



Slovakia

FDI in Slovakia – current situation

FDI Inward Position (2015): EUR 40.13 billion

Investors (countries):

- Netherlands* 20%
- Austria 16%
- Czech Republic 11%
- Luxembourg* 9%
- South Korea 7%
- Italy 7%
- Germany 6%
- Other countries 24%

* these countries typically serve as financial intermediaries for US and East Asian investors

Investments by sector:

- Financial services (excl. insurance & pensions) 21%
- Real estate 8%
- Automotive 7%
- SSC and business support activities 7%
- Wholesale trade 5%
- Manufacture of basic metals 5%

SLOVAKIA	
GENERAL INFORMATION (2015)	
Territory:	49,035 km ²
Population:	5.4 million
Currency:	Euro (EUR)
GDP:	EUR 75.8 bn
GDP per capita:	EUR 13,979
Growth rate:	3,6%
Average. salary:	EUR 997
Export:	EUR 64,36 bn

FDI in Slovakia – current situation

The largest investors in Slovakia



Top Reasons Why To Invest In Slovakia:

- **Safe** environment: Political & economic **stability** & **Euro currency**
- The highest **labor productivity** in the CEE region - Cost effective **skilled employees**
- Strategic **location, proximity** to Western Europe
- Extensive **industrial experience** & supplier network & dual education system
- FDI friendly environment (long-term focus on FDI, active support of top officials)

Most Common Obstacles As Viewed By Investors:

- Population decrease – **lack of qualified workforce**
- Insufficient **transport infrastructure** in certain regions
- Lengthy **approval procedures** (zoning, construction permits & EIA)
- **Enforcing Contracts**; Administrative burden (slow implementation of E-government)

SLOVAKIA - TOP BUSINESS SECTORS TO INVEST:

MANUFACTURING:

- Automotive
- Electromobility
- Mechanical engineering
- Aviation & Defense
- Robotics & Automation
- Pharmaceutical & Biotechnology
- Electronics/Electrical
- Metals processing & Composites

BUSINESS PROCESS OUTSOURCING

ICT & DATACENTERS

CREATIVE INDUSTRY

Taxation implication

Tax implications on foreign investors and investment climate

TAX REFORM 2004 – „FLAT, SIMPLE & FAIR“

- **all tax rates** CIT, PIT, VAT reduced and **unified to 19%**
 - **progressive rates** & numerous tax base **exemptions abolished**
 - **dividend tax**, real estate transfer tax, inheritance tax and gift tax **abolished** (as unjustified double taxation)
 - shift from direct **to indirect taxes**
 - **tax code** became considerably leaner and **easier to understand**
-
- Slovakia succeeded in attracting FDI and has earned the **reputation of a reform-minded and business friendly country**
 - **Public spending fell** from 46 % of GDP to **36 % of GDP** in the period of 2002-2006.
 - In 2005, the World Bank named Slovakia the **world's leading economic reformer**
 - Slovakia did experience a **significant boost in economic growth** in the years following its introduction

TAXES IN SLOVAKIA

STATE TAXES:

- CIT (21%)
- PIT (19 % / 25% from income over 35 TEUR))
- VAT (20%, 10% on medicine, books, selected foodstuff)
- Excise duties (mineral oils, alcoholic beverages, tobacco)
- Tax on road motor vehicles
- Bank levy
- Special levy on business in regulated industries (energy)

MUNICIPAL TAXES:

- Real estate tax (land, buildings, apartments)
- Accommodation tax
- Dog tax
- Tax on the use public land
- Tax on nuclear facility
- Tax on car entrance to the historical part of the city
- Levy on sale machines
- Levy on coin operated machines for amusement

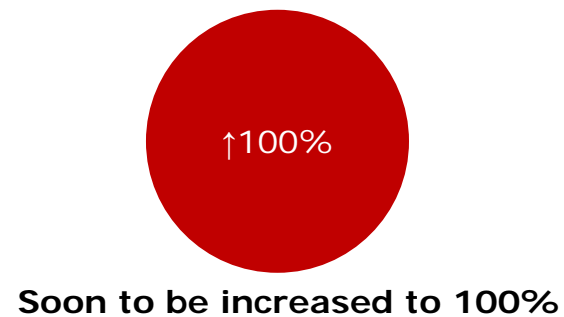
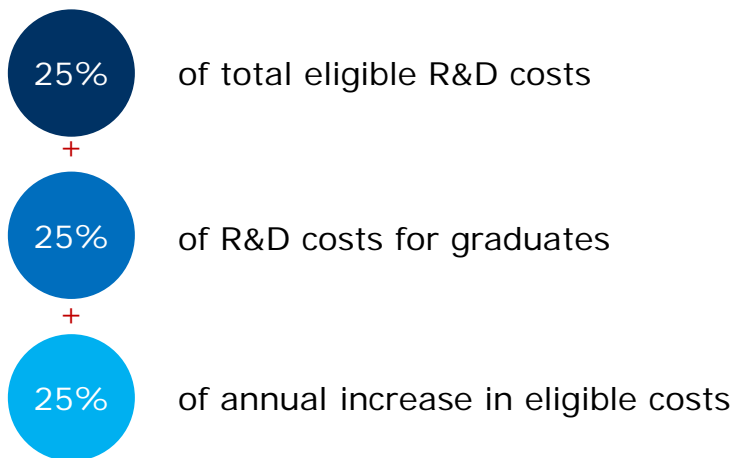
Taxation implication

R&D Tax Credits

FRAMEWORK

- **Introduced in 2014**; by the amendment of the Income tax Act
- Companies are able to **deduct an additional min. 25% of R&D costs from the income tax base**
- Claimed annually in tax returns; no approval process (not considered state aid)
- Eligible R&D costs: **labour costs, depreciation**, services provided by research institutions, overheads, etc.

TAX CREDIT RATES



Stimulating investment measures

Investment Aid

FRAMEWORK & ELIGIBLE PROJECTS

- Regional Investment Aid scheme; funded from the state budget
- Goals: to encourage **FDI into less developed regions** & investments with higher-added value
- Eligible investments: **Manufacturing / Technology (R&D) Centers / Shared Services Centers**

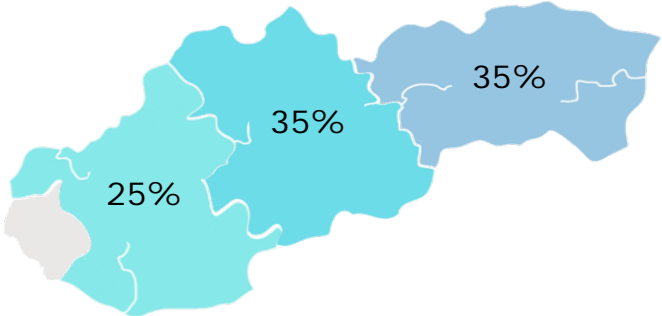
BASIC CONDITIONS

Manufacturing (new or expanded facility)	0.2 mil. € – 10 mil. € Investment (depends on unemployment rate in the region)	30% – 60% share of new technology	40 new jobs
Technology center (new or expanded center)	0.5 mil. € investment	70% FTEs with university degree	30 new jobs

FORMS

- **Income Tax Relief up to 10y** (preferred form– 66% of all aid provided between 2002-2016)
- **Cash Grant** on new technology
- **Contribution** on New Jobs
- Transfer of Public Real Estate for Discounted Price

MAXIMUM AID %



Legal Implications

COMMITMENT: declared as a **priority in the Slovak Government manifesto 2016-2020:**

- To create the prerequisites for **systematic improvement of the business environment**, which should lead to better position of Slovakia in Doing Business and
- To adopt specific measures mitigating regulatory barriers and bureaucracy

STRATEGY: National Reform Program 2017 Slovakia

SPECIFIC MEASURES:

- simplification and acceleration of **zoning/building permit** procedures
- strengthening the **protection of creditors** (restriction of speculative share transfer)
- setting up of **single contact points** for entrepreneurs
- maximizing **electronic communication** in tax agenda; soft warning messages
- establishing **tax rating** of the entrepreneur based on reliability of the company
- increasing the **R&D tax credits** rate to 100% and introduce „**patent box**“
- introduction of the **sunset clause** - each new rule will automatically be reassessed after a certain period of time

Older, but essential reform form 2011:

- mandatory **disclosure of all public contracts** where public money are involved

Privatization and private investments

ENTERPRISES: structure of ownership

TYPE OF ORGANISATION	%
Private companies (50% or more of the shares held by country-s residents)	87.3%
Private companies (less than 50% of the shares held by country-s residents)	12.4% (generating over 40% of added value in the economy)
State owned companies	0.3%

GDP – what is portion of state owned company in country GDP = cca. 5%

Privatisation model – *bidding procedure; public tender, direct sale, voucher privatization*

Measures taken for privatisation of stated owned companies – no major privatization projects planned currently

Main obstacles during the privatization – *lack of transparency, political influence, lack of expertise, preference of domestic investors*

Thank you for your attention!





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