and buildings. Special rules apply to leases for particular types of property, including mainly: 1. a flat, 2. non-residential premises (business premises, administrative premises), 3. lease of whole building or land.
Under the Civil Code, if a flat is the object of the lease contract, the lease contract regulates not only the rights and duties connected with the flat, but also the rights and duties attached to common areas and common facilities (e. g. the rights to use common rooms in the block of flats or the duties not to disturb the peace at night). Flats can be the subject of what are known as protected leases, which give increased protection to the lessee (e.g. limiting the lessor’s right to terminate the lease, requiring the lessor to provide a replacement flat in specified circumstances).

Leases of non-residential premises are regulated by a special act, which set up essential provisions. If the provisions are not included a contract becomes invalid. Such provisions need to be: (i) in writing; (ii) state the subject and purpose of the lease; (iii) the amount and due date of rent; (iv) the method of payment and; (v) if for a fixed period, the period of the lease.

It is important to note that if the owner of the real estate changes, the lessee is entitled to terminate the lease agreement.

It is also possible to enter into financial leasing (hire purchase) agreements with leasing companies under which a lessee assumes certain risks and responsibilities (e.g. for maintenance and repairs) relating to the land or building during the lease period and, at the end of the lease, will acquire ownership title (conditions to be specified in a financial leasing (hire purchase) agreement). This can also be done as a reverse lease, where property is sold to the leasing company, leased back again under a financial lease, and then reacquired at the end of the lease period.

Operational leases allow the lessee the short-term or medium-term use of a property without having any investment risk or responsibility for property damage or for dealing with common ownership issues. These risks and responsibilities are borne by the lessor. Operational leases do not tie the lessee to the property in the long term, and therefore allow the flexibility of regular change – perhaps to follow lifestyle trends or the latest technology.

Registration

Most rights to real estate must be registered in the Real Estate Register, including: 1. ownership title, 2. easements or other rights over land or buildings, 3. mortgages or other encumbrances, 4. options to acquire land or buildings, 5. leases over land for a period of at least 5 years.

Ownership - deed, issued by the Cadastral Administration, proves ownership to real estate. An ownership deed has three parts: 1. property (e.g. type of land, land area, type of building), 2.identification of owner, 3. encumbrances (e.g. pledges, easements).

Construction planning process

Under the Slovakian Civil Code, a building is not treated as part of the land; this means that the ownership and other rights over a building may be held separately from the ownership and rights over the land on which it is erected.
Before constructing a building, first a planning permit (also known as a zoning permit) and then a construction permit must be obtained. Once construction has been finished, a use permit is required before the building can be put into use.

4. **VAT**

The VAT rate of 20% applies to all taxable supplies of a VAT-payer and the VAT rate of 10 % is applied for specific goods like pharmaceutical products.

Subject of VAT is charged on the:

- Supply of goods and services in Slovakia
- Import of goods from third countries by any entity
- Acquisition of goods from other EU member states (intra-community acquisitions)
- Acquisition of selected services (‘reverse charge‘) from other EU member states.

Obligatory registration

Slovak taxable entities with their seat, place of business or fixed establishment in the Slovak Republic, must register for VAT if their cumulative turnover within the previous maximum of twelve consecutive calendar months exceeded EUR 49,790. There are other rules of obligatory registration, depends on the person and subject of business.

A Slovak law distinguishes between registration for VAT payer and specific VAT registration. While a VAT payer has a fully right to deduct input tax, the specific VAT payer has no right to deduct VAT.

VAT Compliance

The VAT-payer is obliged to file a VAT return and pay the tax due within 25 days of the end of the tax period. The tax period is usually one calendar month. However, if during the previous 12 calendar months the VAT-payer's turnover did not reach EUR 100,000 a taxpayer may choose a calendar quarter as his tax period and announce it to the tax office. A taxpayer may effect change of the tax period from the first month following the lapse of a calendar quarter.

Supplementary statement

A supplementary statement regarding intra-EU supplies of goods and services must be filed within 25 days after the end of the calendar month. Given that the VAT payer does not realize intra-EU deliveries of goods amounting to more than EUR 100,000 within a year's quarter and subsequently within 4 previous year's quarters, a supplementary statement might be filed on a quarterly basis.

Inland recapitulative statement (as of 1st of January 2014)

The VAT payer will indicate in the inland recapitulative statement (inter alia) detailed data on each invoice, namely:

- VAT identification number of the customer or supplier;
- sequence number of the invoice;
- delivery date of the goods or services (or payment receipt date);
- tax base and VAT sum in Euros;
- VAT rate;
- amount of deducted VAT and in case of certain goods type, amount of goods and numeric code according to the Customs Tariff.

Must be submitted to the tax administration by the same deadline as the VAT return. It means also within 25 days as of the end of the taxation period.

All VAT payers must file an inland recapitulative statement, VAT declarations as well as supplementary statement only via electronic means (in XML format). The electronic registration is requested.

If the payer does not file an inland recapitulative statement to the tax authority or files it after the deadline stipulated by the law or indicates incomplete or incorrect data therein, the tax administrator will impose a penalty of up to EUR 10,000. In case of repeated breach of obligations related to inland recapitulative statements, the tax administrator may impose a penalty on the taxpayer of up to EUR 100,000.

5. EXCISE DUTIES

Products Subject to Excise Duties

Slovak excise duty is payable on the import of the following goods into Slovakia from outside the EU, or when these goods are released from the duty suspension regime for tax-free circulation in Slovakia:
– mineral oil,
– beer,
– wine,
– spirits, and
– tobacco products.
The excise duty liability for electricity, coal and natural gas arises at the moment that the product is delivered for final consumption.
The rate of excise duty depends on the specific type of product. In certain limited cases, the products listed above are exempt from excise duty.

Authorized Entities

An excise duty suspension arrangement enables the tax liability to be postponed until the day the product is released into the tax-free circulation regime.
The production, processing, storage, receipt, and dispatch of products under the duty suspension arrangement are carried out by an authorized warehouse keeper.
To obtain excisable products from another EU member state under the duty suspension regime, it is necessary to register as a licensed receiver.
For transactions under the duty suspension regime (storage and transport), a tax guarantee has to be lodged with the Customs Administration.
The company must be authorized to use excisable products exempt from excise duty.

6. CUSTOMS

General Principles

Goods imported from non-EU countries are subject to import customs clearance.
Goods exported from the EU customs territory have to be declared for export customs clearance.
The person responsible for paying the customs debt is the declarant.
The declarant is the person making the customs declaration in his own name, or the person in whose name the customs declaration is made.
The customs declaration should be made in the prescribed form and manner (in writing or by another action).
Import or export duties are customs duties and other charges payable on the import or export of goods (import VAT, excise duties and charges under the common agricultural policy).
The customs authorities require declarants to provide a deposit to cover the customs debt in the event that a customs debt arises. Such a deposit may be in cash, or may be provided by a guarantor.
For the purpose of communication with the customs offices, each person has to be identified by an EORI number (Economic Operator Registration and Identification Number), which is registered by the customs authorities based on the request. EORI registration is mandatory for customs clearance.
Export customs clearance is based on the electronic exchange of information. Import customs clearance is partly electronic in Slovakia.

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

Customs Debt

A customs debt is incurred at the time of acceptance of the customs declaration through:
– the release for free circulation of goods liable to import duties, or
– the placement of such goods under the temporary import procedure with partial relief from import duties.
The debtor is a declarant and, in the event of indirect representation, a representative as well. The customs duty must generally be paid by the debtor within ten days of delivery of the notification of the customs debt to the debtor.

Simplifications

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

7. ENVIRONMENTAL FEES

Wastes and packages are subject to environmental fees and other obligations. Importers and producers are obliged to pay environmental contributions to the Recycling Fund for selected commodities, as follows:
– batteries and accumulators;
– mineral oils;
– tires;
– multilevel combined materials;
– packages made of metal;
– electronic machines;
– glass;
– paper and paperboard;
– cars; and plastic products.
The amount of contribution is based on the character of the commodity. The contribution can be reduced or refunded fully or partially in the case of export of chargeable commodities or recycling wastes.
Importers and producers of chargeable commodities have to be registered with the Slovak Ministry of Environment and the Recycling Fund, file reports, and in some cases meet binding recycling limits.

8. SPECIAL CONTRIBUTION

A special contribution on business in regulated industries is payable by a legal entity or branch of a foreign entity, who is authorized to do business in a regulated business (such authorization should be issued in Slovakia or any other EU or EEC member state) and expects to achieve at least 50% of its total revenues from regulated business in the accounting period, and its total annual result of operation exceeds EUR 3 million.
A regulated business includes: the power industry, insurance, re-insurance, public health insurance, electronic communication, the pharmaceutical industry, postal services, rail transport, public water and drainage systems, air transport and the provision of health care.
A monthly contribution is calculated as the multiplication of the contribution base, being the result of operations before tax, and the contribution rate, being 0.00363.
The contribution is administered by the tax office responsible for corporate income tax administration.
The special contribution is payable from 1 September 2012, and the last period for which the contribution by regulated entities is due is December 2013.

9. APPROVED AMENDMENT TO THE ACT ON LOCAL TAXES AND LOCAL FEES

On 16 September 2014 the National Council of the Slovak Republic approved the Amendment to Act No. 528/2004 Coll. on Local Taxes and Local Fee for Community Wastes. The Amendment has entered into force on 15 October 2014.
The Amendment provides for the obligation to pay the tax on accommodation even for family houses or apartments used for multiple purposes and the tax on buildings in case of construction of collective garages. It also regulates the waste for which the municipalities may introduce the obligation to pay fees. It clarifies the application of exemptions from real estate tax.
Another change is the chargeability to tax on real estate acquired by inheritance already during the tax year (currently it holds that the tax becomes payable on the first day of the following year).

10. APPROVED AMENDMENT TO THE ACT ON THE USE OF ELECTRONIC CASH REGISERS

Part of the Amendment to the Act on Income Tax is also the Amendment to Act No. 289/2008 Coll. on the Use of Electronic Cash Registers (“ERP”). The Amendment extends the range of services being subject to the sales records in the electronic cash register (“ERP”) or a virtual cash register.

These are, for instance, the taxis, hotel accommodation, legal activities, dental practice, tax advice, and the like. Such entrepreneurs are required to begin using the ERP on 1 April 2015 at the latest.

The entrepreneur whose number of issued cash receipts in a calendar month is not more than 1,000 may also use the so-called virtual cash register, which shall be set up on the website of the Financial Directorate of the Slovak Republic. Only one access to the virtual cash register may be created for one point of sale.

GET MORE - PAY LESS

www.foxconsulting.eu

FOX Consulting s.r.o.
Cyrila a Metoda 1
900 29 Nová Dedinka

IČO/ID Nr.: 35959215
DIČ: 2022079070
IČ DPH/VAT SK2022079070

Office: City Hotel Bratislava
1. poschodie, číslo kancelárie 134
Seberíniho 9, 821 03 Bratislava

+421 907 020 378
strakova@foxconsulting.eu
www.foxconsulting.eu