Doing business in the Slovak Republic

Bratislava Castle and river Danube, Bratislava
Welcome to “Doing business in the Slovak Republic”

In order to succeed in today's economy you need to stay ahead of the competition. Explore new opportunities. Match them with your goals. Develop and succeed.

Wherever you do business, we do business – and that includes the Slovak Republic.

At EY we help clients earn the confidence of investors, better manage their risks, strengthen their controls, improve aspects of their business and increase their value. Our client work makes a difference for everyone who participates in capital markets, from the regulators who oversee them, to the people whose livelihoods and pensions depend on them, to investors everywhere. During 25 years of presence in the Slovak Republic we have developed detailed knowledge of the local ever-changing business environment.

We have helped our clients succeed in every sector of the Slovak economy. We currently provide services to the top Slovak companies.

Now, we are ready to help you by sharing our knowledge of the Slovak business environment.

This brochure is designed as an introduction to the Slovak business environment. It provides an overview of key commercial legislation and answers many of the questions we most frequently hear from potential investors. However, it does not address the issues that are specific to your company or industry.

We invite you to contact us to arrange a meeting so that we can tackle these issues with a detailed discussion of your plans for the Slovak Republic.

We look forward to hearing from you and wish you success in your Slovak ventures.

Matej Bošňák
Country Managing Partner EY in the Slovak Republic
Country profile and business climate

Human Capital

Establishing a business presence

Corporate taxation

Accounting principles and requirements

How can EY help you?

EY Contacts

Strbske Pleso, lake in High Tatras

Country profile and business climate
Country profile

Country profile and business climate

- Country profile
- Business climate
- Grants and incentives
- Other national and local incentives
- Real estate in Slovakia

Doing business in the Slovak Republic
Slovakia

Slovakia, a full member of the European Union, is located at the very heart of Europe. It is one of the youngest countries in the Central Europe region, having been established following the peaceful partition of Czechoslovakia in 1993. This is a land of real spirit and contrasts, with a great many castles, caves and thermal spas set in magnificent countryside.

Although Slovakia is a landlocked country, one of Europe’s longest rivers, the Danube, runs through it. Bratislava, the capital city, stands on the banks of the Danube close to where it enters Slovakia from Austria. The country has an area of 49,035 sq km (18,900 sq miles) of which almost 60% is more than 300 m (980 ft) above sea level. The south of the country is extremely fertile lowland stretching down to the Danube. The Carpathian Mountains begin in the south-west and the spectacular High Tatra mountain range (the highest part of the entire Carpathian chain) runs along Slovakia’s north-eastern border. Gerlachovský štít is the highest peak in the High Tatras at 2,655 m (8,708 ft).

Slovakia has a temperate continental climate. The summers are generally sunny and warm, with average high temperatures of around 26°C (78°F). Winter temperatures average around 0°C (32°F), though it can be quite a lot colder in the mountains.

Slovakia is in the Central European Time zone (CET), one hour ahead of Greenwich Mean Time (GMT). CET Summer Time starts at the end of March and finishes at the end of October.

The President is the constitutional head of state and the Government is the head of the Executive, presided over by the Prime Minister. The Parliament, which has 150 members is the sole constitutional and legislative body of the Slovak Republic. The President is elected for a five-year term and the Parliament for four years. Both are directly elected.
Country profile

**Brief facts**

- **Capital**: Bratislava
- **Language**: Slovak
- **Currency**: €
- **Government type**: Parliamentary democracy
- **Member of EU**: From 1 May 2004
- **Regional capitals**: Bratislava, Košice, Prešov, Žilina, Banská Bystrica, Nitra, Trnava, Trenčín
- **Neighboring countries**: Czech Republic, Poland, Ukraine, Hungary, Austria
- **Natural resources**: Brown coal and lignite, small amounts of iron ore, copper and manganese ore, salt and arable land
- **Main industries**: Machinery; automotive; electronics, energy; chemical and petrochemical; metal and metal products; food and beverages; wood and paper, textiles; printing; earthenware and ceramics;

**Demographic and economic data in 2016**

- **Population**: 5,435,343 (December 2016)
- **Density (person/sq km)**: 110
- **Birth rate**: 11.10 births/1,000 population
- **Active workforce, age 15–65 years (%)**: 72%
- **Retirement age**: 62 years
- **Average salary**: €925 (1-3Q 2017) per month
Doing business in the Slovak Republic

Slovakia is now one of Europe's most attractive locations for doing business. It is a young country and is strategically situated at the heart of Europe. It has been a member of NATO since 2004 and a member of the EU since 2004. Its transformation since the Velvet Revolution in 1989 has been remarkable. It is now a truly liberal democracy with a functioning market economy and legislation fully harmonized with the EU.

Slovakia has achieved both political and economic stability since its independence following the breakup of Czechoslovakia in 1993. Its economic transformation, initiated in 1989 and accelerated after 1998, positioned it well for EU accession. On May 1, 2004 Slovakia joined the EU, and in July 2008 gained approval from the Council of the EU to join the European Monetary Union (EMU) on 1 January 2009.

In recent years, Slovakia's investment climate has improved markedly. Slovakia has been one of the most rapid reformers in the world, introducing ambitious reforms in almost all areas (tax, pensions, welfare and labor markets, public finance management and decentralization, healthcare).

**Human Capital**

The Slovak workforce is highly skilled. The main foreign languages spoken are English and German.

Hourly labor costs in Slovakia have slightly increased recently, but are still 3.17 times lower than in Germany. Compared to other V4 countries, Slovakia had the highest hourly labor costs in 2016.

<table>
<thead>
<tr>
<th>Country</th>
<th>Wages &amp; salaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slovakia</td>
<td>10</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>5</td>
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<td>Hungary</td>
<td>5</td>
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<td>Poland</td>
<td>5</td>
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<tr>
<td>Germany</td>
<td>35</td>
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**Labor costs per hour in € in 2016**
**Macroeconomy**

Over the past few years, Slovakia's economy has seen some of the fastest economic growth in the region. Buoyant exports and household consumption have supported this growth. Significant growth in the economy slowed to 5.8% in 2008 and, with the full impact of global crisis on Slovakia, GDP shrank by 4.9% in 2009. After slow growth in years 2012 and 2013, the recent development shows that the economy is recovering. The forecast GDP growth rate is 3.6% in 2015. (source: NBS).

The Euro is the furthest protection of the Slovak economy from the significant movement in FX rates experienced by neighboring countries with sovereign currencies. Recently, the inflation shows negative figures reaching the deflation levels (closely below zero). (source: NBS). Lower income tax and increased government spending led to public finance deficit of 8% in 2009. The government's effort to consolidate public finance with increased personal taxes, constrained government spending and privatization reduced the deficit to 4.8% in 2011, 4.5% in 2012 and 2.8% in 2013 (source: NBS). With recovering growth also the government spendings increased and the public finance deficit is forecast to grow to 3% in 2015.

Prior to the crisis, the high FDI, along with the structural reforms already implemented, led to improvements in the labor market as the booming economy generated new employment opportunities. As the Slovak economy is export-oriented, the global economic downturn resulted in 14.4% unemployment in 2010. Progress in 2011 saw unemployment fall to 13.6%. In recent years the unemployment rate continued to decrease to 13.2% in 2014 and 11.5% in 2015.

Although some regional disparities persist, inflow of EU funds is expected to alleviate the situation through a substantial flow of investment into infrastructure. The business environment is thus also likely to improve in those distant parts of the country which have a significant potential for investment absorption.
Business climate

Some supporting figures

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>forecast</th>
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<tbody>
<tr>
<td>Real GDP growth rate (%)</td>
<td>1.4</td>
<td>2.5</td>
<td>3.6</td>
<td></td>
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<tr>
<td>Public finance deficit (%)</td>
<td>2.7</td>
<td>2.7</td>
<td>3</td>
<td></td>
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<tr>
<td>Inflation rate (%)</td>
<td>1.5</td>
<td>-0.1</td>
<td>-0.3</td>
<td></td>
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<tr>
<td>Unemployment rate (%)</td>
<td>14.2</td>
<td>13.2</td>
<td>11.5</td>
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</table>

Source: NBS

Investment incentive policies

In order to boost investment, as well as providing tax relief, Slovakia has implemented subsidies for job creation, training and initial investment. The new EU Structural Funds operational programs were introduced in 2014. The first schemes were already opened.
To promote investments, the Slovak Government provides investors, both foreign and local, with investment incentives proportionate to their activities in Slovakia. The maximum limits for state aid are determined by the EU regulations and are driven by the relative development of the country or region in which an investment project is located and the unemployment rate in that region. The limits are set as a percentage of the eligible costs of an investment project.

Forms of incentives/state aid:

A. Indirect forms
   - Tax relief
   - Transfer of immovable assets owned by the state or municipality at a price lower than the market price

B. Direct forms
   - Cash grants on acquisition of fixed assets
   - Cash grants on newly created jobs
   - Cash grants on training

**Tax relief**
Under the Investment Aid Act, companies may apply for a tax reduction for 10 consecutive tax years. The tax relief can be provided for newly established companies (new production) and also for existing companies (extension of existing production).

**Transfer of immovable assets owned by the state or municipality at a price lower than the market price**
In exceptional circumstances, the Government may award a portion of regional aid in the form of a financial grant or discount on immovable assets (usually land and buildings) market price.

**Cash grants on acquisition of fixed assets**
This kind of cash grant can be applied to both tangible fixed assets (e.g., land, buildings and plant/machinery) and intangible fixed assets (e.g., patents, licenses, know-how or unpatented technical knowledge).

**Cash grants on newly created jobs**
Amounts are subject to the anticipated wage costs related to newly created jobs and the regional location of the project (taking into account the regional unemployment rate).

**Cash grants on training**
The grant amount is expressed as a percentage of eligible training costs and varies according to the region (e.g., grants for the Bratislava region would be lower than grants for the rest of the country).

To qualify for investment aid, applicants must meet the conditions under the Slovak Investment Aid Act and the European legislation:

a) General conditions:
   - Applicants must submit their intention to invest prior to start of the projected works.
   - Applicants must prove their ability to co-finance the project costs (at least 25%) from their own resources or external financing (free of any investment aid/subsidy).
   - The project must be completed within three years.
   - The project must comply with all conditions attached to the approval of the investment aid not later than within three years from issue of the approval.
   - All subsidized job positions must be filled within three years from the project completion and maintained for a period of five years.
   - The project operation must be maintained for a minimum period of five years from its completion without change of its location.
Grants and incentives

b) Specific conditions
   (vary depending on type of a project):

Manufacturing projects:
- Fixed assets are acquired with a total value of at least €10,000,000 (lower thresholds apply in regions with high unemployment), of which at least 50% should be covered by the applicant’s own resources.
- Acquisition of new machinery for production purposes, where the machinery costs represent at least 60% of the overall costs of the acquired assets (lower thresholds apply in regions with high unemployment). The machinery must be bought under arms-length conditions, must not have been depreciated prior to the acquisition and must not be older than two years.
- The project must lead to creation of new jobs. The net increase in new jobs shall not be less than 40 employees for the last 12 months.
- Project must be realized in one place only.

Technology centres:
- Fixed assets are acquired with a total value of at least €500,000, of which at least 50% should be covered by the applicant’s own resources.
- Of the total number of employees, at least 70% are to have a university degree.
- The project must lead to creation of at least 30 new jobs.

Shared service centers:
- Fixed assets are acquired with a total value of at least €400,000, of which at least 50% should be covered by the applicant’s own resources.
- Of the total number of employees, at least 60% are to have a university degree.
- The project must lead to creation of new jobs. The net increase in new jobs shall not be less than 40 employees in the last 12 months.

Tourism
- Fixed assets are acquired with a total value of at least €10,000,000 (lower thresholds apply in regions with high unemployment), of which at least 50% should be covered by the applicant’s own resources.
- New machinery is acquired for the purposes of provision of services, where the machinery costs represent at least 40% of the overall costs of the acquired assets. The machinery must be bought under arms-length conditions, must not have been depreciated prior to the acquisition and must not be older than two years.
- The project must lead to creation of new jobs. The net increase in new jobs shall not be less than 40 employees for the last 12 months.
- Project must be realized in one place only.

Approval of the aid
There is no legal entitlement to any investment aid. An applicant must submit an investment aid request to the relevant authorities (i.e., the Ministry of the Economy and other relevant aid providers) who will review compliance with both the general and specific conditions under the Investment Aid Act. The relevant authority will examine completeness of the investment plan and the general terms and conditions for granting the investment aid, and if the investment plan includes all data required, it will ensure preparation of the expert appraisal opinion of the investment plan. Subsequently, an offer for investment aid is issued to the successful applicant. Following receipt of the official offer, the investor must submit an investment aid application to the Slovak Government for approval. The investment aid application is submitted to the Slovak Government for approval. Should the project capital expenditures and requested investment aid exceed the certain thresholds, approval of the European Commission is also required.
Other national and local incentives

Structural Funds
The Slovak Republic is entitled to draw support from the Structural Funds and Cohesion Fund. Currently, the EU Funds are administered under the new 2014 to 2020 scheme consisting of nine operational programs (with €15 billion available for 2014 to 2020 period). The incentives available for companies are mainly focused on enhancing infrastructure, quality of environment and R&D. It is expected that most of the funds will be drawn by public institutions (municipalities, cities, nonprofit organizations etc.) while only a minor part will be available for businesses.

Industrial parks
Municipalities are entitled to use state budget funding for the development of industrial parks. At the pre-development stage, investors are typically requested to sign a letter of intent with the relevant municipality. Benefiting from the advantages offered by industrial parks does not, in general, qualify as state aid.

Unlawful restriction of competition
In accordance with Act 136/2001 Coll. on Protection of Competition, as amended, the following activities of both legal entities and individuals are prohibited as being unlawful, or are subject to control by the Anti-Monopoly Office:

- Agreements restricting competition (e.g., agreements on prices, division of the market, limitation of production)
- Abuse of dominant market positions, such as predatory pricing, applying different conditions for similar entrepreneurs under similar contracts, conditioned sales where the conditions are not related to the subject of the contract.
- Concentration

There are two types of market concentration:
- The merger or consolidation of two or more independent entrepreneurs, and
- The acquisition of direct or indirect control by one or more entrepreneurs over the enterprise or part of the enterprise of another entrepreneur or entrepreneurs. Concentrations meeting or exceeding certain thresholds (for the closed accounting period preceding the establishment of the concentration) are subject to notification to and control by the Anti-Monopoly Office.

A person who has suffered harm caused by an infringement of competition law can claim full compensation for that harm. Rules and procedures relating to claiming damages are set out in Act No. 350/2016 Z. z. on certain rules for the enforcement of claims for damages caused by an infringement of competition law (transposition of Directive 2014/104/EU).

Unfair competition
The Commercial Code also provides rules for competition in general. Unfair competition is prohibited. This is primarily understood as:
- Deceptive advertising
- Deceptive descriptions of goods and services
- Conduct contributing to confusion of identity
- Benefiting from exploitation of a competitor's reputation, products or services
- Bribery
- Defamation
- Violation of trade secrets
- Endangering the health of consumers or the environment
Real estate is registered with the Real Estate Cadastre. However, information in the Real Estate Cadastre may not be considered as ultimately correct and may be challenged; it is accurate, unless proved to the contrary. Under Slovak law a building does not form part of a land plot. This means that the owner of the land may differ from the owner of the building erected on such land. Validity of acquisition of the property may be affected by restitution claims which are still pending in Slovakia.

Access to a building by its owner is not secured by operation of law.

**Acquisitions**
Following the accession of the Slovak Republic to the European Union, non-residents (i.e., legal entities having their registered seat abroad and natural persons that have their permanent residences abroad or branches of non-residents located in the Slovak Republic) may acquire real estate in the Slovak Republic with some exceptions under special legal regulation.

Slovak legal entities, whether Slovak or foreign-owned, may freely acquire any real estate. One global exception to all of the above is that real estate owned exclusively by the state, such as mineral resources, caves, underground water, natural healing resources and watercourses may never be acquired privately.

**Leasing**
Slovak and foreign legal entities and individuals may generally lease real estate at prices determined by agreement among the parties.

Notwithstanding the fact that a lease agreement is concluded between entrepreneurs carrying out business activities, the lease is primarily governed by the provisions of Act No 40/1964 Civil Code as amended (“the Civil Code”). In addition to the Civil Code, leases of non-residential premises are specifically governed by the Act 116/1990 on lease of non-residential premises, as amended which for example stipulates very specific termination rights for leases agreed for a definite period.

Many provisions of these acts are mandatory which means that parties cannot deviate from them in their agreement. Therefore, enforceability of agreements of the parties modifying or softening such mandatory provisions (which is a common practice in the case of commercial leases) may be limited in practice.
Orava Castle, Oravsky Podzamok

<table>
<thead>
<tr>
<th>Country profile and business climate</th>
<th>Human Capital</th>
<th>Establishing a business presence</th>
<th>Corporate taxation</th>
<th>Accounting principles and requirements</th>
<th>How can EY help you?</th>
<th>EY Contacts</th>
</tr>
</thead>
</table>
Employment
Citizens of the countries within the European Economic Area and Switzerland (EEA citizens) may work in the Slovak Republic without any restrictions. However, if they stay in Slovakia for more than three months, they are obliged to register with the Slovak Foreigner police office. Moreover, their Slovak employers are obliged to inform the labour authorities of the employment of any such individual within seven working days of the commencement of the individual's activities. The employer is also obliged to inform the authorities of the end of the individual's activities within seven working days. Other foreign nationals, seeking to work in Slovakia, are obliged to apply for a work permit and temporary residence prior to their arrival.

In general, a Slovak individual may be employed by Slovak legal entities or branch offices without any restriction.

Wages and salaries
Employees of Slovak employers (including branch offices of foreign entities in Slovakia) may be paid only in the official Slovak currency (euro) or in the form of fringe benefits for their work performed in the Slovak Republic. However, employees performing work abroad may also be paid in another currency. Foreign employees are entitled to transfer their salaries paid in euros to their bank accounts abroad. As of 1 January 2017 minimum monthly wage is €435.

Labour legislation
The Labour Code, which came into effect on 1 April 2002, as amended with last Amendment effective from 18 June 2016 includes, among other things, the following principles:
- There is an initial probationary period of a maximum of three months and six months in the case of certain managerial positions that cannot be further extended.
- Limited employment relationships may be concluded for a maximum of two years and extended only twice within this period.
- The maximum length of the working week is 40 hours.
- Employees can perform overtime of up to 400 hours per calendar year, of which a maximum of 150 hours (250 in the health care sector) may be required by the employer.
- Minimum annual paid leave is four weeks; employees aged 33 and above are entitled to five weeks of annual paid leave.
- Both the employer and the employee can elect to terminate the employment contract by serving notice. The minimum notice period increases in proportion to the duration of employment. A minimum notice period of one month has to be given (if a person has been employed for less than one year, a period of two months applies for persons employed up to five years and a three months notice period applies for persons employed for at least five years).
- The employer is obliged to provide the employee with a severance payment in the event of termination of the employment relationship due to organizational reasons or due to specific health reasons, should the employment have lasted more than two years (there is no obligation to provide severance payments for lesser periods). The payment is equivalent to the employee's average monthly salary, if employed for between two and five years, increased by the same amount for each additional five years of employment.
- The employer and employee may agree on a combination of notice period and severance payment (if the employee continues to work for the employer during a part of the notice period, they are entitled to a proportioned severance payment). In the case of an employment relationship of less than two years, there is no obligation to provide a severance payment.
- An employment contract can be terminated at any time at the mutual agreement of both the employer and employee.
- In addition, the employer can terminate the employment immediately if the employee is found guilty of a deliberate criminal offence or is found to be in serious breach of working discipline.
Employment law

- The employee may, in exceptional situations as stipulated by the Labor Code, terminate their employment immediately. The Labor code also provides options for agreement on flexible working and job-share arrangements, to provide better job-creation conditions.

Assignment
Recent changes in the law regulating assignment, established the presumption of temporary assignment and also determined a 24-month maximum duration of temporary assignment (failure to comply with these new rules can result in the creation of an employment relationship for an indefinite period).

The new legislation in the area of assignment of employees established administrative obligations for foreign and Slovak employers or posting and receiving employers respectively, that must be fulfilled in order to allow authorities to effectively audit the compliance with the law in situations when employees are assigned to the Slovak Republic from another EU Member State.

Cross-border posting of workers within the EU
An employer from another EU Member State, which posts an employee to Slovakia, is obliged to provide specified information to the Slovak Labor Inspectorate, on the day of posting at the latest, maintain relevant documentation (including its translation into Slovak) at the employee's place of work for provision to the Slovak Labor Inspectorate upon request, whilst appointing a contact person in Slovakia for the purposes of document delivery.

Collective labor relations
Employees in Slovakia have the right to participate in the employer’s decision-making and collective bargaining through the employees’ representatives, which may be a trade union (when created), works council (applicable if employer employs at least 50 employees) or works trustee (applicable if the employer employs at least three and a maximum 49 employees). The Labor Code, in certain cases, requires the participation of employees’ representatives, if appointed to (e.g., in the case of termination of employment).

Arbitration
Rules for resolving disputes by arbitration are different for cases involving a consumer. If a party decides to go to arbitration instead of a regular court (either on the basis of an arbitration clause included in the contract or an agreement), the arbitration tribunal’s decision is final and reversible only under circumstances determined by law and filed within 30 days of judgement delivery. An entrepreneur must count on stricter conditions when dealing with a consumer dispute.
Income tax

Scope

Income subject to tax

Individuals with permanent residency in the Slovak Republic (or a Slovak permanent residency permit) are deemed to be Slovak residents for tax purposes. In addition, any individual physically present in the Slovak Republic for at least 183 days in the calendar year is also deemed to be a Slovak resident for tax purposes. Tax residents are taxable in the Slovak Republic on their worldwide income.

For tax residents, the provisions of the relevant double tax treaties may provide relief from Slovak taxes. Even if no double tax treaty with another state has been concluded, relief may still be claimed. In such cases employment income (income from a dependent activity) from foreign sources may be tax exempt in Slovakia if it can be demonstrated that it was taxed abroad.

Individuals that do not have permanent residency in Slovakia and stay in Slovakia for less than 183 days in any calendar year are treated as Slovak tax non-residents. In addition, individuals whose stay in Slovakia lasts for 183 or more days in a calendar year but which is exclusively for study purposes or health treatment, or who regularly (on a daily or other regular basis) commute to the Slovak Republic for employment purposes only also qualify as tax non-residents. Slovak tax non-residents are taxed solely on their Slovak source income.

Income from dependent activity

Income from a dependent activity includes salaries, wages, bonuses and other compensation of a similar nature, regardless of their legal title; i.e., regular, irregular, non-recurring payments which are paid, credited, or otherwise granted. Income from dependent activities includes fees paid to statutory representatives and shareholders of limited liability companies and to limited partners of limited partnerships for work performed and remuneration for the execution of functions within the bodies of legal entities.

Self-employment and business income

In general, income from business activities and professional services, less deductible expenses, is deemed to be taxable income. The income received by partners of general partnerships and the general partners of limited partnerships falls within the terms of self-employment and business income.

General partnerships are considered to be transparent in accordance with Slovak tax legislation. The tax base of such companies is allocated to the partners based on their share of the registered capital of the company; i.e., tax is levied at partner-level. A similar approach is followed in cases of general partners of limited partnerships.

Self-employed individuals can deduct lump-sum expenses of up to 60% of their total taxable income, capped at €20,000 per year.

Investment income

Investment income, including interest income and payments made from supplementary pension insurance schemes, is subject to 19% withholding tax at source. The tax withheld at source is considered as the final tax liability and such income is not to be included in the annual tax base, except for the revenues from mutual funds where the tax withheld can be regarded as a tax prepayment on the final tax liability. The provisions of double tax treaties may provide relief from this tax.

Taxation of dividends distributed from profits became legally effective as of 1 January 2017, for accounting periods starting from this date. Slovak tax residents who participate in the registered capital of a company are generally taxed at 7% on their dividend income. However, a tax rate of 35% applies to dividend income from a jurisdiction with no double tax treaty or tax administrative treaty with Slovakia. Dividend income should be taxed via withholding tax if its source is in Slovakia or via a tax return, if its source is abroad. A special regime applies to dividends paid from profits earned during an accounting period beginning before 31 December 2003, which are subject to 19% tax.

The obligation to pay health insurance from distributed dividends is abolished. However, the dividend income distributed from profits achieved for tax periods before 1 January 2017 would still be subject to the health insurance with a maximum contribution base amounting to 60 times average monthly wage.
Income tax

The Amendment to Income Tax Act effective from 1 January 2016 stipulated exemption for individuals from taxation for income from the sale of securities which are traded on a regulated market or similar foreign market if the holding period of the securities exceeded one year and the securities have not been included in the business assets of the taxpayer.

**Gains from sales of real estate**
Gains realized from the sale of immovable property are exempt from income tax if the condition on the minimum required holding period has been met. The minimum required holding period is five years. In the case of immovable properties acquired before 31 December 2010, the exemption also applies if the taxpayer had registered their permanent residency there for a period in excess of two years. Business assets are, in general, not eligible for these exemptions.

**Rules for expatriates**
The employment income of non-residents, employed by a foreign entity, received for work performed in the Slovak Republic and paid from abroad is exempt from Slovak personal income tax. Conditions are that the work was not performed for a Slovak permanent establishment, the expatriate was in Slovakia for less than 183 days in any 12-month period and that they do not qualify as an economic employee of a Slovak resident (see below).

Individuals assigned by a foreign employer to the Slovak Republic who continue to be employed and paid by the foreign employer, and who perform work for and under the instruction, in the name and at risk of a Slovak resident individual or legal entity, are deemed, for tax purposes to be employed by the Slovak resident individual or legal entity and subject to the monthly withholding of personal income tax from their employment income (the so-called economic employment concept). Such individuals are taxed in Slovakia regardless of the number of days spent in Slovakia.

Slovak social insurance and health insurance where required by Slovak law, both employer and employee are obliged to pay social security and health insurance contributions to the relevant Slovak authorities. Slovak social security contributions comprise sickness, old age, disability, unemployment, guarantee and accident insurances, and contributions to the reserve fund. The combined rate for the employee's social security and health insurance contribution is 13.4% of their assessment base, and the employer's contribution is 35.2% of the employee's assessment base.

The maximum monthly assessment base for all types of insurance (excluding accident insurance and health insurance) equals seven times the average wage in the Slovak economy i.e., €6181 for 2017. The minimum monthly assessment base for health insurance is linked to the minimum wage in the Slovak Republic (the minimum assessment base is not set for other types of insurance).

The assessment base for accident insurance and health insurance is not limited. This means that the actual health insurance contribution (employers’ as well as employees’ part) and accident insurance (employers’ part only) are calculated from the total amount of income which is subject to the particular insurance under Slovak legislation.

EU regulations and the applicable Totalization Agreements on social and health insurance should be taken into account when determining the Slovak social and health insurance obligations of foreign individuals working within the territory of the Slovak Republic.

**Deductions, exemptions**

**Personal allowance**
All taxpayers, including non-residents, are entitled to a personal allowance. Taxpayers whose taxable base for the calendar year does not exceed 100 times the subsistence minimum (i.e., €19,809 for 2017) can deduct a non-taxable amount of 19.2 times the subsistence minimum per taxpayer (i.e., €3,803.33 for the year 2017). For taxpayers whose tax base for the calendar year exceeds 100 times the subsistence minimum, the non-taxable amount of the tax base decreases gradually, depending on the taxpayer’s income. A taxpayer...
Income tax

with a tax base for the calendar year higher than €35,022.31 is not entitled to a personal allowance.

Married allowance
Slovak tax residents may also claim a married allowance for a spouse living in the same household (if that spouse is raising children, registered with the Labor Office as unemployed, receiving financial contributions for care, or is considered disabled) and having no, or only limited income of their own. The married allowance also decreases gradually depending on the taxpayer's and the spouse's income. Slovak tax non-residents may also claim a married allowance if their Slovak source taxable income represents at least 90% of their worldwide income.

Child bonus
In addition, tax residents who have permanent residency in the Slovak Republic and non-residents receiving at least 90% of their worldwide income from Slovak sources are entitled to a tax bonus (credit) of €21.41 per month per dependent child in 2017.

Social security and health insurance from employment income
Mandatory sickness insurance, health insurance, old age insurance, disability insurance and unemployment insurance contributions paid by employees are deductible from employment income.

Slovak health insurance on individual's private income
Income of individuals participating in the Slovak health system that is subject to income tax (capital, dividend income and other income, excepting rental income), is subject to public health insurance (10% / 14% depending on type of income and date of payment). This does not apply to income exempt from taxation and income on which the Slovak withholding tax applies.

The maximum annual assessment base of €51,480 applies in 2017.

The health insurance provably paid by an individual from private capital and other Income (not subject to Slovak withholding tax) is considered a deductible cost for income tax base determination purposes.

Tax returns
In general, individuals receiving an annual income exceeding 50% of the personal allowance (i.e., €1,901.67 in 2017) are obliged to file a personal income tax return.

Tax returns for each tax period must be filed within three months of the end of the tax period in question (generally, 31 March). The filing deadline can be extended automatically by three months based on a written announcement filed with the tax authority before the regular filing deadline. If an individual that is a resident for tax purposes in the Slovak Republic receives foreign-source income, the deadline can be extended by up to six months upon filing of the announcement (until 30 September).

Rate
For 2017, a personal income tax rate of 19% applies up to a tax base of €35,022.31. An increased income tax rate of 25% applies on a tax base exceeding €35,022.31.
Immigration

**EEA individuals**
EEA citizens, holding a valid identification card, passport or any other document proving their identity are entitled to stay in the Slovak Republic for three months from their date of entry.

They are obliged to:
- Appear at the Foreign Police Office (FPO) department within 10 workdays of their entry in Slovakia.
- Register at the FPO if their stay in Slovakia will exceed three months. The registration of long-term stay needs to be submitted to the FPO within 30 days of completion of three months since entering Slovakia.

EEA citizens can apply at the police department for an “EU citizen residence card” if they meet conditions for entitlement of permanent residency. The residence card is valid for 10 years.

**Non EEA individuals**
- A foreign national (except for an EEA or Swiss citizen) who wants to work in Slovakia, whether employed locally or seconded by a foreign employer, is generally obliged to obtain a work permit and temporary residence.

**Blue Card**
Slovak Immigration law also provides (based on the relevant EU Directive) a simplified procedure for foreign nationals, which allows them to obtain a Blue Card in Slovakia (covering the work permit as well as temporary residency permit) provided they meet certain conditions. Blue Cards are issued for employees from non-EU/EEA Member States, provided such individuals qualify as highly qualified specialists in their field of employment.

**Intra-company transfer**
The amendment to the Act on Residence of Foreigners, effective from 1 May 2017, involved national transposition of Directive 2014/66/EU on the conditions of entry and residence of third-country nationals in the framework of an intra-corporate transfer.

The purpose of this amendment is to facilitate mobility and accelerate the procedure for granting temporary residence permits for selected categories of employees, who are nationals of third countries.

The main beneficial effect of these new rules is to reduce the administrative burden associated with intra-corporate transfers of workers from third countries (non-EU) to EU Member States.
Establishing a business presence
Establishing a business presence

Registration requirements
General rules for enterprises
Enterprises or branch offices of foreign entities
Joint-stock companies (a.s.)
Simple joint-stock companies (j.s.a.)
Limited liability companies (s.r.o.)
Limited partnerships (k.s.)
General partnerships (v.o.s.)
Other – Cooperative (družstvo)
Other – Association agreement (zmluva o združení)
Contract on silent partnership (zmluva o tichom spoločenstve)
Trade (živnosť)
European Company (Societas Europaea – SE)
European Economic Interest Group (EEIG)
European Cooperative Society (Societas Cooperativa Europea – SCE)
Establishing a business presence

The Slovak Commercial Code and other specific laws provide a variety of options for structuring business entities. All business entities must be registered in the Slovak Commercial Register. The legal forms available are as follows:

- Enterprise or branch office of a foreign company (podnik alebo organizačná zložka podniku zahraničnej osoby)
- Joint-stock company (akciová spoločnosť, a.s.)
- Simple joint-stock company (jednoduchá spoločnosť na akcie, j.s.a.)
- Limited liability company (spoločnosť s ručením obmedzeným, s.r.o.)
- Limited partnership (komanditná spoločnosť, k.s.)
- General partnership (verejná obchodná spoločnosť, v.o.s.)
- Cooperative (družstvo)

Excepting enterprises and branch offices of foreign companies, all of these forms constitute Slovak legal entities.

In addition, in line with EU law, Slovak law recognizes and partially regulates the following legal entities:

- European company (Európska spoločnosť)
- European economic interest group (Európske zoskupenie hospodárskych záujmov)
- European cooperative society (Európske družstvo)
Registration requirements

The registration of legal entities in the Commercial Register requires, among other things, the following documents and procedures:

- A foundation deed (or a similar foundation document) and the company's Articles of Association (if applicable)
- A trade license issued by the local Trade Authority, including the name of the person who meets the qualification criteria for engaging in that trade (if applicable)
- Compliance with any minimum capital requirements (if applicable)

Special approval, rather than a trade license, is required in areas such as banking, finance and defence and other areas determined by Slovak law.

Both foreigners and Slovak citizens may head local entities, but foreigners are required to hold a temporary residence permit before they can be entered as statutory representatives in the Commercial Register. This does not apply to citizens of EU and OECD member states. Entities may officially commence activities as soon as they have been entered in the Commercial Register. Any obligations entered into prior to the company’s entry in the Commercial Register should pass to the company, if the relevant company body approves such obligations within three months of the date of its registration in the Commercial Register.
Limited liability companies, joint-stock companies and simple joint-stock companies must keep a list of shareholders. Any changes must be registered with the list of shareholders and the relevant authority.

Relation with company executives
The relationship between the company and the Executive Director is governed by the Commercial Code. Conclusion of an agreement on the performance of the function of the Executive Director is not mandatory under Slovak law. If concluded, such an agreement must be in writing and approved by the General Meeting or, in certain cases, by the Supervisory Board. If an agreement is not concluded, Slovak law dictates that the relationship between the Executive Director and the company is governed by the legal provisions regulating a mandate agreement entitling the Executive Director to remuneration.

Dissolution in general
A general meeting may decide to dissolve a company which enters into liquidation as of the day of its winding-up. Such a company must use its business name accompanied with a note on its liquidation and is also obligated to register this change with the Commercial Register.

Bankruptcy and restructuring proceedings
The extract from the Slovak Commercial Register does not include information on pending bankruptcy or restructuring proceedings.

Under Slovak law, information on the filed application for commencement of bankruptcy or restructuring proceedings with an applicable court is not publicly disclosed. If the applicant fulfills all mandatory requirements, the applicable court decides on the commencement of bankruptcy or restructuring proceedings. Such a decision is then published with the Slovak Commercial Journal. Upon request and subject to payment of court fees, it is possible to obtain a confirmation from the applicable court whether there are any pending bankruptcy or restructuring proceedings in respect of a company.

Direct criminal liability of legal persons
As from 1 July 2016, legal persons (including business companies) are subject to direct criminal liability, under which a legal person may be convicted and punished for a criminal offense. A legal person is, under certain conditions, criminally liable for specific criminal offenses committed by its representatives (even its regular employees not authorized to act on its behalf).

The direct criminal liability applies to both Slovak and foreign legal persons for their acts committed in the Slovak Republic and, under specific circumstances, also abroad.
Enterprises or branch offices of foreign entities
(podnik alebo organizačná zložka podniku zahraničnej osoby)

Range of activities
While Slovak law does not limit the activities of enterprises or branch offices of foreign entities, it does require that these offices hold a trade license or other authorization and provide a full list of their planned activities in their application for entry into the Commercial Register. Only then may they engage in the activities registered in the Commercial Register.

Jurisdiction
The law under which the foreign legal entity was founded also applies to the enterprise's and the branch's internal dealings and the liability of its members or partners for its obligations.

Management
Foreign entities establishing an enterprise or a branch must appoint a director (manager) to head the enterprise or branch and register them in the Commercial Register. This person may be either a Slovak national or a foreigner with a valid temporary Slovak residence permit. Non-nationals who are citizens of EU and OECD Member States are not required to hold temporary Slovak residence permits for the purposes of registering the head of the enterprise or a branch of the foreign company in the Slovak Commercial Register.

Special features
- Enterprises and branches of foreign entities (with the exception of a branch of a foreign bank) are treated as foreign exchange non-residents under the Foreign Exchange Act
- No minimum capital requirements
- No audit required (with some exceptions, e.g., branch of a foreign bank)
- No withholding taxes on profit repatriation
Joint-stock companies (a.s.)

Foundation
Joint-stock companies (a.s.) may be founded by a single legal entity or by two or more individuals or legal entities (resident or non-resident).

A joint-stock company may be either public or private. A public joint-stock company is a company that has had its shares accepted by the Stock Exchange to be traded on the Securities market.

The minimum joint-stock capital requirement is €25,000. Non-monetary contributions must be valued by an official appraiser.

The company may only be entered into the Commercial Register once the founding General Meeting of shareholders has been held (if applicable), the company by-laws have been approved, and the members of the company’s statutory bodies have been elected. The company’s registered capital must be fully subscribed and at least 30% of monetary contributions and all non-monetary contributions must be paid up prior to submission of the registration application to the Commercial Register.

Liability
A joint-stock company is liable with its entire property for any breach of its obligations. The shareholders are not liable for the obligations of the company.

Members of the board of directors who are found to have breached their duties are jointly and severally liable for damage caused to the company. The right of the company to receive compensation for damage caused by members of the board of directors can be claimed directly by the creditors of the company if their receivables cannot be settled from the company’s assets.

Registered capital
Stocks may consist of either bearer shares or shares registered in a name. Shares can be issued either in book-entry form or in paper form. Shares registered in a name may be issued in both forms, unlike bearer shares which may be issued in book-entry form only. Both types are transferable. There is no option to issue employee shares as a specific type of shares. When increasing the registered capital of the company, on a decision of the general meeting, employees are permitted to acquire company shares for a lower price.

Preference shares may be issued up to a maximum of 50% of the registered capital. Non-voting preference shares may also be issued. Interest-bearing shares (where the yield is not related to the company’s performance) are not permitted.

Company bodies
The general meeting of shareholders is the company’s supreme body. The general meeting is empowered, for example, to amend the articles of association, approve changes to the registered capital, issue debentures, elect and recall members of the board of directors (if not otherwise provided for) and the supervisory board, approve the financial statements and profit distribution, dissolve the company, etc. If the company has one sole shareholder, this person enjoys the rights and obligations of the general meeting.

The board of directors is the statutory body of the company. The members are elected for a maximum of five years. Members of the board of directors are elected by the general meeting or, if so stipulated by the company’s articles of association, by the supervisory board. The board of directors acts in the company’s name in accordance with guidelines approved by the general meeting, and is responsible for ensuring proper accounting and reporting procedures. The board of directors submits the year-end financial statements as well as extraordinary financial statements and proposals for profit distribution or loss recovery to the general meeting for approval.
Joint-stock companies (a.s.)

Joint-stock companies are also required to have a supervisory board of at least three members elected for a maximum of five years. If the company has more than 50 employees, at least one third (but no more than one half) of the members of the supervisory board are elected and recalled by the employees. Members of the board of directors or any other person entitled to act in the company's name may not become supervisory board members. The supervisory board monitors the activities of the board of directors and the performance of the company.

Reserve fund
A reserve fund of at least 10% of its registered capital must be established at the company's incorporation. Thereafter, the fund must be increased annually by a sum stipulated in the company's articles of association. This sum, however, may not be lower than 10% of net profit. The reserve fund is supplemented until it reaches the level stipulated in the company's articles of association which must be at least 20% of the registered capital.

The statutory minimum reserve fund may be used only to cover the company's losses.

Dissolution
A joint-stock company may be dissolved e.g.,:
- When bankruptcy proceeding is cancelled under certain conditions
- By resolution of the general meeting of shareholders
- When the period for which it was established has expired
- By decision of a court

Special features
- Minimum registered capital of €25,000. The company's registered capital must be fully subscribed and at least 30% of monetary contributions and all non-monetary contributions must be paid up prior to submission of the registration application to the Commercial Register
- An annual or extraordinary audit is required for public joint-stock companies. In the case of private joint-stock companies, an audit is required only once the criteria stipulated by law (e.g., turnover, assets and the number of employees) are met
- Supervisory board must be established
- Reserve fund is required on incorporation
Simple joint-stock companies (j.s.a.)

The concept of simple joint-stock companies is to offer a comprehensive solution for risk investing in companies (e.g., in so-called startups).

A simple joint-stock company is a hybrid of the elements of a limited liability company and a private joint-stock company. The shares of a simple joint-stock company are not accepted by the Stock Exchange to be traded on the Securities market.

**Foundation**
One or more individuals or legal entities (resident or non-resident) are able to establish a simple joint-stock company.

The registered capital of a simple joint-stock company needs at least €1, with no legal obligation to increase this. Prior to entry in the Slovak Commercial Register, the entire amount of registered capital needs to be subscribed and all contributions of the shareholders into the registered capital paid up.

**Liability**
A simple joint-stock company is liable with its entire property for any breach of its obligations. The shareholders are not liable for the obligations of the company.

**Registered capital**
Registered capital of the company is divided into shares with a nominal value. The company is able to issue its shares only in book entry form and only as registered shares. The shares are transferable; however, it is possible to restrict or even exclude their transferability.

The list of shareholders is kept by the Central Securities Depository of the Slovak Republic and publicly available on its web site.

The company is able to issue preference shares. The scope of the rights attached to the preference shares are not predetermined by law. Shareholders are thus able to flexibly arrange the scope of rights attached to them, such as claim to a share of the profits or liquidation balance, the number of votes of the shareholder, or the right to provide information about the company.
Simple joint-stock companies (j.s.a.)

Company bodies
The general meeting of shareholders is the company’s supreme body. The general meeting is empowered, for example, to amend the articles of association, approve changes to the registered capital, elect and recall members of the board of directors (if not otherwise provided for) and the supervisory board (if established), approve the financial statements and profit distribution, dissolve the company, etc. If the company has one sole shareholder, this person enjoys the rights and obligations of the general meeting.

The board of directors is the statutory body of the company. The members of the board of directors are elected by the general meeting or, if so stipulated by the company’s articles of association, by the supervisory board. It is possible to elect its members for an indefinite period. The board of directors acts in the company’s name, in accordance with guidelines approved by the general meeting, and is responsible for ensuring proper accounting and reporting procedures. The board of directors submits the year-end financial statements as well as extraordinary financial statements and proposals for profit distribution or loss recovery to the general meeting for approval.

A supervisory board is not an obligatory body of the company. However, the company is entitled to establish a supervisory board as its optional body for monitoring the activities of the board of directors and the performance of the company.

Reserve fund
Even if the company’s registered capital is the minimum amount of €1, a reserve fund of at least 10% of the registered capital needs to be established at the company’s incorporation. Thereafter, the fund needs to be increased annually by a sum stipulated in the company’s articles of association, which needs to be at least 10% of net profit. The reserve fund is supplemented, until it reaches the level stipulated in the company’s articles of association, which needs to be at least 20% of the registered capital.

The statutory minimum reserve fund may be used only to cover the company’s losses.

Dissolution
A simple joint-stock company is dissolved: When bankruptcy proceedings are cancelled under certain conditions
- By resolution of the general meeting of shareholders
- When the period for which it was established expires
- By decision of a court
- Due to other reasons as stipulated in the memorandum of association (founder’s deed) or articles of association

Special features
- A simple joint-stock company is a private capital company, i.e., its shares are not accepted by the Stock Exchange to be traded on the Securities market.
- Minimum registered capital of €1. The registered capital needs to be fully subscribed and all contributions paid up prior to submission of the registration application to the Commercial Register.
- The list of shareholders is publicly available.
- The scope of the rights attached to the shares of the company are not predetermined by law
- An annual or extraordinary audit is required only once the criteria stipulated by law (e.g., turnover, assets and the number of employees) are met.
- No supervisory board is required.
- A reserve fund is required on incorporation.
Limited liability companies (s.r.o.)

Foundation
An s.r.o. is the Slovak equivalent of a limited liability company or a German GmbH. It may be founded by one or more (up to 50) individuals or legal entities (known as “members”). The s.r.o. cannot be established by a member who has tax or custom underpayments. A company with one sole member may not be the sole member of another company (so called anti-chaining rule). Chaining of limited liability companies is prohibited under Slovak law. It is a generally prevailing interpretation that this restriction should also apply to foreign limited liability companies. An individual may not be the sole member in more than three companies. The founding members are obliged to draw up a memorandum of association (founder’s deed) detailing, among others, the company’s business name, registered seat and business activities, its members and their shares, the company’s statutory representatives (executives), amount of registered capital and details of the company’s reserve fund.

The registered capital must be at least €5,000 with each member’s contribution being at least €750. Non-monetary contributions must be valued by an official appraiser. At least 30% of each member’s monetary contribution and all non-monetary contributions must be paid up prior to submission of the registration application to the Commercial Register, with the total value of these contributions amounting to at least €2,500. If the s.r.o. is founded by a single entity or individual, the registered capital must be paid up in full prior to submission of the registration application to the Commercial Register.

Liability
The company is liable for a breach of its obligations to the full extent of its property. Members’ liability does not extend beyond their unpaid contributions to the company’s registered capital.

Reserve fund
The size and method of establishing and supplementing the reserve fund must be defined in the memorandum of association. However, if not established on the company’s incorporation, the reserve fund must be established following the company’s first year in profit at a level of at least 5% of net profit but not more than 10% of the registered capital. Thereafter, the fund must be supplemented annually by a sum stipulated in the memorandum of association; this sum, however, may not be lower than 5% of net profit. The reserve fund is to be supplemented until it reaches the level stipulated in the memorandum of association, which must be at least 10% of the registered capital.

The statutory minimum reserve fund may be used only to cover the company’s losses.

Company bodies
The general meeting of the members is the company’s supreme body. The general meeting is empowered, for example, to amend the memorandum of association, approve an increase or decrease of the registered capital, elect and recall executives, approve the financial statements and profit distribution or dissolve the company. If the company has only one sole member, that person enjoys the rights and obligations of the general meeting.

The statutory body of the s.r.o. is one or more executives. If the company has more executives, each of them is entitled to act independently on behalf of the company, unless specified otherwise by the memorandum of association. The executives act in the company’s name and are responsible, among others, for ensuring proper accounting and reporting procedures.

A supervisory board may be established but is not a legal requirement for an s.r.o.
Limited liability companies (s.r.o.)

**Dissolution**
The company may be dissolved, e.g.,:

- When bankruptcy proceedings are cancelled under certain conditions
- By resolution of the general meeting
- When the period for which it was established has elapsed
- By decision of a court
- Due to other reasons as stipulated in the memorandum of association (founder’s deed)

**Special features**

- Minimum capital of €5,000 with
- Minimum paid-up contribution of €750 per participant.
- At least 30% of each member’s monetary contribution and all non-monetary contributions must be paid up prior to submission of the registration application to the Commercial Register, with the total value of these contributions amounting to at least €2,500
- The sole member of an s.r.o. or foreign limited liability company may not be the sole member of another s.r.o.
- An individual may not be the sole member in more than three limited liability companies (s.r.o.).

- An annual or extraordinary audit is required only once the criteria stipulated by law (e.g., turnover, assets and the number of employees) are met (see “Reporting and Auditing”)
- Maximum of 50 members
- A reserve fund must be established once the company becomes profitable
- No supervisory board is required
Limited partnerships (k.s.)

Foundation
Limited partnerships may be founded by two or more individuals or legal entities (“partners”). Limited partnerships must have both limited and general partners. The partners must draw up a partnership agreement specifying, amongst other matters, the company’s business name, registered address and business activities, the company’s partners, the contributions of each limited partner, and indicating which partners bear limited or general liability.

Under the Slovak Commercial Code, individuals and legal entities may become partners with general liability in only one entity at any one time.

General partners are jointly and severally liable for the partnership’s obligations to the extent of their entire personal property. Only these partners are entitled to manage the partnership and act as its statutory representatives.

A limited partner is liable for the partnership’s obligations only up to the extent of their unpaid contributions in the partnership registered in the Commercial Register (the contribution has to be at least €250). However, in certain circumstances, a limited partner’s liability may be extended.

Dissolution
Limited partnerships may be dissolved, e.g.,:
- When bankruptcy proceedings are cancelled under certain conditions
- By agreement of the partners
- When the period for which the partnership was established has expired
- By decision of a court
- On a general partner’s death, on winding-up or bankruptcy
- When notice is served by one of the general partners if the partnership has been founded for an indefinite period.

Special features
- No minimum contribution from general partners is required
- The limited partner’s contribution has to be at least €250
- At least one partner must bear general liability for the partnership’s obligations
- Audit required only under specific circumstances
- No corporate bodies need to be established
- No reserve fund is required
General partnerships (v.o.s.)

**Foundation**
General partnerships may be founded by two or more individuals or legal entities ("partners"). Under the Slovak Commercial Code, individuals and legal entities may bear general liability in one entity only. The partners draw up a partnership agreement detailing, amongst other matters, the business name, registered address and business activities of the company and the partners.

**Partners' rights and obligations**
All partners are jointly and severally liable for all the partnership's obligations to the extent of their entire personal property.

Each partner is entitled to manage the partnership and act on its behalf. However, the Partnership Agreement may authorize one or more partners to manage the partnership in accordance with the decisions of the majority of the partners, or to act on behalf of the partnership.

Profits or losses are distributed equally unless the Partnership Agreement specifies otherwise.

**Dissolution**
General partnerships may be dissolved, e.g.:
- Upon a partner being declared bankrupt
- By agreement of the partners
- When the period for which the general partnership was established has expired
- By decision of a court
- Upon decision of a court based on proposal of a partner if the other partner substantially violates the Memorandum of Association
- Upon the death of a partner (unless transfer to an heir has been agreed)
- By the ceasing to exist of a partner who is a legal entity or
- Upon notice being served by one of the partners if the partnership has been founded for an indefinite period

**Special features**
- No minimum capital required
- All partners are jointly and severally liable for the partnership's obligations
- Audit required only under specific circumstances
- No corporate bodies need to be established
- No reserve fund required
Other – Cooperative (družstvo)

Foundation
Cooperatives may be founded by a minimum of five members (individual or legal entities); this does not apply if at least two of the members are legal entities. The minimum capital for the foundation is €1,250.

Members’ meeting
The cooperative’s supreme body is the members’ meeting, which is held at least annually. Unless the articles of association stipulate otherwise, each member of the cooperative has one vote at the members’ meeting.

The members’ meeting elects a board of directors to manage the day-to-day affairs of the cooperative in keeping with the members’ meeting’s decisions. The board of directors is the statutory body of the cooperative.

The members’ meeting also elects a supervisory committee with at least three members to perform regulatory and ombudsman functions.

If the cooperative has fewer than 50 members, the members’ meeting may perform the functions of the board of directors and supervisory committee.

Liability
The cooperative is liable for any breach of its obligations to the full extent of its property. Members do not bear liability for the cooperative’s obligations.

Dissolution
Cooperatives may be dissolved, e.g.,:
• When bankruptcy proceedings are cancelled under certain conditions
• By decision of the members’ meeting
• If the period for which the cooperative was established has expired
• By decision of a court
• When the cooperative has achieved the purpose for which it was founded
An association may be created by a group of individuals or legal entities to pursue one or more mutual interests. An association does not constitute a legal entity under Slovak law. The members are jointly and severally liable for the association's obligations to third parties. Profits are shared between the members equally, unless the agreement specifies otherwise. Members with a valid reason to do so may leave the association at any time.

A silent partnership is established by a written contract between a silent partner and an entrepreneur, under which the silent partner invests in the entrepreneur’s business in return for a share in the entrepreneur’s profits. The silent partner participates in the losses of the entrepreneur only to the extent of his investment. A silent partnership does not constitute a legal entity.

Rights and obligations towards third parties from business activity shall arise only to the entrepreneur. However, under certain circumstances the silent partner can be liable for the obligation of entrepreneur.

Business activities may also be performed by an individual (resident or non-resident) on the basis of a trade license issued by the Trade License Office. However, to perform certain activities (e.g., banking, insurance, medicine, legal services) a special license/authorization pursuant to specific laws is required. Trades can be classified into three main categories: vocational trades, depending on certain vocational training, professional trades (now including what were previously known as “concession trades”), both depending on certain professional qualification requirements, and unqualified, which do not require any specific qualification.
Act No. 562/2004 Coll. on European Company regulates some aspects of a European Company (“SE”) with its registered office in the Slovak Republic. The Act follows on from Council Regulation (EC) No 2157/2001, which provides the option to form an SE. An SE has been able to operate on a Europe-wide basis since 8 October 2004.

European Company
(Societas Europaea – SE)

Act No. 177/2004 Coll. on European Economic Interest Group (EEIG) regulates some aspects of a European Economic Interest Grouping (EEIG) with its registered office in the Slovak Republic. The Act follows on from Council Regulation (EEC) No 2137/85, which provides the option to form an EEIG. An EEIG has been able to operate on a Europe-wide basis since 1 July 1989.

European Economic Interest Group (EEIG)

Act No. 91/2007 Coll. on European Cooperative Society regulates some aspects of a European Cooperative Society (SCE) with its registered office in the Slovak Republic. The Act follows on from Council Regulation (EC) No 1435/2003, which provides the option to form an SCE. An SCE has been able to operate on a Europe-wide basis since 18 August 2006.

European Cooperative Society
(Societas Cooperativa Europea – SCE)
Introduction to the tax system in the Slovak Republic
Corporate income tax
Transfer pricing
Value added tax (VAT)
Introduction to the tax system in the Slovak Republic

Slovakia's current tax system comprises the following taxes:

1. Direct taxes
   a) Income tax (personal and corporate)
   b) Local taxes
2. Indirect taxes
   a) VAT
   b) Excise duties – on mineral oils, beer, tobacco products, wines, spirits, electricity, coal and natural gas
Corporate income tax

**Scope**
Corporate income tax is levied on the worldwide income of Slovak legal entities (those that have their seat or place of management in the Slovak Republic) and on the Slovak source income of foreign entities, e.g., those operating through a permanent establishment in the Slovak Republic.

**Permanent establishment**
Under Slovak legislation, a permanent establishment means a fixed place or facility through which tax non-residents perform their activities, wholly or in part, in the Slovak Republic. In particular, a fixed place or facility is defined as an administration point, branch, office, workshop, sales-point, technical facility or a point of research or of extraction of natural resources. The fixed place or facility is deemed to be permanent if the activities are carried out continuously or repeatedly. Intermediary services related to transportation and accommodation rendered repeatedly via a digital platform, are also deemed to have their fixed place in Slovakia. In the case of one-off activities, the place or facility is deemed to be permanent if the duration of the activities exceeds 183 days, either continuously or divided into two or more periods over the course of twelve consecutive calendar months. Building sites and construction and assembly sites are deemed to be permanent establishments only if the duration of the activities exceeds a period of 183 days.

A permanent establishment also includes a person, acting on behalf of a foreign entity, who continuously or repeatedly enters into agreements, acts as an intermediary in conclusion of contracts or plays a principal role leading to the conclusion of contracts that are routinely concluded without material modification by the foreign entity concerned.

Provision of services in the territory of Slovakia for more than 183 days in a 12-month period also leads to the creation of a permanent establishment under local legislation.

**Rates**
The corporate income tax rate is 21% except for withholding tax rate which is 19% (the withholding tax rate may be reduced by an applicable double tax treaty) or 35% on income paid to taxpayers from non-contracting states.

**Partnerships**
Profits and losses of general partnerships are allocated to partners, and partners are subject to personal income tax or corporate income tax on their share of the profits. Limited partnerships generally fall within the scope of corporate tax, although the profit shares attributable to general partners are removed from the partnership's tax base and taxed separately at the level of the general partners.

**Tax base**
Corporate tax is paid on the basis of statutory accounting profits, adjusted for certain non-deductible and non-taxable items.

Specific provisions apply to entities which, in order to comply with the Act on Accounting, keep accounting records in accordance with International Financial Reporting Standards (banks, insurance companies etc.)
Returns and payments
The tax year is the same as the calendar year. However, if prior notice is filed with the tax authorities, a company may use its accounting/financial year (any period of 12 consecutive calendar months not identical with a calendar year) as the tax year. Tax returns for each tax year must be filed within three months of the end of the tax year. The filing period can be extended by a maximum of six months on the basis of a written announcement filed with the tax authority prior to expiration of the regular filing deadline.

Non-deductible items include, for example:
- Entertainment and travel allowances in excess of the statutory limits
- All penalties and fines
- Taxes paid on behalf of other taxpayers
- Write-offs of bad debts, unless specific conditions are met
- Accruals and provisions, except for specific accruals and provisions (special rules apply to banks and insurance companies)

Specifically tax-deductible categories of expenditure include:
- Expenses (costs) related to the provision of working, social and healthcare conditions
- Advertising expenses (costs) associated with the income of the taxpayer
- Statutory expenses (costs) of fuel consumed
- Tax depreciation
- Net book value of tangible and intangible assets on their disposal by means of sale or liquidation
- Net book value of tangible and intangible property disposed of due to damage, only up to the amount of the indeminiities paid in respect of such damage included in the tax base
- Financial lease payments, under certain conditions

Certain expenses are tax deductible in the tax period in which they are paid. These include:
- Rental fees
- Compensation payments
- Mediation commissions
- Costs for rent or use of tangible or intangible assets (license fees or royalties)
- Costs for marketing and other studies and for market survey
- Costs for obtaining norms and certificates
- Costs for advisory and legal services

Thin capitalization
As of 2015, thin capitalization rules are in place, restricting the tax deductibility of interest on loans and credit from domestic, as well as foreign related parties. The maximum amount of tax-deductible interest was set at 25% of tax EBITDA. However, the imposed thin capitalization rules do not apply to financial institutions.

Research and Development (R&D)
To support entities performing R&D, the Slovak Republic provides an allowance equal to 100% of R&D costs and expenses that may be deducted from the tax base. In addition, the R&D allowance can be increased by 100% of the positive difference between:
- Average cumulative R&D costs for the current and preceding tax years
Corporate income tax

- Average cumulative R&D costs for the two tax years immediately preceding the current tax year.

**Patent box**
In 2018, Slovakia introduced an exemption for 50% of revenues generated from the use of a patent, design, utility model or computer program created by a taxpayer in Slovakia. The exemption applies to tax periods during which the amortization of activated costs of development of such intangible assets is undertaken. In addition, Slovakia also introduced an exemption of 50% of revenues (or part of revenues) generated from the sale of products in which a production patent, utility model or design created in Slovakia has been used (integrated intangible assets).

**Depreciation**
The Slovak Income Tax Act divides tangible assets into six categories and specifies a period (ranging from four to 40 years) over which all assets in that category are to be depreciated.

Two basic tax depreciation methods are available; namely, a straight-line method and an accelerated method. The choice of method can be made on an asset-by-asset basis with respect to asset items belonging to the second and third category; once the method is selected, it cannot be changed. Assets belonging to the remaining categories should mandatorily be depreciated using the straight-line method.

Intangible assets are depreciated in accordance with accounting regulations, i.e., in general, depending on their actual useful life. The exceptions are expenses for development which are to be depreciated within five years of the date of their acquisition and goodwill realized upon mergers or in-kind contributions in real value, which may be depreciated over seven years.

**Relief of losses**
Tax losses incurred in 2014 and later may be offset against the tax base in equal amounts over a maximum of four consecutive years.

**Exit tax**
As of 2018, Slovakia introduced an exit tax at 21%. Assets will become subject to taxation when a taxpayer moves them, with no change of ownership, to a territory outside of the SR, or changes their tax residence. The special exit tax base will be determined by the difference between the fair market value of the assets moved and their tax residual value. Thus, the fiction of sale of these assets will be applied, whereby this difference must not be negative.
Capital gain
In general, the capital gains are subject to income tax of 21%.

However, the latest amendment reintroduced the exemption of the income of legal entities – Slovak tax residents or non-residents with a permanent establishment in the territory of the Slovak Republic - arising from the sale of shares, subject to the following conditions:
- They perform substantial functions, manage and bear risks connected to the ownership of these shares in the territory of the Slovak Republic;
- They possess the required personal and material equipment necessary to perform these functions;
- They have at least 10% direct shareholding in the company, the share capital of which is being sold;
- At least 24 consecutive calendar months have passed since the shareholding was acquired. In the case of shares obtained prior to the amendment coming in force, this holding qualification period begins only as of 1 January 2018, or the first day of the taxable period commencing after 31 December 2017, for taxpayers with a different financial year.

Dividends
Under local laws, dividends paid out by Slovak entities from profits generated in fiscal periods commencing on or after 1 January 2017 are subject to tax as follows:
- Individuals are subject to 7% withholding tax, or 35% if they are from countries with which Slovakia has not concluded a double tax treaty or an agreement on exchange of information for tax purposes (i.e., a non-contracting state).
- Legal entities are subject to 35% withholding tax if the dividends are paid to taxpayers from non-contracting states.

As regards dividends received, they are subject to 35% corporate income tax only if received from taxpayers from non-contracting states, or if they have been deducted from the tax base of the payer of the dividends.

Interest and royalties
Income from interest and royalty payments fulfilling the conditions set by Council Directive 2003/49/EC is tax exempt in accordance with Slovak legislation.
Transfer pricing

If the price agreed with a foreign related party differs from the usual price applied between independent enterprises in comparable circumstances, and if this difference decreases the tax base or increases the tax loss of the Slovak taxpayer, the tax base should be adjusted by this difference.

The transfer pricing rules apply to all close relatives and personally, economically or otherwise related persons. An “economic relationship” exists if direct or indirect participation in the basic capital of, or voting rights in one company by another company is greater than 25%.

A “personal relationship” is defined as a relationship between members of the statutory bodies or supervisory boards of the companies. “Another relationship” is defined as a relationship created for the purpose of decreasing the tax base or increasing the tax loss.

The Slovak transfer pricing rules determine acceptable transfer pricing methods in conformity with the methods in the Organisation for Economic Cooperation and Development (OECD) Transfer Pricing Guidelines. The taxpayer is required to maintain documentation supporting the transfer pricing for transactions with related parties. If requested by the tax authorities, transfer pricing documentation must be submitted within 15 days of the request. The content of the documentation is specified in a regulation issued by the Ministry of Finance of the Slovak Republic, and is generally in line with the EU Code of Conduct on transfer pricing documentation. Taxpayers may request that the tax authorities approve the taxpayer’s transfer pricing in advance. Transfer pricing principles also apply to the determination of the tax base of a permanent establishment. As of January 2015, the transfer pricing rules, including transfer pricing documentation requirements, also became applicable to transactions between Slovak related parties.
Value added tax (VAT)

Scope
The current VAT Act is based on EU Directives. It came into effect on 1 May 2004, when Slovakia joined the EU.

VAT is charged on the supply of goods and services in the Slovak Republic, on the acquisition of goods from another EU Member State (intra-Community acquisition of goods), on the acquisition of selected “reverse charge” services from other EU Member States or third countries, and on goods imported from non-EU countries.

Contributions in kind to a business or a cooperative are also regarded as taxable supplies. Beyond the scope of VAT are the sale and contribution of a business or of a part of a business – a branch, if (i) the acquirer is a VAT payer that predominantly effects supplies subject to tax or (ii) the transaction occurs between entities that are predominantly VAT exempt.

Registration
An application for registration must be filed by any taxable person established in Slovakia whose turnover in the preceding 12 consecutive calendar months exceeds or is equal to €49,790. Should a taxable person not achieve the registration threshold or not yet perform taxable supplies, voluntary registration is possible; however, the individual or entity should be able to demonstrate that it is a taxable person and will perform taxable supplies in the future.

Furthermore, if a taxable person established in Slovakia not yet registered for VAT receives/supplies services from a foreign entity/to a foreign entity where the customer is obliged to pay VAT (reverse charge services), they have to submit an application for registration of VAT in Slovakia prior to receiving or supplying such services. Such registration is solely of an administrative character, and does not result in the taxable person acquiring the status of a VAT payer.

A foreign entity not established in Slovakia is obliged to register for Slovak VAT purposes before it starts performing business activities in Slovakia (this applies to those activities which are subject to VAT in Slovakia).

A company or a cooperative is automatically granted the status of VAT payer if it acquires a business or its part, or if it is a legal successor to a VAT payer which has been wound up without liquidation.

As of October 2012, established taxable persons applying for VAT registration and meeting specific conditions stipulated by the Act may be obliged to deposit a tax guarantee of between €1,000 and €500,000 for a maximum of 12 months.

VAT Grouping
As of 1 January 2010, two or more taxable persons can form a VAT group provided they meet certain specific conditions. Applications for VAT group registration may be filed by taxable persons if their seat, place of business or fixed establishment is in the Slovak Republic and if they meet the criteria of financial, economic and organizational link.
Value added tax (VAT)

**Input VAT deductions**
The VAT payer is entitled to exercise the right to deduct VAT incurred in respect of the purchase of goods and services if these are used for the purposes of their supplies as a VAT payer, other than for VAT exempt supplies without entitlement to VAT deduction. The VAT payer is entitled to exercise the right to deduct VAT if:

a) VAT becomes chargeable and

b) They have an invoice issued by a VAT payer (or a customs declaration confirmed by the Customs Authorities in the case of the import of goods); recording the VAT in the VAT records is sufficient (invoice is not required) in respect of “reverse charged” services, goods supplied with the assembly or installation by a foreign taxable person and the purchase of gas, electricity, heating and cooling from a foreign person

Effective as of 1 January 2016, a special VAT cash accounting scheme is available for taxpayers whose annual turnover does not exceed €100,000. Under this scheme the taxpayers may opt to declare output VAT, only after receipt of customer payments. The same applies to input VAT deduction, which can be claimed only after the taxpayer has paid for a supply.

For the purposes of tax deduction, the taxpayer is obliged to distinguish between:

- Goods and services with entitlement to VAT deduction – the taxpayer is entitled to recover input VAT if the supplies received are used for performing their own taxable supplies other than VAT exempt supplies without entitlement to VAT deduction
- Goods and services without entitlement to VAT deduction – the taxpayer is not entitled to recover input VAT incurred on supplies received and used for providing their own VAT exempt supplies without entitlement to VAT deduction
- Goods and services with partial entitlement to VAT deduction – for supplies received for both taxable and exempt supplies, the VAT payer is entitled to claim partial recovery of input VAT. This is calculated by multiplying the aggregate input VAT incurred in respect of these supplies for the relevant tax period with the pro-rata coefficient

The coefficient s calculated as the aggregate revenue/income (net of VAT) from goods/services with entitlement to VAT deduction supplied during the calendar (or financial) year divided by the aggregate revenue/income (net of VAT) from all supplies provided during the calendar (or financial) year.

In the current year, the coefficient calculated at the end of the previous year should be applied in the particular VAT periods (in specific cases, the coefficient approved by the tax authority).

VAT may not be deducted in respect of the following:

- Purchase, lease or hire of passenger cars (M1) acquired, leased or hired prior to 1 January 2010
- Meals and entertainment
- Expenditure paid by the VAT payer in the name and on account of a customer, settlement of which the VAT payer requires from the customer

**Rates**
Slovak legislation provides for a standard rate of 20% and a reduced rate of 10% on supplies performed by a VAT payer. The reduced rate of 10% applies mainly to pharmaceutical products, certain medical aids and to printed material (books, certain types of magazines, etc.), selected food products (e.g., fish and meat products, milk, butter, bread). All other supplies are subject to the standard rate.

The following are examples of transactions that are VAT exempt with an entitlement to recover the input VAT:

- Supply of goods to a person identified (registered) for VAT in another EU Member State
- Export of goods (i.e., goods physically leaving the territory of the EU)
- International transportation of persons
Value added tax (VAT)

The following supplies are VAT exempt (in general with no entitlement to recover the input tax) in accordance with Sections 28–42 of the VAT Act:

- Postal services (Article 28)
- Healthcare services (Article 29)
- Social welfare (Article 30)
- Education and training services (Article 31)
- Services provided to members of certain bodies (Article 32)
- Services associated with sport or physical education (Article 33)
- Cultural services (Article 34)
- Collection of financial funds used for their own activity by persons who meet the conditions stipulated in the Act (Article 35)
- Radio and television broadcasting performed by a public body (Article 36)
- Insurance services (Article 37); except for those provided to a customer established outside the EU or if the services are directly linked with export of goods outside the EU
- Transfer and lease of real estate (Article 38)
- Financial services (Article 39); except for those provided to a customer established outside the EU or if the services are directly linked with export of goods outside the EU
- Sale of postage stamps, duty stamps (Article 40)
- Operation of lotteries and similar games (Article 41)
- Sale of goods on which VAT was not deductible upon acquisition (Article 42)

**VAT refund**

In accordance with the Slovak VAT Act, it is possible for Slovak VAT payers to recover VAT incurred in an EU Member State other than the Slovak Republic. VAT refund requests are to be filed electronically with the respective Slovak tax authority but the entire VAT refund process is administered by the tax authorities of the country in which the VAT was paid. The rules for VAT refunds are based on the provisions of EU Directive No. 2008/9/EU.

Similarly, foreign businesses established in the EU can apply to recover VAT incurred in the Slovak Republic by filing VAT refund requests with their respective foreign tax authority. The entire VAT refund process is administered by the Slovak tax authority.

It is not possible to claim refunds on VAT incurred for the provision of VAT exempt services without the entitlement to a VAT deduction.

**Invoicing**

General rules on invoicing applicable in Slovakia are based on the EU Invoicing Directive, which provides for a single, simplified set of rules on invoicing valid throughout the EU.

New rules effective as of 1 January 2013 established equal treatment of paper and electronic invoices with the aim of increasing the use of electronic invoicing. Taxpayers are free to decide on which electronic format the invoice will be drafted as long as the authenticity of the origin, integrity of the content and legibility of the invoice can be ensured.

**Filing**

Effective from 1 January 2014, all Slovak VAT payers are obliged to file VAT returns and communicate with the Slovak authorities only via electronic means.

**Intrastat**

The INTRASTAT system became fully applicable in Slovakia on 1 May 2004. Under this system, Slovak VAT payers performing intra-Community transactions (sending/receiving goods to/from other EU Member States) are obliged to report these transactions electronically on a monthly basis. Thresholds are applicable for both dispatches and arrivals of goods, allowing no reporting at all should the total annual amount of transactions not exceed the threshold.
EC Sales List
A Slovak VAT payer must submit an EC Sales List reporting the following transactions:
• Intra-Community supplies of goods
• VAT exempt relocations of goods to the EU Member States
• Supplies of goods via triangular transactions if the VAT payer acts as first customer
• Supplies of services with the place of supply in another EU Member State to a taxable person or to an entity identified for VAT, for which the recipient is liable to pay the VAT

An EC Sales List must be submitted electronically on a monthly basis, although in some cases quarterly filing is possible. A secured electronic signature is required for electronic filing of the EC Sales List.

VAT ledgers
Effective from 1 January 2014, there is a new VAT ledger filing obligation valid in Slovakia, requiring VAT payers to report detailed information for every AP and AR transaction. The VAT ledgers have to be filed electronically within the same deadline as the VAT return.

This obligation is aimed at the limitation of VAT fraud and thus, the detail of reported information is rather extensive. Failure to comply with this obligation, such as failure to submit the VAT ledger, late submission of the VAT ledger, or declaration of incomplete or incorrect information, may lead to imposition of significant penalties by tax authorities.

Customs duties
On 1 May 2004, customs duties on imports to Slovakia from EU countries were abolished, and the EU Common Customs Tariff was imposed. Only imports of non-Community goods (for example, direct imports from third countries) are subject to the rules on presentation to and clearance by customs.

Goods imported from non-EU countries into the Slovak Republic are subject to import customs duties, excise duties, VAT and other commercial policy measures based on the Community Customs Tariff. Goods imported to or exported from the Slovak Republic can also be subject to import/export restrictions (i.e., import/export licenses, veterinary inspections).

Import VAT is part of the customs debt and is usually payable within 10 days of the date of receipt of the customs declaration confirmed by the customs authorities. Import VAT is then deducted through the submission of a VAT return.

Anti-avoidance in Slovak VAT
In some cases, mostly when recipients of services or goods have restricted VAT deduction entitlement and when transactions are performed between local related parties, “market values” need to be used by the supplier to determine the tax base. Related parties are understood to be, among others, persons acting as statutory representatives/members of the board of directors of the supplier, employees of the supplier and family members.

As an anti-avoidance measure implemented in Slovakia, “domestic reverse charge” applies on transactions of metal scrap, emission quotas, and (under certain conditions) on immovable property. Effective from 1 January 2014, these regulations were also extended to supplies of selected agricultural items, iron, steel and related articles, as well as supplies of mobile phones and integrated circuits, if the invoiced amount (excluding VAT) exceeds a certain threshold.

Effective from 1 January 2016 the domestic reverse charge was extended to include supply of construction or construction services. With effect from the same date, the reverse-charge mechanism should also be applied to supplies of all goods from foreign entities, non-established in Slovakia, to locally established taxpayers.

More stringent rules were also introduced for the area of joint and several liability, which applies to buyers of goods and services being liable to output VAT relating to supplies where VAT was not remitted by the supplier to the tax authorities.
Local taxes

Tax reform was followed by a fiscal decentralization, which included significant changes to the structure of local taxes and fees. This decentralization increased the fiscal competencies of municipalities in the field of local taxes.

Local taxes are imposed by municipalities on the following items:
- Real estate
- Dogs
- Use of public premises
- Accommodation
- Vending machines
- Gaming machines
- Vehicle access to historical parts of towns
- Nuclear facility
- Municipal waste and minor construction waste
- Motor vehicles

The major local taxes concern real estate and motor vehicles:

**Real estate tax**
Real estate tax is levied on land, buildings and flats. In the territory of the Slovak Republic, usually the owner of the land, building or apartment is liable to pay real estate tax.

The tax base is calculated as the value of the land per square metre multiplied by the surface area of the land. Alternatively it can be determined by the surface area on which a building is constructed. The annual tax rate for real estate tax stipulated in the Act on Local Taxes for land is 0.25%. For buildings and apartments this represents €0.033 per square metre of built-up area. The rates stipulated in the law are optional and municipalities have a substantial degree of discretion to increase or decrease them.

Tax is paid for the year in question, reflecting the status/changes in the real estate as at the end of the previous calendar year.

**Motor vehicle tax**
Taxable vehicles are those used for business purposes or for activities from which the income is subject to income taxation and registered in the Slovak Republic. The taxpayer is, in general, an individual or legal entity registered as the “holder” of the car who uses the vehicle for business purposes.

Registration of a new car is subject to an administration fee ranging from €33 up to €2,997 depending on the engine power.
Accounting principles and requirements

- Accounting and record-keeping
- Financial statements, disclosure and audit requirements
- Appendix 1: General chart of accounts
Accounting principles and requirements

Slovak GAAP and IFRS
Slovak accounting legislation requires financial statements to be prepared under Slovak Generally Accepted Accounting Principles (Slovak GAAP) or, where certain specific criteria are met, under International Financial Reporting Standards as adopted by the EU (IFRS).

Slovak GAAP is based on the Act on Accounting of 1993, which has subsequently been amended on a number of occasions, most recently in 2003 and 2005 and is broadly in line with IFRS, although there are a number of differences in the treatment of specific issues (e.g., the presentation of financial statements and financial instruments).

Chart of accounts
Under Slovak GAAP, an entity must record its accounting entries using a prescribed chart of accounts. Separate charts of accounts exist for the following types of business:
- Entrepreneurs (most businesses fall within this category)
- Municipalities and institutions that are financed from the state budget
- Non-entrepreneurs (i.e., not-for-profit organizations, political parties, civic associations and other similar bodies)

The chart of accounts for entrepreneurs contains the following categories:

<table>
<thead>
<tr>
<th>Class</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Non-current assets</td>
</tr>
<tr>
<td>1</td>
<td>Inventory</td>
</tr>
<tr>
<td>2</td>
<td>Financial accounts</td>
</tr>
<tr>
<td>3</td>
<td>Debtors and creditors, other assets and short-term liabilities</td>
</tr>
<tr>
<td>4</td>
<td>Capital accounts and non-current liabilities</td>
</tr>
<tr>
<td>5</td>
<td>Expenses</td>
</tr>
<tr>
<td>6</td>
<td>Revenues</td>
</tr>
<tr>
<td>7</td>
<td>Closing and off-balance sheet accounts</td>
</tr>
<tr>
<td>8 and 9</td>
<td>Internal accounting</td>
</tr>
</tbody>
</table>

Slovak GAAP prescribes a three-digit ledger account code (synthetic accounts) for each class of asset, liability, revenue and expense, and optional sub-ledger accounts (analytical accounts). Two-digit ledger account codes (group accounts) for each class are prescribed – see Appendix 1 for the obligatory Chart of Accounts for Entrepreneurs.

Entities are permitted to create other synthetic account codes for balance sheet accounts that are not prescribed in the chart of accounts.

Accounts must be maintained in euros (and assets and liabilities denominated in foreign currencies must also be recorded in that foreign currency) and the books kept in Slovak.

Records must be retained for the minimum periods shown below:
- Financial statements and auditor reports – 10 years
- Other accounting documentation, e.g., chart of accounts, ledgers, invoices, stock records, etc. – five years

Fundamental accounting concepts
Accounting principles include the going-concern principle, completeness, existence, “true and fair” view, clarity, consistency, matching, grossing up, cost-benefit, continuity, the accrual method of accounting, prudence, materiality, and individual valuation.

Financial statements must be prepared on the going-concern principle unless legal requirements or other circumstances require otherwise. Special accounting principles apply to liquidations. The accounting principles followed by accounting entities must be consistent from year to year.
Accounting and record-keeping

Accounting period
The accounting period is usually equivalent to the calendar year but may be equivalent to the financial year. The financial year is a period of 12 consecutive calendar months not concurrent with the calendar year. An entity should announce the change of the accounting period to the relevant tax authorities in writing within 30 days of the entity’s establishment or 15 days prior to the change of the accounting period. The new accounting period should be applied for at least one financial year.

Any change in the accounting period may only be effected from the first day of a calendar month. When the accounting period is changed, the period from the end of the preceding accounting period to the beginning of the next accounting period is an accounting period shorter than 12 calendar months. This applies when the accounting unit is being established or dissolved, whereby the first accounting period of the newly established accounting unit commences on the date of its incorporation and the last accounting period of the dissolved accounting unit terminates on the date of its dissolution.

Tangible and intangible non-current assets
Acquired tangible and intangible assets are stated at acquisition cost and internally generated; assets are stated at their own costs. Assets acquired through merger, purchase of part of a business or contribution in kind are valued at fair values.

Interest on bank loans may be capitalized within the acquisition costs of a non-current asset if a company decides on this approach before the asset is put in use.

The costs of technical improvements to non-current tangible assets are capitalized. Repairs and maintenance expenses are expensed as incurred.

Tangible non-current assets are depreciated over their estimated useful economic lives as determined by the entity. If useful life could not be determined, an entity must amortize development costs and goodwill within five years of their acquisition. Other intangibles should be amortized over their estimated useful economic lives.

Securities and investments
At acquisition, securities and investments are valued at acquisition cost, which also includes costs related to acquisition (for example, fees and commissions paid to stockbrokers or to the stock exchange). However, interest on loans, foreign exchange differences and costs related to the holding of securities and investments do not constitute part of the acquisition cost. Securities and investments are separated into defined groups. Selected securities and investments are measured at fair value at acquisition date and the balance sheet date. Any changes in fair value are recorded in the appropriate account of financial assets, with a corresponding entry either in financial expense or financial income in the profit and loss account or directly through equity on a consistent basis, depending on the type and term of the financial asset.
Accounting and record-keeping

When revaluing to reflect fair value, the entire revaluation surplus or deficit is recorded to the appropriate account under the profit and loss account or special equity account.

If there is a decrease in the carrying value of financial assets that are not revalued at the balance sheet date, the difference is considered a temporary diminution in value and is recorded as a provision.

The fair value is the market value that is published by the relevant domestic or foreign stock exchange. If the market value is not available from a public market, a valuation amount is given in a valuation model or in a certified expert’s opinion.

Derivatives
There are two types of derivatives; namely, trading derivatives and hedging derivatives. Derivatives are initially stated at acquisition cost and on the balance sheet they are recorded in other short-term or long-term receivables or payables, as appropriate.

If the derivative is classified as a derivative held for trading on a domestic or foreign stock exchange or another public market, any change in its fair value supported by public market data is recognized in financial expenses/income at the balance sheet date. Changes in the fair value of derivatives held for trading on a closed market are recognized in equity at the balance sheet date.

Changes in the fair value of hedging derivatives and assets or liabilities hedged by derivatives are recognized in equity.

Inventory
Inventory is stated at acquisition cost using the first-in, first-out method (“FIFO”; the first price for the valuation of additions to inventory is used as the first price for the valuation of disposal of inventory) or the standard costing and price variances/weighted average methods. The cost includes the purchase price and related costs (freight, customs duty, commission, etc.) Any discounts and rebates received decrease the cost of the inventory.

Internally generated inventory is stated at own costs. Own costs include direct material and labour costs and production overheads.

Physical stocktaking of inventory may be performed at any time during the accounting period. Stocktaking will substantiate the existence of inventory at the balance sheet date by using the physical stocktaking data adjusted for movements of inventory in the period from the conclusion of the physical stocktaking to the end of the accounting period.

All differences must be reflected in the accounts of the period to which the stocktaking relates. Surpluses and shortfalls may be offset only under specific circumstances if they relate to similar items. If not, they must be recorded separately.

A provision is made in the event of a temporary diminution in the value of the inventory.

Debtors
A provision is made in the event of a risk connected with overdue and doubtful debts.

Shareholders’ equity
Issued, registered and fully-paid share capital, share premiums, capital funds, revaluation reserves, legal reserve funds, retained earnings and current year profits and losses all form part of shareholders’ equity.

A company’s share capital is stated as the amount recorded in the Commercial Register. Any increase or decrease in the share capital pursuant to a decision made by the general meeting, which was not entered in the Commercial Register at the reporting date, is recognized as a change in share capital. Contributions in excess of the share capital are recorded as share premiums.
Accounting and record-keeping

The post-tax profit for the year and retained earnings may be distributed as a dividend only if accumulated losses are settled in full and a transfer to the Legal Reserve Fund is performed prior to dividend distributions being made.

Retained earnings are to be used to account for significant corrections to prior-period revenues and expenses and to assess the effect of changes in accounting policies.

Provisions
In accordance with the principle of prudence, provisions should be created for payment obligations deriving from past or ongoing events or contracts where a future occurrence is certain or probable, but where either the amount or the timing is uncertain at the time of preparation of the financial statements. They are stated at the expected amount of the liability. Liabilities might include warranty obligations and other guarantees, certain future liabilities, early retirement pensions and employee benefits, severance payments, and environmental obligations.

Financial institutions, insurance companies and brokerage companies may establish provisions or allowances in accordance with special regulations.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which deductible temporary differences and unused tax losses may be utilized.

Deferred tax assets and liabilities are measured at the rates that, according to the provision enacted by the balance sheet date, will apply in the period when the asset is realized or the liability is settled.

Deferred tax
All accounting entities whose financial statements are subject to statutory audit are obliged to account for deferred tax. Deferred tax arises not only from differences between tax and accounting depreciation, but from all temporary differences between the carrying value of assets and liabilities and their respective tax base.
Leases
Financial leasing is defined as the acquisition of a non-current asset based on a leasing contract including the right to purchase the leased asset. Assets acquired under financial lease are capitalized on the date of acceptance of the subject of the lease, which is valued at an amount equal to the principal. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability, i.e., principal. The finance charge is expensed on an accrual basis.

Assets acquired under operating leases are expensed over the leasing term. The rental cost is expensed on a straight-line basis over the leasing term.

Foreign transactions
Foreign currency transactions are translated into euros using the foreign exchange rate determined and announced by the European Central Bank (ECB) or the National Bank of Slovakia (NBS) on the date preceding the date of accounting transaction valid at the transaction date. Monetary assets and liabilities denominated in foreign currencies are exchanged using the foreign exchange rate valid at the balance sheet date. Foreign exchange gains and losses are recognized in the profit and loss account.

Purchases and sales of foreign currencies are exchanged into euros using the foreign exchange rate valid when these amounts were purchased or sold.
Financial statements under Slovak GAAP
All entities governed by the Act on Accounting are obliged to prepare financial statements and consolidated financial statements (if applicable) for each financial year. Individual financial statements should be prepared not later than six months after the end of the reporting period and consolidated financial statements during the subsequent accounting period. Listed companies are also required to prepare half-yearly and quarterly financial statements as well as consolidated financial statements.

The year-end financial statements consist of a balance sheet, profit and loss statement and notes to the financial statements including a cash-flow statement. The notes must contain detailed information assessing the entity’s assets, liabilities, financial position and results. This includes the accounting principles, valuation methods and depreciation rates used in the period. The balance sheet and income statement must be prepared on the appropriate forms. Details of the content and disclosure requirements are specified by the Ministry of Finance.

From 1 January 2015 based on the new EU accounting Directive, the Act on Accounting defines three groups of accounting entities:

- A micro-accounting entity
- A small accounting entity
- A large accounting entity.

Micro-accounting entities, small and large accounting entities are defined on the basis of three criteria of size (net turnover, net assets, and the average number of employees), where at least two of these criteria must/must not be exceeded during two successive accounting periods.

A change in the classification is mandatory, rather than optional, for all accounting entities in the accounting periods following the accounting periods when criteria were met/not met. Specific rules apply to newly-incorporated accounting entities. Public interest entities are considered large accounting entities. Branches of foreign entities are considered small accounting entities.

There are certain simplifications applied for micro accounting entities:
- Used simplified financial statements including balance sheet, income statement and notes
- Deferred tax must not be accounted for
- Assets and liabilities must not be valued at fair value

- Financial investments must not be valued under the equity method
- Simplifications related to the accounting of receivables from and liabilities to affiliated accounting entities and accounting entities with a participating interest
- Simplifications related to accruals/deferrals of expenses and income
- There are certain simplifications for applied small accounting entities:
- Used simplified notes financial statements
- Simplifications related to the accounting for securities and ownership interests, receivables from and liabilities to affiliated accounting entities and accounting entities with a participating interest

<table>
<thead>
<tr>
<th>Criterion / Accounting entity</th>
<th>Micro</th>
<th>Small</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net turnover (€)</td>
<td>≤ 700,000</td>
<td>&gt; 700,000 and ≤ 8,000,000</td>
<td>&gt; 8,000,000</td>
</tr>
<tr>
<td>Net assets (€)</td>
<td>≤ 350,000</td>
<td>&gt; 350,000 and ≤ 4,000,000</td>
<td>&gt; 4,000,000</td>
</tr>
<tr>
<td>Employees</td>
<td>≤ 10</td>
<td>&gt; 10 and ≤ 50</td>
<td>&gt; 50</td>
</tr>
</tbody>
</table>
Financial statements under IFRS

Individual financial statements
Individual financial statements must be prepared in accordance with IFRS if the entity:

a) Is a company (a.s., s.r.o., v.o.s., k.s.) and if at least two of the following conditions were met in at least two consecutive accounting periods:
   • The total value of assets excluding provisions exceeded €170,000,000.
   • The net turnover exceeded €170,000,000.
   • The average number of employees exceeded 2,000

A company should continue to prepare financial statements in accordance with IFRS even when the above conditions are no longer met in the subsequent accounting periods.

b) Is a bank, insurance company or other entity providing financial services

c) Is required to prepare IFRS financial statements under special Government requirements or EU legislation

Consolidated financial statements
All consolidated financial statements should be prepared in accordance with IFRS.

If a company is owned by a parent company in the EU (100% ownership, or at least 90% ownership and an agreement with other owners), the company is not under an obligation to prepare consolidated financial statements and issue an annual report on the consolidated financial statements provided:

• The company and all its subsidiaries are included in the consolidated financial statements prepared by its parent company in line with European legislation
• The consolidated financial statements prepared by its parent company are audited and published in line with European legislation
• The company discloses in its notes to the individual financial statements, the name and address of its parent company, which prepares the consolidated financial statements and information that the company itself did not prepare any consolidated financial statements

A company is not required to prepare consolidated financial statements if did not meet at least two of the following conditions at the balance sheet date of financial statements and of the immediately preceding accounting period based on the aggregated data contained in the individual financial statements of the entities representing the consolidated entity:

• The total asset value of the aggregated entity exceeded €24,000,000 (or €20,000,000 after consolidation adjustments)
• The net turnover of the aggregated entity exceeded €48,000,000 (or €40,000,000 after consolidation adjustments)
• The average number of employees of the aggregated entities in the accounting period exceeded 250

If a company is listed or prepares its individual financial statements in accordance with IFRS, the previous paragraphs do not apply, and the company must prepare consolidated IFRS statements.

A company is not required to prepare consolidated financial statements if the subsidiaries are insignificant, i.e., they do not significantly affect the financial position and the results of the consolidated entities.
Filing requirements
The Register of Financial Statements (“Register”) is used for filing financial statements, annual reports and auditor’s reports.

An entity should submit its individual financial statements to the relevant tax authorities together with its corporate income tax return and file them with the Register within six months of the balance sheet date. Consolidated financial statements should be filed with the Register within one year of the balance sheet date.

If financial statements that have not yet been approved by the general meeting are filed, it shall be stated that the unapproved financial statements are filed. Following their approval, a notification on the date of approval of the financial statements shall be filed in the Register subsequently.

Entities that prepare their individual and consolidated financial statements in accordance with IFRS/EU must prepare the summary statement of selected data from financial statements and file it with the together with their financial statements.

An entity that is required to have its financial statements audited should file its auditor’s report together with the Register together with financial statements, at the latest within one year of the balance sheet date. An entity that is required to prepare an annual report should file its individual or consolidated annual report with the Register within one year of the balance sheet date. The annual report should contain the financial statements, an auditor’s report, a summary of operations, activities, and significant subsequent events, a summary of research and development costs, a forecast for the entity and other information specified by the Act on Accounting. For publicly listed companies, the annual report should include management representations about governance, diversity policy, the structure of shares and securities, their restrictions, preference or employee shares, agreements between shareholders or other important information related to shareholders and the company’s bodies. Public interest entities with more than 500 employees should include in its annual report information about its corporate social responsibilities activities.

Entities that are required to prepare individual financial statements in accordance with IFRS/EU shall publish information on the filing of their financial statements in the Register on their websites for a minimum of one year. They shall publish the complete set of their individual financial statements on their websites, to the same extent and within the same time limit as filed in the Register, for a minimum of one year.

Commercial Register
An integral part of the Commercial Register is a collection of documents (“Zbierka listín”), which must include at least the following:

- Deed of association/partnership agreement/deed of corporate formation (their effective wording)
- Company statutes, together with any amendments
- Resolutions concerning changes to a company’s statutory bodies
- Financial statements, together with an auditor’s report and annual report where required
- Resolutions to wind up the company
- Records of general meetings
- Details of mergers, changes in legal form, divisions or transfers of property to shareholders
- Any court decision regarding invalidity of a decision of the general meeting
- Expert valuations of non-monetary contributions
- Certain other documents, as required by law
Audit requirements

Under Slovak accounting law, the following entities are required to have their individual financial statements audited:

1. Business entities that are obliged to create issued capital (e.g., limited liability companies, all Slovak joint-stock companies and cooperatives), if they meet any two of the following criteria at the balance sheet date of financial statements and of the immediately preceding accounting period:
   a) The total value of the entity’s assets exceeded €1 million.
   b) The entity’s net turnover exceeded €2 million; for this purpose, net turnover means revenues from the sale of products and goods and from the provision of services.
   c) The average number of employees exceeded 30.
2. All listed companies
3. All entities that are obliged to prepare individual financial statements in accordance with IFRS
4. Certain organisations that are designated by taxpayers as beneficiaries of percentage donations of income tax, if the annual amount of the tax donations received exceeds €35,000
5. Other entities, if other laws require them to be audited

Consolidated financial statements must also be audited.

Auditors must be members of the Slovak Chamber of Auditors. To qualify as an auditor, an individual must have five years experience, and have passed the qualifying examinations.

On 17 June 2016, the Act on statutory audit (the “new auditing law”) was implemented, following a regulation of the European Parliament and EU on specific requirements concerning statutory audit.

Audit committee

Public interest entities and oversighted entities meeting the size criteria must all establish audit committees. The audit committee’s role is to limit the influence of the entity’s statutory bodies on the appointment of auditors. The committee will be competent to nominate and supervise the services provided by the auditor, supervise the process of preparing the financial statements and internal controls, inspect the efficiency of the internal audit function, etc.

A company is not required to establish an audit committee if its parent company has an audit committee which also serves the subsidiary, or the competencies if the audit committee are assumed by the supervisory board.
In accordance with European Directives, the general meeting or the members’ meeting is authorized to appoint or dismiss the auditor on the proposal of the board of directors. If the relevant entity has an audit committee, it is within the competence of this committee to make recommendations on the auditor to the entity’s board of directors.

**Fines and penalties**

Specified breaches of the Act on Accounting may result in fines and penalties up to €3,000,000 or of 2% of the entity's total gross assets, with a range of maximum penalty from €1,000 to €1,000,000, depending on the nature of the breach and the size of the entry to be penalized.
## Appendix 1: General chart of accounts

### CLASS 0 – Non-current assets
- 01 – Non-current intangible assets
- 02 – Property, plant and equipment – depreciable
- 03 – Property, plant and equipment – non-depreciable
- 04 – Acquisition of non-current assets
- 05 – Advance payments made for non-current assets
- 06 – Non-current financial assets
- 07 – Accumulated amortization of intangible assets
- 08 – Accumulated depreciation of property, plant and equipment
- 09 – Value adjustments to non-current assets

### CLASS 1 – Inventory
- 11 – Raw materials
- 12 – Own work capitalized
- 13 – Merchandise
- 19 – Value adjustments to inventory

### CLASS 2 – Financial assets
- 21 – Cash
- 22 – Bank accounts
- 23 – Current bank loans
- 24 – Other short-term financial assistance
- 25 – Current financial assets
- 26 – Transfers between financial assets
- 29 – Value adjustments to current financial assets

### CLASS 3 – Debtors and creditors, other assets and short term liabilities
- 31 – Receivables
- 32 – Liabilities
- 33 – Receivables from and payables to employees and social insurance and health insurance institutions
- 34 – Taxes and subsidies
- 35 – Receivables from partners and group
- 36 – Liabilities to partners and group
- 37 – Other receivables and other liabilities
- 38 – Accruals/deferrals of expenses and income
- 39 – Value adjustments to receivables and liabilities and internal transactions

### CLASS 4 – Capital accounts and non-current liabilities
- 41 – Registered capital and capital funds
- 42 – Retained earnings and funds created from profit
- 43 – Net profit/net loss
- 45 – Provisions
- 46 – Bank loans
- 47 – Non-current liabilities
- 48 – Deferred tax liability and deferred tax asset
- 49 – Sole proprietor

### CLASS 5 – Expenses
- 50 – Consumed purchases
- 51 – Services
- 52 – Personnel expenses
- 53 – Taxes and fees
- 54 – Other operating expenses
- 55 – Depreciation, amortization and provisions to non-current assets
- 56 – Financial expenses
- 59 – Income taxes and transfer accounts
Appendix 1: General chart of accounts

**CLASS 6 — Revenues**
60  — Revenues from own outputs and merchandise
61  — Changes in internal inventory
62  — Own work capitalized
64  — Other operating revenues
65  — Accounting for operating income
66  — Financial revenues

**CLASS 7 — Closing and off-balance sheet accounts**
70  — Balance sheet accounts
71  — Profit and loss account
75 to 79  — Off-balance sheet accounts
How can EY help you?
How can EY help you?

- About EY
- Tax Services
- Legal Services
- Assurance Services
- Fraud Investigation & Dispute Services (FIDS)
- Advisory Services
- Transaction Advisory Services
EY in the Slovak Republic

EY was one of the first professional services firms to open offices in Central and Eastern Europe. We have been providing professional services in the Slovak Republic since 1991. Today the Slovak practice comprises more than 300 people, operating from our offices in Bratislava, Žilina and Košice.

In the Slovak Republic we work for more than 400 leading Slovak and international companies. We provide services to the top Slovak companies.

In 2008, 87 country practices in Western and Eastern Europe, the Middle East, India and Africa were integrated into a new EMEIA area for the first time. The Slovak Republic is a part of one of the regions which make up the sub-area EMEIA, Central and Southeast Europe, consisting of 22 countries in Central and Southeast Europe. Thanks to the co-operation of Slovak professionals with EY specialists from around the world we are able to create international teams which bring together first-class experts.

As part of EY’s global team, we are ready to assist our clients, providing first-class services and extensive experience according to their business needs, wherever they may operate – in the Slovak Republic, across Central Europe, or anywhere in the world.
Tax Services

Your business will only achieve its true potential if you build it on strong foundations and ensure that it grows in a sustainable way. At EY, we believe that managing your tax obligations responsibly and proactively can make a critical difference. Our talented tax professionals in more than 140 countries give you technical knowledge, business experience, consistency and an unwavering commitment to quality service wherever you are and whatever tax services you need. It’s how EY makes a difference.

In the Slovak Republic, we provide first-class services in these main areas:

**Personal Advisory Services**

**Global mobility**
- Advisory on employment structures from both the corporate and the individual perspectives, Slovak and international income tax planning, social security and health insurance considerations
- Foreign assignments, including employee and intercompany contract supervision, resolution of labor law and immigration issues, travel allowances and accounting
- Slovak personal income tax compliance including preparation and filing of personal income tax returns, calculation of accruals for financial planning purposes, calculation of wages, withholding tax requirements and compliance assistance

**Performance and reward**
- Remuneration schemes and strategies – set up and review of employee’s remuneration schemes, in particular from a perspective of optimal tax and social security burden of the monetary income as well as in-kind benefits.
- Equity participation plans – designing effective equity participation plans and other share option schemes and the evaluation of taxation costs for both the company and employees
- Transactions and human capital due diligence – support in reviewing the tax, accounting and financial implications of the employee evaluation and benefit schemes, and in identifying and evaluating the related risks and responsibilities; overall acceleration of the integration process, securing initial steps after the integration
- Global employment advisory – transformation of organizational structures, development of staff retention schemes for key employees, development of tax equalization schemes for the assigned employees

**Payroll accounting**
- Set up and administration of the external payroll of the company, maintenance of the monthly payroll agenda, preparation of payslips for the employees, assistance with the related administrative and reporting obligations towards the respective authorities
**Tax Services**

**Direct tax**
Compliance and advisory services
- Slovak corporate tax compliance, including preparation of tax returns, technical advice, contract reviews, analysis of financial and investment structures

Advice on international tax issues
- Tax advice on the application of tax treaties, foreign operations, structuring of foreign investments, cross-border finance, etc.

**Real estate**
- Financing, acquisition and disposal structuring to optimize taxation

**Merger, acquisition and divestment planning**
- Structuring of complex transactions, including the analysis of tax implications and performance of tax due diligence procedures in close cooperation with transaction advisory services specialists

**On site tax health checks**
- Reviews aimed at maximizing efficiency through using tax planning opportunities and minimizing penalty exposures for non-compliance with legislation

**Transfer pricing**
- Functional and risk analyses, policy development, preparation of documentation and benchmarking studies, assistance with financial transaction, audits, advance pricing agreements, operating model effectiveness advisory and credit rating analyses

**Indirect tax**
VAT and excise taxes
- Slovak VAT and excise tax planning and advisory services – on-call advice regarding Slovak VAT and excise legislation, including assistance with compliance requirements. Advice on maximizing recovery of input VAT where there are tax exempt activities, etc.
- Slovak VAT compliance services – assistance with registration, Intrastat and VAT compliance for foreign entities doing business in the Slovak Republic
- Cross-border VAT advisory – advice on VAT implications of cross-border transactions performed by Slovak business entities abroad; assistance with registration, Intrastat and VAT compliance for Slovak entities
- VAT health checks – comprehensive audit of VAT compliance and procedures, something wrong with efficiencies and minimizing penalties
- Indirect tax software setup and review – verification or setup of VAT functions in enterprise IT systems (e.g., during SAP / Oracle implementation), software reviews as required, analysis of system functions and processes in VAT/ excise areas, etc.
Legal Services

We provide the full scope of professional legal services, but unlike traditional law firms, our business and legal advice are much more closely aligned. Our lawyers work in an integrated manner with professionals from Tax and other service lines to deliver the informed, professional services your business needs.

Practice areas:
- Corporate and commercial law
  - Establishment of business presence
  - Corporate restructuring, changes to share capital, shareholders’ agreements
  - Drafting of corporate maintenance documents, by-laws, assistance in keeping minutes of the meetings of the statutory body, shareholders or supervisory board
  - Corporate and commercial agreements
  - Assistance in voluntary liquidation, bankruptcy and insolvency procedures

- M&A and private equity transactions
  - Full-scope M&A legal support in domestic and cross-border mergers, demergers, including due diligence, preparation of transaction documents and assistance in the negotiation and closing of transactions
  - “One-stop-shop” M&A advisory services covering the full spectrum of transactions by leveraging EY’s financial, business and tax advisory excellence
  - Private Equity transactional capabilities

- Banking and finance law
  - Financial regulatory matters, including establishment and licensing of regulated entities such as financial institutions, investment funds and fund managers
  - Bilateral and syndicated financing arrangements – advising both lenders and borrowers
  - Financial restructuring issues

- Labor law and data privacy
  - Employment law advice – preparation and negotiation of employment contracts, advice on employment termination and severance matters
  - Advice on cross-border posting of workers
  - Benefits and compensation issues – employee benefits and incentive plans
  - Data privacy advice

- Real estate law
  - Acquisitions, leases and disposals of real estate
  - Legal support in green field investments and real estate development projects

- Intellectual property
  - Legal assistance with patent protection and IP rights

- Litigation
  - Representing clients in court and administrative proceedings (with a focus on tax litigation)
Assurance Services

Strong independent assurance provides a timely and constructive challenge to management, a robust and clear perspective to audit committees and critical information for investors and other stakeholders. The quality of our audit starts with our 80,000 assurance professionals, who have experience of auditing many of the world’s leading companies. We provide a consistent worldwide audit by assembling the right multidisciplinary teams to address the most complex issues, using a proven global methodology and deploying the latest, high-quality auditing tools. And we work to give you the benefit of our broad sector experience, our deep subject matter knowledge and the latest insights from our work worldwide. It’s how EY makes a difference.

Audits tailored to the needs of our clients
We work with our clients to develop a detailed understanding of their needs and expectations in terms of our audit service. Using this knowledge we tailor our services to meet our clients’ expectations, while focusing on what they value most.

Benefiting from our knowledge and technology
EY has invested heavily in knowledge and communications technology to equip our people to deliver efficient and insightful audits. Our audit professionals are trained to the highest standards and have access to leading audit “enablers”, accounting and auditing information. We use audit “enablers” to facilitate audit execution and communications with our clients. Applying international professional standards our assurance practice provides the following services:

- Accounting consultations
- Agreed-upon procedures
- Compilation reports
- Financial statement audits
- Financial statement reviews
- Financial statement reviews (Interim) of audit clients
- Internal controls attestation (SOX 404)
- Security offerings
Assurance Services

Financial Accounting Advisory Services
High-performing teams, delivering exceptional client service, worldwide EY’s accounting, regulatory, compliance and IT professionals combine technical expertise with business and industry insights. Whether your focus is on managing complex accounting requirements or addressing governance and regulatory issues, having the right advisors on your side can make all the difference. Our seasoned multidisciplinary teams help clients navigate the ever-changing accounting and reporting landscape, so they can face their challenges with confidence.
Assurance Services

We can assist your finance function to reduce operational costs, improve productivity and efficiency and reduce risk but at the same time help you retain control of your business processes. All of this will support you to achieve your performance goals and stay competitive.

<table>
<thead>
<tr>
<th>FAAS focus services</th>
<th>FAAS managed services</th>
<th>Financial function in general – overview</th>
</tr>
</thead>
</table>
| **Accounting excellence** | **Government and Public Sector accounting managed services**  
- In selected countries our services provide customized, industry-leading services to governments and public sector businesses that enhance your business operations, identifying areas for improvement throughout your internal controls, procedures and systems.  
- EY can provide limited services as simple as providing a team to support accounting processes. | Operational accounting |
| **Financial analytics services** | **Financial analytics services**  
- EY can help extract, analyze and interpret financial data to assess and quantify performance issues.  
- EY can help you conduct diagnostic, exploratory, and predictive analysis to provide richer insights for improved processes.  
- EY can support you by using innovative tools and processes, such as embedded data analytics and controls performance analysis, to improve the efficiency and cost-effectiveness of internal processes. | General accounting |
| **Corporate treasury, transaction accounting and IPO and capital markets** | **Treasury managed services**  
- EY can assist treasurers in the increasing complexity and volatility in the marketplace that arise through financial risks and fast-changing accounting standards.  
- Focused on the accounting treatment and valuation of complex derivatives, EY can provide you with dedicated teams and resources. Our knowledge and skills are constantly updated, providing coverage across the latest standards and can help to achieve reporting results more cost effectively and maintain pace with a fast-developing and technically demanding environment. | Financial and external reporting |
| **Other FAAS support** | **Other FAAS managed services**  
- EY can provide resources on demand, if you need assistance in accounting, controlling or other key business areas.  
- EY can support with deep competence in times of strategic or major changes.  
- With a customized training program, EY professionals combine individual experience with the broader skillset of colleagues behind them. | Performance and management reporting |
| **Accounting tools, financial analytics, processes and IT enablement** | **Corporate treasury, transaction accounting and IPO and capital markets** | Budgeting, planning and forecasting |
| | | Policy, controls, governance and compliance |
| | | Treasury |
| | | Capital management and investments |
| | | Tax planning and accounting |
Assurance Services - FAAS technology examples

IFRS 9 tools
Our IFRS 9 toolkit and information can assist you in effectively integrating IFRS 9 into your processes, controls and systems. Our IFRS 9 Visual Portfolio & Impairment Analyzer is a standalone application for the classification of financial instruments according to IFRS 9. It supports automated rule-based classifications, based on independent market data.

IFRS 10-12 tools
Our IFRS 10-12 Consolidation and Documentation (CAD) tool is an application that assists you in determining the scope of consolidation according to IFRS when implementing accounting change. The tool will transform the rather complex and discretionary standard into a simple decision diagram.

IFRS 15 tools
Our Revenue Recognition Readiness tool provides a workflow structure to monitor and drive consistency in your contract review process. It helps document key contract terms in an organized manner and maintains a clear audit trail summarizing related management judgments under the new standard. Additional tools are also available to support your revenue recognition processes.

IFRS 16 tools
Our IFRS 16 Lease Navigator tool is a database that may be used as a repository to summarize key terms of lease arrangements in order to assist you to provide a structured workflow analysis and documentation of the impact of IFRS 16 on your business.
Doing business in the Slovak Republic

Businesses are always under scrutiny but it is most intense when shareholders, business partners or regulators suspect wrongdoing. Fraud, improper business practices and compliance concerns can emerge almost anywhere and the consequences have never been more severe. Fraud and misconduct are also a serious threat for Slovak companies in every industry.

Your stakeholders and customers rely on you to anticipate and manage these risks. When issues or disagreements arise, you need to respond quickly and address them responsibly. That is why many companies around the world – and their law firms – turn to EY FIDS.

**Preventing, detecting and responding to financial, regulatory and reputational risks**

Whether facing acts of fraud, government investigations, regulatory inquiries, major litigation or transactional disputes, companies approach EY FIDS for assistance.

Our forensic accountants and technologists, certified fraud examiners, anti-corruption and anti-money laundering specialists work with our clients’ legal counsel, internal audit and compliance departments investigating complex issues and developing practical solutions that address operational challenges.

Our multidisciplinary professionals are leaders in their field, drawn from both industry and the public sector. We apply the collective knowledge and insight gleaned from working across industries and regions to help our clients conduct fraud risk assessments, institute proactive anti-corruption programs and utilize forensic data analytics, enabling corporations to manage fraud risk and regulatory compliance.
Transaction Advisory Services

**Indirect Tax**
Our team provides assistance in identifying risk areas and sustainable planning opportunities for indirect taxes throughout the tax life-cycle. We provide our clients with effective processes to help improve their day-to-day reporting for indirect tax, assistance with attribution of input VAT, reducing costs and ensuring indirect taxes are handled correctly.

**VAT and excise taxes**
Indirect taxes such as VAT, affect nearly every transaction that a business undertakes. Excise taxes arise every time the specific goods subject to excise taxation, are produced, imported or transported from within the EU. In the new economy, global operations are the rule rather than the exception. These trends highlight the increasingly central role of VAT planning in any successful tax management strategy, with particular relevance to more frequent recent Slovak tax authority VAT audits.

Our team of specialists can advise you how to:
- Manage and reduce your indirect taxes
- Implement VAT and excise tax strategies to meet your organization's goals and business needs
- Utilize all of the planning opportunities available in the Slovak Republic

Our VAT and excise tax services include:
- Slovak VAT and excise tax planning and advisory services - on-call advice regarding Slovak VAT and excise legislation, including assistance with compliance requirements and advice on maximizing recovery of input VAT, where there are tax exempt activities
- Slovak VAT compliance services - assistance with registration, Intrastat, VAT returns, VAT ledgers summarizing transactions with impact on the company's VAT position and other related reports for foreign entities doing business in the Slovak Republic
- Cross-border VAT advisory - advice on VAT implications of cross-border transactions performed by Slovak business entities and assistance with foreign registration, Intrastat and VAT compliance for Slovak entities doing business abroad
- VAT health checks - and opportunity reviews - comprehensive audit of VAT compliance and procedures, identification of risks and opportunities aimed at improving efficiencies and minimizing penalties
- Indirect tax software setup and review - verification or setup of VAT functions in enterprise IT systems (e.g., during SAP/Oracle/Navision implementation), software reviews as required, analysis of system functions and processes in VAT/excise tax areas

Practice areas:
**Corporate and commercial law**
- Establishment of business presence
- Corporate restructuring, changes to share capital, shareholders’ agreements
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- Benefits and compensation issues – employee benefits and incentive plans

Litigation
- Representing clients in court and administrative proceedings (with a focus on tax litigation)

Real estate law
- Acquisitions, leases and disposals of real estate
- Legal support in green field investments and real estate development projects

Intellectual property
- Legal assistance with patent protection and IP rights

Digital law
- Assistance in the field of information technology, personal data protection and cybersecurity
- Preparation of gap analyses and relevant documentation concerning personal data processing and identification of personal data life-cycle
- Assistance in the field of e-commerce – e.g., preparation of general terms and conditions, terms of use and privacy notices
- Drafting and review of software agreements, performance of intellectual property-related due diligence

Family business
- Comprehensive legal advice to family businesses
- Design and implementation of solutions to safeguard company operations and value, even in crisis situations
- Design and implementation of solutions for company succession, minimizing disputes and providing fair settlement for the successors
- Assistance in leaving a company, transferring family assets, transferring a business or a part of it
Advisory Services

Performance improvement
Support of front-office (focus on sales, marketing and operations)
- Efficiency of sales services, sales management and process improvement
- Efficiency of customer processes
- Segmentation of sales and marketing activities
- Efficiency of marketing activities
- Return on investment in marketing
- Customer data analysis, surveys and trends
- Market analysis, competition and identification of indent
- Go-to-market strategy

Support for back-office (finance and operations)
- Optimization of OPEX and CAPEX
- Reallocation and optimization of resources
- Optimizing financial and operational processes
- Design and process efficiency evaluation
- Business, operational and financial strategy
- Services for Shared Service Centers (SSC)
- Robotic Process Automation (RPA)

Support for Human Resources
- Organization efficiency and design of organizational structure
- Managing organizational and employee performance indicators

Supply chain
- Efficiency of supply chain
- Supply chain transformation
- Quick evaluation of supply chain process

Increasing the success of projects and programs
- Feasibility studies
- Cost-benefit analyses
- Support in setting up a Project Office or improving project and program management methodology
- Management and successful implementation of organizational changes
- Evaluation of project management
- Review of the project viability
- Review after project completion

Corporate governance and risk management
- Corporate risk management
- Transformation of risk management
- Developing a risk management strategy
- Assessment, design, implementation and evaluation of the risk management system

Internal audit
- Internal Audit 2.0
- Co-sourcing or complete outsourcing of internal audit
- Quality assessment of internal audit
- Training of internal auditors
- Support for specific internal audits
- Data analysis

Internal controls
- Risk assessment and risk management
- Implementation and evaluation of internal controls system
- Assessment, design and implementation of internal controls
- Assessment of compliance with SOX and similar acts
- Contract risk management
- Implementation and evaluation of segregation of duties
- Continuous process monitoring

If companies want to succeed in the current business environment, they must improve in three key areas:
- Achieving increased market share through improved customer satisfaction and innovation
- Achieving customer satisfaction more profitably than their competition through business process innovation, business models innovation and reduction of the associated risks
- Attracting and retaining the best people to support this change

We strive to provide our clients with sustainable results in all three categories.

Our business consultants have expertise in these areas thanks to their experience gained in working with the best companies and organizations in their field. Our teams are a combination of interdisciplinary competencies in various sectors. In addition, we use EY’s global reach to utilize the full range of capabilities and experience.
Advisory Services

Financial Services Advisory
Model and process development and validation
- Models for measuring risk (PD, LGD, EAD)
- Stress testing
- Development of approval strategies
- Internal audit support
- Operational risk framework

Loan loss provisioning (under IFRS9)
- Support in methodology development
- IFRS 9 impairment validation
- Calculation of loan loss provisions including EY solution implementation and ongoing support

Innovations and analytics
- Online new-to-bank acquisition and scoring
- Association and sequential analysis
- Alternative scoring methods (social networks analysis, psychometric scoring)
- PSD2

Regulatory challenges
- AQR · DIV, Sampling, Credit file review, Challenger model tools
- AnaCredit · requirements design, business process, IT conception and implementation
- GDPR · DPO co-sourcing, personal register implementation

Public Sector Advisory
Governmental audits
- Examination of compliance of management and control systems with legislative requirements (compliance audit)
- Verification of the effectiveness of management and control system for the individual operational programs (system audit, closure audit)
- Verification of eligibility of expenditures on sample of operations (audit of operation)
- Validation of the corrective measures implemented by managing authority (follow-up audit)

Compliance assessments
- Performance of different types of audits and controls, e.g., first-level controls prior to the execution of a financial operation, ex-post-financial controls, on-the-spot checks, public procurement controls
- Verification of project and program implementation, assessing the use of funds during their implementation, monitoring the progress of project and program implementation
- Assessment of compliance with rules defined by legislation, internal guidelines of organizations or mandates between managing authority and intermediate body

Evaluations
- Evaluation of operational programs in the field of thematic evaluation, impact assessment or progress assessment (e.g., fulfillment of EU legislative requirements, achievement of planned outcomes and outputs, support for the development of regions through outputs of the program, impact on living standards and development of entrepreneurial activities, etc.)
- Evaluation of communication and information activities
- Development of evaluation methodologies, evaluation models and defining evaluation questions, etc.

Advisory services on preparation, management and evaluation of projects / programs within the implementation of the European Structural and Investment Funds
- Preparation of methodological documents necessary for the implementation of operational programs (internal regulations, internal guidelines, internal manuals of procedures, etc.) at the level of managing authorities or guidance for beneficiaries on project implementation
- Preparation of strategic documents, e.g. in the field of communication
- Proposal for revision of the operational program including proposal for reallocation of funds
- Analysis of AS-IS state, definition of recommendations and design of future TO-BE state in the field of organizational processes, administrative capacities, etc.
Transaction Advisory Services

Transaction Advisory Services respond to the needs and specifics of our clients at every life-cycle stage of their business. We offer our clients the support in their strategic decisions and transactions shaping their companies, as well as in their operational management including daily business activities, working capital management and cash flow management.

EY Transaction Advisory Services in Slovakia can also channel the resources and experience with transactions in various markets and industries using more than 13,000 professionals working at EY all around the world.

We provide our clients with the following services:

**Capital and debt advisory**
Difficulties our clients have to deal with, are most often related to capital. We can help you analyse your financing options, optimal debt and equity structures and support you in the fundraising process, as well as negotiations with the potential lenders.

**Mergers and Acquisitions**
We can help you assess the strategic fit of any target by evaluating potential synergies, planning and structuring the transaction, assisting in negotiations and financial models, and, once the transaction is finalized, we can support in delivery of synergies and effective business integration.

**Distressed Corporate Advisory**
Each distressed scenario has its own individual causes and remedial actions. We offer a broad range of services that are tailored to your situation to help you evaluate your opportunities, put together the most effective restructuring plan and support you in negotiations with your creditors.

**Transaction support**
A transaction is one of the most complex and risky business propositions an organization can undertake. Having the right advice, from deal assessment through to execution and post-integration advice, will help determine if the deal is right for you.

**Operational transaction services**
Our team helps you navigate through challenges related to operational efficiency and value creation surrounding transaction process whether supporting you as a buyer or seller.

**Valuation & Business modelling**
The process of determining the current worth of an asset requires solid base and robust assumptions.

Our experienced professionals bring excellence in accounting, taxation, and financial due diligence to provide you with valuation advice for a multitude of purposes. In addition, our business modelling professionals can help you carry out the model review, model support and model-build activities you need to make key decisions and improve your strategic outcomes.
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