

International Tax Slovakia Highlights 2021

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Investment basics

Currency: Euro (EUR)

Foreign exchange control: No restrictions are imposed on the import or export of capital, and repatriation payments may be made in any currency. Both residents and nonresidents can hold bank accounts in any currency.

Accounting principles/financial statements: Slovak Accounting Standards/IFRS apply for large companies, banks, and insurance companies. Financial statements must be prepared annually.

Principal business entities: These are the limited liability company, joint stock company, general partnership, limited partnership, cooperative, sole proprietorship, and branch of a foreign corporation.

Corporate taxation

Rates

Corporate income tax rate	15%/21%
Branch tax rate	15%/21%
Capital gains tax rate	0%/15%/21%

Residence: A company is resident if its seat or place of effective management is in Slovakia.

Basis: Residents are taxed on worldwide income; nonresidents are taxed only on Slovak-source income. Foreign-source income derived by residents is subject to corporate income tax in the same way as Slovak-source income. Branches are taxed in the same way as subsidiaries.

Taxable income: Corporate income tax is imposed on a company's accounting profits adjusted for deductible, nondeductible, and nontaxable items. Normal business expenses may be deducted in computing the tax base.

Rate: The standard corporate income tax rate is 21%. As from 1 January 2021, the 15% income tax rate applies to "micro-taxpayers" (taxpayers with annual taxable revenue not exceeding EUR 49,790 and that do not enter into transactions with related parties). (For the year ended 31 December 2020, the 15% rate applied to all companies with annual turnover not exceeding EUR 100,000.)

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Dividends distributed out of profits generated as from 2004 generally are not subject to tax to the extent they have not been deducted by the payer of the dividends (i.e., hybrid financial instruments). However, dividends distributed out of profits generated as from 2017 and received from a resident of a state with which Slovakia has not concluded a tax treaty or an agreement on the exchange of information for tax purposes (i.e., a noncontracting state) are taxable at a 35% rate.

Capital gains: Capital gains are taxed at the appropriate corporate income tax rate of 15% or 21%. In some cases, capital losses are nondeductible and capital gains are exempt from tax (see “Participation exemption,” below).

Losses: Tax losses declared after 1 January 2014 may be carried forward and deducted from the tax base in equal amounts over four years. Tax losses declared after 1 January 2020 may be carried forward and deducted from up to 50% of the tax base over five years. The 50% restriction does not apply to micro-taxpayers. The carryback of losses is not permitted.

Foreign tax relief: Foreign tax paid may be credited against Slovak tax on the same profits, but the credit is limited to the amount of Slovak tax payable on the foreign income under an applicable tax treaty. Some of Slovakia’s treaties eliminate double taxation by the exemption method, meaning that income taxed abroad is excluded from Slovak taxation.

Participation exemption: Income from the sale of shares and ownership interests (participations) in Slovak and foreign companies is exempt from tax in Slovakia where (i) the income from the sale of the participation arises no earlier than 24 months after the acquisition of at least a 10% direct interest in the registered capital, and (ii) a taxable person carries out significant functions in Slovakia, manages and bears the risks associated with the participation ownership, and has the personnel and material equipment required to carry out such functions.

Holding company regime: There is no specific holding company regime.

Incentives: Investment incentives may be available for the production, expansion, or modernization of shared services centers or research and development (R&D) centers. These incentives are subject to special rules in the State Aid Act and may be provided either in the form of cash or tax relief. Furthermore, the taxpayer may deduct 200% of R&D expenses incurred in the tax period, plus the year-on-year increase in such expenses (calculated as the amount by which the average amount of R&D costs incurred in the current and prior tax period exceed the average R&D costs incurred in the two previous tax periods).

Compliance for corporations

Tax year: The tax year generally coincides with the calendar year, although the taxpayer may elect a different fiscal year. The tax period may be shorter, for example, if the company moves from a calendar year to a fiscal year.

Consolidated returns: Consolidated tax returns are not permitted; each company must file a separate return.

Filing and payment: Slovakia operates a self-assessment regime. Advance payments of corporate income tax generally are due in monthly or quarterly installments. Income tax is assessed on the basis of annual returns, which must be filed within three months following the end of the tax period. The deadline for filing may be extended by three or six months in some instances, provided certain requirements are met. The taxpayer must pay any tax due within the statutory period and/or by the announced extended filing date.

An additional tax return may be filed within 15 days after the commencement of a tax audit.

Penalties: Penalties for noncompliance with tax legislation fall into two main categories: (i) late payment interest on outstanding tax liabilities (calculated as an annual percentage on the outstanding amount), and (ii) fines, usually up to EUR 32,000 or calculated as a percentage of the underpaid tax. The penalties for noncompliance depend on the length of time that has elapsed since the tax return was filed. The percentage of the fine depends on the form of the assessment of the additional tax (e.g., whether the additional tax is imposed during a tax audit or is the result of the filing of an additional tax return).

Rulings: Advance pricing agreements are possible only in limited cases (i.e., in respect of a transfer pricing methodology, and the method for determining the tax base for a permanent establishment (PE)). Agreements are valid for up to five tax years. Binding rulings are issued only in limited cases.

Individual taxation

Rates		
Individual income tax rate	Taxable income	Rate
	Up to EUR 37,981.94	19%
	Over EUR 37,981.94	25%
Self-employed individuals and micro-taxpayers	Up to EUR 49,790	15%
Capital gains tax rate		0%/19%/25%
Dividend tax rate		7%/35%

Residence: An individual is resident if the individual has a permanent address or home available in Slovakia, or spends more than 183 days during a calendar year in the country.

Basis: Slovak residents are taxed on worldwide income; nonresidents are taxed only on Slovak-source income.

Taxable income: Employment income, including most employment benefits, is taxable. Profits derived from the carrying on of a trade or profession generally are taxed in the same way as profits derived by companies. Investment income in the form of dividends distributed out of profits generated in 2017 and thereafter is subject to tax.

Rates: The individual income tax rate is 19% up to a tax base of EUR 37,981.94 (adjusted on an annual basis), and 25% on the excess.

Self-employed individuals considered as micro-taxpayers with annual taxable income not exceeding EUR 49,790 are taxed at 15%. Capital gains from the sale of shares traded on regulated markets within the EU that are held for at least one year from the date the shares are first admitted to the market are not subject to tax in Slovakia. All other capital gains are considered taxable income taxed at the general progressive rates (19% and 25%). Capital gains that do not exceed EUR 500 are not taxable.

A 19% withholding tax is imposed on interest income.

Dividends are taxed at a 7% rate. Dividends distributed to Slovak residents by a company with its registered seat in a nontreaty state are subject to a 35% tax rate.

Capital gains: Capital gains generally are included in total income, although gains from the sale of assets used to generate income, or to carry on a business or independent profession are treated as business and independent professional income.

Deductions and allowances: Subject to certain restrictions, deductions are granted for compulsory health and social contributions, up to specific limits. Personal allowances are available to the taxpayer and the taxpayer's spouse, children,

and dependents where certain requirements are met. An allowance for interest paid on mortgage loans, up to EUR 400 per annum, is available where specific conditions are met.

Foreign tax relief: Foreign tax paid may be credited against Slovak tax on the same income, but the credit is limited to the amount of Slovak tax payable on the foreign income under an applicable tax treaty. Some of Slovakia's treaties eliminate double taxation by the exemption method, meaning that income taxed abroad is excluded from Slovak taxation.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Individuals must file separate tax returns; joint filing is not permitted.

Filing and payment: Tax on employment income is withheld by the employer and remitted to the tax authorities. In general, income other than employment income is self-assessed. Individuals must file a tax return and make monthly or quarterly prepayments of tax during the calendar year.

Penalties: Penalties apply for failure to comply with filing and/or payment obligations. The percentage of the fine depends on the form of assessment of the additional tax (e.g., whether the additional tax is imposed during a tax audit or due to the filing of an additional tax return).

Rulings: Individual taxpayers may request the tax authorities' opinion free of charge, but the responses are not considered rulings, and are not binding on the tax authorities or the taxpayer.

Withholding tax

Rates				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	7%	0%/35%	7%/35%
Interest	0%/19%	0%/19%	0%/19%/35%	19%/35%
Royalties	0%	0%	0%/19%/35%	19%/35%
Fees for technical services	0%	0%	19%/35%	19%/35%

Dividends: No withholding tax applies on dividends distributed by one Slovak-resident entity out of profits generated from 2017 onwards to another Slovak-resident entity; the rate is 7% for dividends paid to resident individuals. Dividends distributed by a Slovak-resident entity out of profits generated from 2017 onwards to an entity resident in a country that has concluded a tax treaty with Slovakia are exempt from withholding tax; where the dividends are paid to an entity or individual resident in a country that has not concluded a tax treaty with Slovakia, a 35% withholding tax is imposed. Dividends distributed by a Slovak-resident entity out of profits generated from 2017 onwards to individuals resident in a country that has concluded a treaty with Slovakia are subject to a 7% withholding tax. The withholding tax rate may be reduced under a tax treaty.

Interest: A 19% withholding tax rate applies to interest from deposits paid to a resident. Interest on loans and borrowings paid to a resident is exempt from withholding tax. Interest paid to a nonresident is subject to a 19% withholding tax, unless the rate is reduced under a tax treaty, or an exemption applies under the EU interest and royalties directive. A 35% rate applies where the payment is made to a resident of a non-treaty state.

Royalties: No withholding tax applies on royalties paid to a resident. Royalties paid to a nonresident are subject to a 19% withholding tax, unless the rate is reduced under a tax treaty, or an exemption applies under the EU interest and royalties directive. A 35% rate applies where the payment is made to a resident of a non-treaty state.

Fees for technical services: No withholding tax is imposed on fees for technical services paid to a resident entity or individual. Fees paid to a nonresident entity or individual in respect of technical services provided within the Slovakian territory are subject to tax in Slovakia at 19%. However, a relevant tax treaty should prevail over Slovak domestic tax rules. A 35% rate applies where the payment is made to an entity or individual resident in a noncooperative state.

Branch remittance tax: There is no branch remittance tax.

Anti-avoidance rules

Transfer pricing: Slovakia's transfer pricing rules generally follow the OECD guidelines. The transfer pricing rules apply to transactions between domestic related parties, as well as those between a Slovak resident and a nonresident related party. Taxpayers must prepare contemporaneous documentation to substantiate the transfer pricing methodology used in determining transfer prices in related party transactions.

Country-by-country (CbC) reporting applies to Slovak entities that are members of a multinational enterprise (MNE) group with annual consolidated group revenue exceeding EUR 750 million. The CbC report is due by the deadline for submission of the corporate income tax return, or by the deadline for an extended period for filing a tax return if one has been granted.

Interest deduction limitations: Thin capitalization rules restrict the maximum amount of tax-deductible interest on related party (foreign and domestic) loans (new and existing) to 25% of the taxpayer's EBITDA (earnings before interest, tax, depreciation, and amortization).

Controlled foreign companies: Slovakia has implemented controlled foreign company (CFC) rules following "model B" of the EU Anti-Tax Avoidance Directive (ATAD), i.e., a resident taxpayer's tax base includes CFC income that is undistributed income arising from non-genuine arrangements that have been put in place for the essential purpose of obtaining a tax advantage.

A CFC generally is defined as an entity or a PE whose profits are not subject to tax or are exempt in the taxpayer's member state of residence, if:

- The taxpayer holds, individually or together with affiliates, a direct or indirect "stake" of more than 50% in the entity; and
- The actual corporate income tax paid by the entity or PE is effectively less than one half of the corporate income tax that would have been due in the taxpayer's member state of residence.

Hybrids: Slovakia has fully implemented into domestic legislation the anti-hybrid mismatch rules of ATAD 1 and 2. The rules generally apply to accounting periods commencing on or after 1 January 2020.

Economic substance requirements: There are economic substance requirements which provide for actions to be disregarded during the tax assessment process if they do not have a genuine business or economic purpose and result in intentional circumvention of a tax liability or in obtaining a tax advantage to which the taxpayer would not otherwise be entitled.

Disclosure requirements: CbC reporting applies, see under "Transfer pricing," above.

Exit tax: An exit tax is imposed when a corporate taxpayer moves its assets and/or business activities (fully or partially) and/or tax residence out of Slovakia. The exit tax rate is 21% and applies on the economic value of the gains generated in Slovakia. The exit tax may be paid in installments over a five-year period, provided the assets are transferred to a country in which the effective collection of the tax is assured; otherwise, the exit tax payment is due by the deadline for filing the tax return.

General anti-avoidance rule: The Slovak tax authorities may disregard any transactions or arrangements that do not have any commercial substance, and whose main purpose (or one of the main purposes) is to obtain a tax benefit (the “substance-over-form principle”), and deny any resulting tax benefits.

Value added tax

Rates	
Standard rate	20%
Reduced rate	0%/10%

Taxable transactions: VAT is imposed on the supply of goods and the provision of services, and on intra-community acquisitions of goods and imports.

Rates: The standard rate is 20%, with a reduced rate of 10% applying to certain items such as pharmaceutical and medical products, certain foods, and accommodation. Certain supplies (e.g., financial and insurance services) are exempt.

Registration: All individuals or legal entities that carry out economic activities in Slovakia are regarded as taxable persons. The registration threshold for VAT purposes is taxable turnover of EUR 49,790 within the preceding 12 consecutive calendar months. Taxable persons below the threshold may apply for voluntary registration. Nonresidents that make taxable supplies of goods or services in Slovakia must register before the supply is made, unless the reverse-charge mechanism is applied by the recipient of the supply.

Filing and payment: The standard assessment period is the calendar month. A registered person can apply for a calendar-quarter assessment period if its turnover is less than EUR 100,000 in the preceding 12 consecutive months, and the person has been registered for VAT for at least one calendar year.

The VAT return must be submitted by the 25th day of the month following the relevant tax period. When the return is submitted monthly or quarterly, the VAT due must be paid in full when the return is submitted.

A VAT transaction statement must be submitted by the due date of the VAT return (i.e., by the 25th day of the month following the relevant tax period). For services with a place of supply outside Slovakia and in respect of intra-community supplies of goods, European Community sales lists should be submitted.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: The employer is required to withhold monthly pay-related insurance contributions of 35.2% of an employee’s gross salary. The employee’s contribution of 13.4% of gross salary also is withheld by the employer. Part of the contributions are capped. The social security system consists of social security and health insurance contributions. A self-employed individual also must make earnings-related insurance contributions.

Payroll tax: There is no specific payroll tax but an employer must withhold individual income tax from an employee's earnings at the time of payment.

Capital duty: Slovakia does not impose capital duty.

Real property tax: The municipal authorities levy rates on the ownership and occupation of real property. Rates paid by companies are deductible in calculating the corporate income tax liability.

Transfer tax: Slovakia does not impose transfer tax.

Stamp duty: Fees are imposed on the transfer of real estate but are not significant.

Net wealth/worth tax: Slovakia does not impose a net wealth tax or a net worth tax.

Inheritance/estate tax: Slovakia does not impose an inheritance tax or an estate tax.

Tax treaties: Slovakia has concluded around 70 income tax treaties. The OECD multilateral instrument (MLI) entered into force for Slovakia on 1 January 2019. For information on Slovakia's tax treaty network, visit [Deloitte International Tax Source](#).

Tax authorities: Slovak Tax Directorate

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