



Tax&Legal Highlights

Slovakia

Amendments to the Act on Employment Services and Act on Residence of Foreigners ("Amendments").

The Amendments introduce new conditions for the employment of third-country nationals.

Under the amendments, posting third-country employees to Slovakia from a non-EU employer will no longer be permitted. The goal is to reduce the large number of employees posted from third countries to work in Slovakia. Based on the new amendments, third-country employees will only be able to work for a Slovak employer under an employment contract or intra-corporate transfer agreement. Posting third-country employees to Slovakia will only be possible from a EU employer/company.

The Amendments are effective as of 1 May 2018.

Contacts Details

Dagmar Yoder

Associete Partner, Attorney, Legal

Tel: +421 2 582 49 427

Mobile: +421 905 253 844

Email: dyoder@deloitteCE.com

Róbert Minachin

Senior Manager, Legal

Tel: +421 2 582 49 365

Mobile: +421 918 642 134

Email: rminachin@deloitteCE.com

Methodological Guidance of the Ministry of Finance of the Slovak Republic on the Taxation of Virtual Currencies

The Ministry of Finance of the Slovak Republic published Methodological Guidance No. MF/10386/2018-721 on the Taxation of Virtual Currencies.

The methodological guidance No. MF/10386/2018-721 was published to ensure uniform interpretation of the taxation of income from the sale of virtual currencies. Income (revenue) from the sale of a virtual currency is subject to tax and is not tax exempt and therefore constitutes taxable income. The sale of a virtual currency means, for taxation purposes, any exchange, for example, exchange of a virtual currency for assets or exchange of a virtual currency for a service or its transfer for consideration, including an exchange for a different virtual currency. For a taxable person whose virtual currency is not included in its business assets, income from the sale of a virtual currency is other income under Article 8 of Act No. 595/2003 Coll. on Income Tax, as amended (hereinafter the "ITA"). Taxable income may be reduced by documented expenses incurred when generating income, but if the expenses are higher than the income earned, the difference is disregarded. For a taxable person that determines its tax base under Article 17 (1) of the Income Tax Act, income from the sale of a virtual currency is taxable income that can be reasonably considered as income from financial assets. Such taxable persons should determine their tax base or tax loss based on the accounting profit/loss or the difference between income and expenses. The resulting profit/loss, or the difference between income and expenses is transformed into a tax base pursuant to Articles 17 to 29 of the Income Tax Act. Given the above, tax-deductible expenses may be applied to income from the sale of a virtual currency in accordance with Article 19 of the Income Tax Act up to the amount of income from sales commensurately in accordance with Article 19 (2) (f) of the Income Tax Act.

Information on the Obligations of a Taxpayer Paying Profit Shares to a Shareholder Who Is a Slovak Resident in 2018

The Financial Directorate of the Slovak Republic published information on the obligations of a taxpayer paying profit shares to shareholders (tax residents of the Slovak Republic) reported for a taxation period starting on 1 January 2017 or earlier.

Income of a taxable person with unlimited tax liability in the Slovak Republic who is a natural person – shareholder with a share in a company's share/registered capital and who obtains profit shares reported for a taxation period beginning on or after 1 January 2017 is subject to a withholding tax of 7%.

The tax base for the withholding tax on profit shares (dividends) is paid income gross of expenses and the taxpayer is the company that pays the profit shares. The company is required to pay the withholding tax to the Tax Authority by the 15th day of the month for the previous calendar month, unless the Tax Authority determines otherwise at the taxpayer's request. The taxpayer is also required to send to the Tax Authority the "Taxpayer's Notice on Withholding and Paying Withholding Tax Pursuant to Article 43 (11) of the Income Tax Act" by the same deadline.

The withholding tax withheld and paid by the taxpayer is considered as a settled tax liability of recipients of profit shares - natural persons, and the income is not reported in the tax return.

Information on the Obligations of a Taxpayer Paying Shares in Profit or Assets for Distribution to a Member of a Land Association with a Legal Personality Who Is a Slovak Resident in 2018

The Financial Directorate of the Slovak Republic published information on the obligations of a taxpayer paying shares in profit or assets for distribution to a member of a land association with a legal personality who is a resident of the Slovak Republic in 2018 for a taxation period starting on 1 January 2017 and later.

Income of a taxable person with unlimited tax liability in the Slovak Republic who is a natural person – member of a land association with a legal personality and who obtains profit shares reported for a taxation period beginning on or after 1 January 2017 is subject to withholding tax of 7%, provided that the shares in profit and assets for distribution exceed EUR 500 from one land association with a legal personality in the relevant taxation period.

The tax base for the withholding tax on shares in profit and assets is paid income gross of expenses and the taxpayer is the land association with a legal personality that pays the shares in profit or assets. The association is required to pay the withholding tax to the Tax Authority by the 15th day of the month for the previous calendar month, unless the Tax Authority determines otherwise at the taxpayer's request. The taxpayer is also required to send to the Tax Authority a "Taxpayer's Notice on Withholding and Paying Withholding Tax Pursuant to Article 43 (11) of the Income Tax Act" by the same deadline.

The withholding tax withheld and paid by the taxpayer is considered as a settled tax liability of recipients of profit shares - natural persons, and the income is not reported in the tax return.

Contact Details

Valéria Mortániková

Senior Manager, Tax

Tel: +421 55 728 18 17

Mobile: +421 917 627 421

Email: vmortanikova@deloitteCE.com

Katarína Povecová

Manager, Tax

Tel: +421 2 582 49 284

Mobile: +421 917 858 604

Email: kpovecova@deloitteCE.com

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