

Corporate Income Tax (CIT)

A company is treated as resident in Slovakia for tax purposes if it is incorporated, or has its place of management, in Slovakia. Resident companies are subject to tax on their worldwide income. Non-resident companies are taxable only on income and gains arising in Slovakia. The provisions of double taxation treaties may take precedence over the Income Taxes Act.

Tax rate

The CIT rate is 19%.

Tax year

Although the corporate income tax rate is fixed by reference to a calendar year, taxpayers may choose an alternative financial year (a different twelve-month fiscal year), provided they obtain the consent of the tax authorities.

Tax base

The tax base is generally the accounting result, as adjusted for tax purposes.

Tax-deductible items

Generally, tax-deductible items are those that the taxpayer incurs to generate, ensure, and maintain its taxable income. Documentation, such as receipts and invoices, must be kept to support any tax deductibility. For tax audit purposes, a translation into Slovakian may be requested.

Non-tax deductible items

The tax law restricts the tax deductibility of certain expenses. Generally, these are expenses not related to generating taxable income.

Dividends

Dividends paid out of after-tax profits generated after 1st of January 2004 are not subject to Slovakian tax.

Related party transactions

Prices between a Slovakian entity and its foreign related parties must be set at a fair market value (arm's-length) for corporate tax purposes.

Tax losses

Since 2010, taxpayers can utilise a tax loss over a maximum of seven consecutive tax periods, starting with the tax period immediately following that in which the taxpayer reports a tax loss.

Depreciation

Straight line method

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

Accelerated method

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

Corporate income tax returns

The deadline for submitting a corporate tax return is within three months of the end of the tax period. The deadline can be extended by next three or six months with the consent of the tax authorities.

Tax withholding

The tax authorities may order individuals and legal entities to withhold, upon payment to another taxable party, an amount corresponding to half of the tax rate. If a Slovakian entity pays a fee to a foreign entity, the Slovakian entity has to deduct a tax withholding of 19%. This withholding seeks to ensure that the foreign entity does not avoid its corporate tax liability. If the foreign entity registers for Slovakian corporate tax purposes and pays monthly corporate tax advances in Slovakia, it may be able to agree with the tax authorities that tax withholding does not have to be withheld. Any amount so withheld shall be treated as a tax advance..

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Personal Income Tax (PIT)

Tax rate. The rate is 19 %

Taxable benefits

- Cost of living allowance
- Home leave allowance
- Company car: 1% per month of the purchase price including VAT
- Petrol expenses for a company car used for private purposes
- Pensions plans
- Individual insurance or endowment policy
- Bonuses for work performed in Slovakia
- Relocation expenses paid by the employer
- Pocket money on foreign business trips, which can be paid to an employee in the amount of up to 40% of the meal
- Other non-monetary benefits provided by the employer (i.e. dinners, travel expenses exceeding the amount set by special legislation)

Tax residence

An individual is considered a tax resident if:

- He/she has a permanent residence in Slovakia, as evidenced by an ID card, or by a permanent residence permit (for expatriates); or
- He/she is physically present in Slovakia for 183 days or more in a calendar year, either continuously or in total.

Gross income

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

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

Tax registration

All foreigners assigned to work in Slovakia must register for income tax purposes within 30 days of becoming subject to Slovakian tax.

Tax returns

Generally, everyone subject to personal income tax must submit a personal income tax return, unless his salary is taxed at source (payroll), and his employer arranges annual tax reconciliation. The filing and payment deadline is 31 March of the calendar year after that in which the income is earned. The tax period is the calendar year.

VAT

There are two VAT rates -20% and 10%. 10% VAT is applicable on items mentioned in the VAT Act (medical material, pharmaceuticals, books, etc.) The VAT Act is intended to fully comply with appropriate EU legislation.

Products liable to excise taxes

- Mineral oil
- Beer
- Wine
- Spirits
- Tobacco products
- Electric energy, coal and gas

Inheritance tax, gift and real estate transfer tax

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

Social Security and Health Insurance Rates

Effective from 1.1.2011	Min. comp. base in EUR	Max. comp. base in EUR	Employee (%)	Employer (%)
Retirement	317,00	2978,00	4.0	14.0
Disability	317,00	2978,00	3.0	3.0
Sick leave	317,00	1116,75	1.4	1.4
Unemployment	317,00	2978,00	1.0	1.0
Contribution into the Reserve fund of the SIC	317,00	2978,00	0.0	4.75
Guaranty	317,00	1116,75	0.0	0.25
Injury	no limit	no limit	0.0	0.8
Health care	317,00	2978,00	4.0	10.0
TOTAL in %	x	x	13.4	35.2

From the 1st of January health insurance contributions are applicable also to the following items:

- Dividends
- Capital and other income (i.e. sale of shares)
- Rental income

For more information about these changes, please contact us.

Double Taxation Treaties

Slovakia has signed Avoidance of Double Taxation Treaties with many countries over the world. Slovakia took over the rights and obligations of the investment protection and support agreements concluded by the former Czechoslovakia, including the member states of the European Union, and the Czech Republic.

Countries		
United Kingdom	Poland	United States
Netherlands	Czech Republic	Australia
Ireland	Iceland	Malta
Japan	Germany	Israel
Austria	Slovenia	Bulgaria
Belarus	Estonia	Indonesia
Sri Lanka	Singapore	Serbia
Sweden	Moldova	Montenegro
Norway	Mexico	Lithuania
Cyprus	Yugoslavia (former - relates to Macedonia, and Bosnia-Herzegovina)	Canada
Spain	Denmark	Portugal
Uzbekistan	India	Netherlands (Amending Protocol only)
Italy	Brazil	Turkmenistan
Romania	Greece	Belgium
Russia	China	Switzerland
Hungary	Nigeria	Turkey
	Tunisia	South Africa
Ukraine	France	Finland
Croatia	Luxembourg	Latvia
COMECON (applies only to Mongolia)	Czech Republic	Republic of Korea

If you would like specific information on these double taxation Treaties including the rates for withholding rates for dividends, royalties, and interest, then please contact us.