KPMG

Investment in Slovakia

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May 2017

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SARIO
SLOVAK INVESTMENT AND
TRADE DEVELOPMENT AGENCY

Chapters 2 and 3 were prepared in cooperation with Slovak Investment and Trade Development Agency.

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Contents

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Investing in a new country always opens up many options, nuances and opportunities. Even the most experienced of us will need a solid foundation to feel truly confident every step of the way.

Choosing a new country could be a puzzle in itself with many things to consider. Of course, we could talk for hours about the benefits of Slovakia's geographical location, country's welcoming tax environment or just broader business establishment conditions. What I would like to highlight, however, is the people. The pool of talent in this country is truly impressive. The desire to learn new things and acquire new skills is limitless. I am convinced that here, in Slovakia, you will be able to build a true team.

We prepared this booklet with one goal in mind: to provide essential background information, which would serve as a guide for your preliminary planning efforts. We hope that it will serve as a solid starting point for your additional research when it comes to areas particularly relevant for you and your business.

In case you have any questions along the way or would like to find out more about what KPMG can do for you and your business, please, do not hesitate to contact my colleagues or me directly at kennethryan@kpmg.sk.

We look forward to meeting you in Slovakia!

Kenneth Ryan

Kenneth Ryan
Managing Partner
KPMG in Slovakia

Bratislava castle from the right side of Danube river

1

Why Slovakia?

Investment in Slovakia

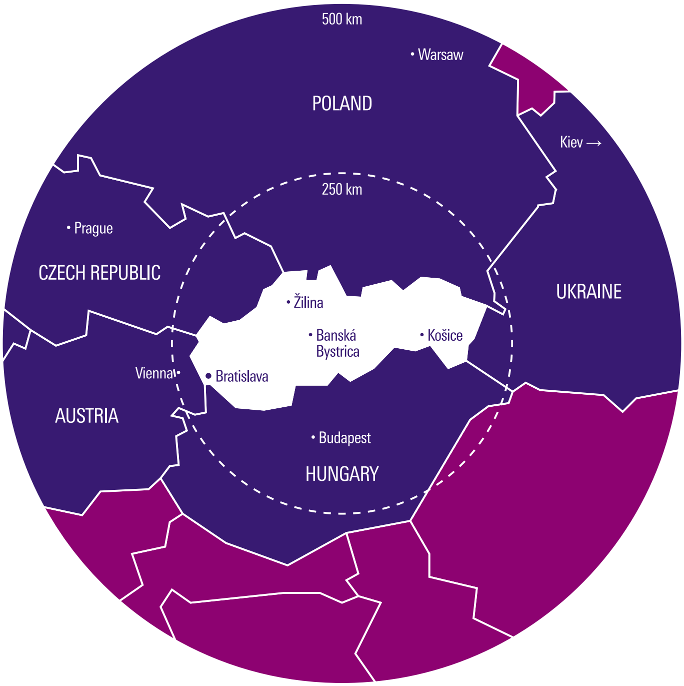
Welcome to Slovakia, the Centre of Europe.

Thanks to Slovakia's central location, you can easily travel for business or leisure activities from Bratislava, Slovak capital, to neighbouring European capitals such as Vienna, Austria (65 km/41 miles); Budapest, Hungary (201 km/126 miles) or Prague, Czech Republic (331 km/207 miles). Slovakia has activities for everyone. You can ski in the mountains in the north, relax in the numerous spas in the west, or enjoy the exciting nightlife in Bratislava. You may prefer going east to see wooden churches from the 17th and 18th century, or wine tasting in one of the oldest wine regions in Europe. You'll find everything you're looking for in Slovakia!

General Information

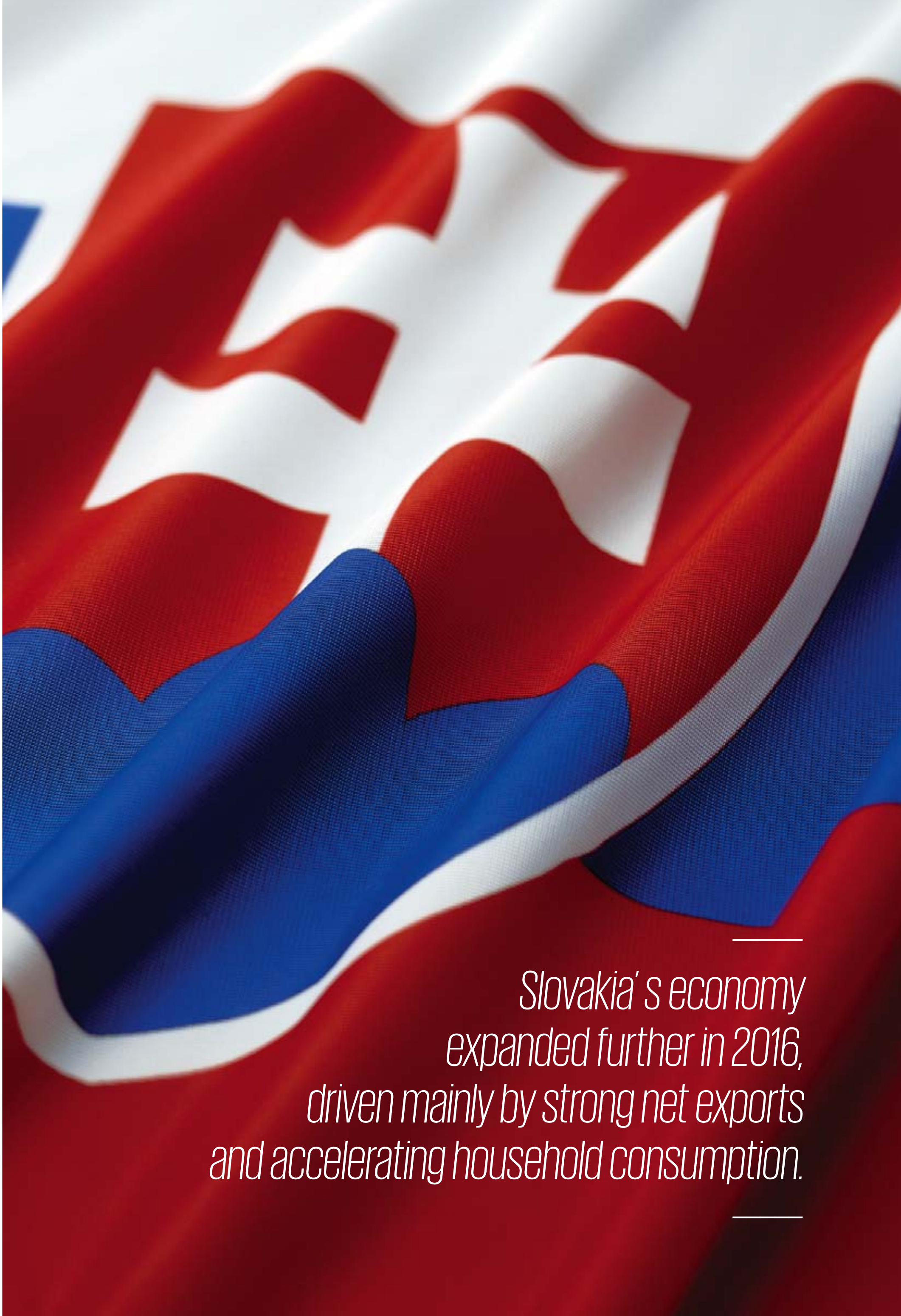
table 1

Official name	Slovak Republic
Area	49,035 km²
Population	5.4 mil.
Capital	Bratislava
Regions	Bratislava, Trnava, Trenčín, Nitra, Žilina, Banská Bystrica, Prešov, Košice
Member of	EU, Euro Area, Schengen Area, OECD, WTO, NATO, etc.
Currency	Euro
Time zone	GMT + 1 hour
Type of government	Parliamentary system
Official language	Slovak
Electoral system	Proportional representation
Proportional representation	4 years (Parliament), 5 years (President)



Slovakia Offers

- Safe investment environment – political and economic stability
- Favourable geographic location with great export potential
- EU Membership since 2004
- Schengen zone member
- Euro currency since January 1, 2009
- One of best conditions for doing business in CEE
- CEE leadeship in labour productivity and belongs to OECD Top 10 hard-working countries
- Large selection of industrial land and offices ready for purchase/lease
- Excellent telecommunication infrastructure
- Quality rail services for passengers and freight
- Trans-European water transportation via the Danube



Slovakia's economy expanded further in 2016, driven mainly by strong net exports and accelerating household consumption.

2

Facts about Slovakia

Economy

Macroeconomic Figures

More than fifteen years ago, Slovakia embarked on an ambitious plan of deep structural reforms with a vision to become one of the best business locations in the European Union (EU). Today, Slovakia is a full member of the EU, NATO, OECD, Eurozone and Schengen Area.

Slovakia adopted the euro on January 1, 2009 and thus became the 16th member state of the Eurozone. This was thanks to the country's sustainable development and good inflation forecasts. The official exchange rate was SKK 30.1260 to the Euro.

Slovakia's economy expanded further in 2016, driven mainly by strong net exports and accelerating household consumption. Economic activity is expected to continue growing at a solid pace over the forecast horizon, providing further support to the labour market through sustained job creation. According to EUROSTAT inflation is set to turn positive in 2017 after three years of declining consumer prices.

An acceleration in food and services prices is set to become the main driver of the overall price recovery, allowing CPI inflation to rise to 0.9 % in 2017.

The government deficit is projected to decrease steadily.

According to EUROSTAT inflation is set to turn positive in 2017.

table 2

	Real GDP Growth	Inflation (HICP)	Registered level of un-employment	SKK/EUR*	Export in EUR billion	Nominal wage inflation (conversion rate)
2003	4.7 %	8.4 %	15.2 %	41.49	19.4	6.3 %
2004	5.2 %	7.5 %	14.3 %	40.05	29.6	10.1 %
2005	6.5 %	2.8 %	11.6 %	38.59	32.9	9.2 %
2006	8.5 %	4.3 %	10.4 %	37.25	40.9	8.6 %
2007	10.4 %	1.9 %	8.4 %	33.78	47.3	7.4 %
2008	6.4 %	3.9 %	7.7 %	31.29	49.5	8.1 %
2009	- 4.7 %	0.9 %	11.4 %	30.126**	39.7	3.0 %
2010	4.0 %	0.7 %	12.5 %	30.126**	48.3	3.2 %
2011	3.3 %	4.1 %	13.6 %	30.126**	56.4	2.2 %
2012	3.4 %	3.7 %	14.4 %	30.126**	62.1	2.4 %
2013	0.9 %	1.5 %	13.5 %	30.126**	64.2	2.4 %
2014	2.5 %	- 0.1 %	12.3 %	30.126**	64.7	4.1 %
2015	3.6 %	- 0.3 %	10.6 %	30.126**	67.9	2.9 %
2016	3.3 %	- 0.5 %	9.7 %	30.126**	70.1	3.3 %

* *Average yearly exchange rate / Note: Amount in EUR was calculated with the average exchange rate in the respective year.*

** *Official since 1. 1. 2009*

Source: The Statistical Office of the Slovak Republic (www.statistics.sk); EUROSTAT (www.ec.europa.eu/eurostat); Slovak National Bank (www.nbs.sk); Central Office of Labour, Social Affairs and Family (www.upsvar.sk); Ministry of Economy of Slovak Republic (www.economy.gov.sk), 2017

GDP Growth Forecast

Booming investment in the automotive and machinery industry and an expected increase in public investment spending, including large infrastructure projects such as the Bratislava ring road, strengthen the outlook.

table 3

%	Slovakia	Czech Rep.	Hungary	Poland
2017 f	2.9	2.6	3.5	3.2
2018 f	3.6	2.7	3.2	3.1

Source: Eurostat (www.ec.europa.eu/eurostat), 2017

Country Credit Ratings

Slovakia is generally recognized as an open market economy, which is able and willing to pay its liabilities. The following table shows the various credit ratings for CEE countries. Slovakia has maintained its positive momentum, which is a great advantage for foreign investors, as it means that Slovakia, its banks and companies are in a strong financial position and are able and willing to repay their debts.

CEE Country Credit Ratings Comparison *table 4*

Country	Standard & Poor's	Moody's	Fitch
Slovakia	**A+ Stable**	**A2 Stable**	**A+ Stable**
Hungary	BBB- Stable	Baa3 Stable	BBB- Stable
Poland	BBB+ Stable	A2 Negative	A- Stable
Czech Republic	AA- Stable	A1 Stable	A+ Stable

Source: Trading Economics (www.tradingeconomics.com), Moody's (www.moodys.com), Fitch (www.fitchratings.com), National Bank of Slovakia (www.nbs.sk), 2017

Ease of Doing Business

Slovakia ranks regularly among top 35 countries worldwide in the Doing Business Report by the World Bank Group. The Ease of doing business ranking from 1 to 189 is an index, ranking the effect of countries' regulatory environment being conducive to operating a business.

2017 ranking includes ten areas of the life of a business:

- starting a business;
- dealing with construction permits;
- getting electricity;
- registering property;
- getting credit;
- protecting minority investors;
- paying taxes;
- trading across borders;
- enforcing contracts and resolving insolvency.

Slovakia According to the 2017 Doing Business Report Did Following Improvements Last Year

Paying Taxes

Paying taxes is less costly and easier by reducing the motor vehicle tax and the number of property tax payments.

Ease of Doing Business – Country Ranking *table 5*

Rank	Country
24.	Poland
27.	Czech Republic
33.	**Slovakia**
36.	Romania
39.	Bulgaria
41.	Hungary

Note: 2009 – 2013 Slovakia ranked the first among mentioned countries in the region.
Source: Doing Business Report 2017, World Bank, www.doingbusiness.org

International Companies Which Already Invested in Slovakia

Many global companies are already reaping the rewards of their decision to invest in Slovakia. The most significant industries in Slovakia are automotive and electronics. Because of availability of skilled workforce many successful international companies have also chosen Slovakia for their international service centres.

Here is the list of selected international companies which have already made the smart choice to invest in Slovakia ordered by the origin of mother company.

Slovakia ranks the seventh in the world in terms of ease of registering property.

table 6

United Kingdom
- Marcus Evans
- Jaguar Land Rover
- Arlington Automotive
- Insignia

Denmark
- Danisco
- e-l-m Kragelund
- Unomedical

Switzerland
- Datamars
- ERNI
- Holcim Business Services
- Schindler
- Swiss RE
- Glas Trösch Holding
- Oerlikon

USA
- Accenture
- Amazon
- AT&T
- DELL
- Emerson
- Hewlett Packard
- Honeywell
- IBM
- Johnson Controls
- Kraft Foods
- On Semiconductors
- Sauer Danfoss
- Sykes Slovakia
- US Steel
- Whirlpool

Brasil
- Embraco

Germany
- Allianz Business Services
- Ariba
- BASF
- Continental
- Henkel
- HYDAC Electronic
- Siemens
- T-COM
- T-systems
- Volkswagen
- OSRAM
- Air Berlin
- ZF
- Schaeffler
- Valliant
- Continental Matador Rubber

Austria
- Austrian Airlines
- GG Cables and Wires
- ZKW

Belgium
- BEKAERT
- DECRAN

Finland
- KONE

Italy
- Magneti Marelli

Australia
- Howe

Norway
- Itera
- Vissim

Taiwan
- AU Optronics

Republic of China
- Lenovo
- Yanfeng
- Leyard Europe
- Leader Light

France
- PSA Peugeot Citroen
- GEFCO
- Alcatel

Japan
- Aoki Seiki
- Akebono
- Mitsui Sumitomo
- Panasonic
- Sony
- Yazaki
- Cosmo Electronics

Netherlands
- Brakel
- Donaldson
- Inalfa Roof Systems

South Korea
- Coavis
- Hyundai
- KIA Motors
- Samsung
- Sungwoo Hitech
- Daejung Europe

Spain
- Fagor
- O2
- Soitron
- Funderia Condals
- Gestamp

Source: Slovak Investment and Trade Development Agency, www.sario.sk

Observatory, High Tatras

3

Labour Market

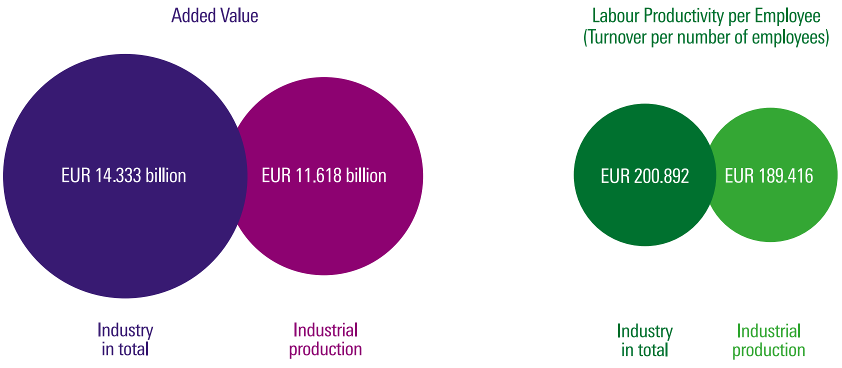
Investment in Slovakia

Productivity

Slovakia is one of the regional leaders regarding labour productivity, expressed either as per hour worked or per person employed. Labour productivity is expressed as GDP per hour worked. In comparison with the Czech Republic, Poland, Hungary, Romania and Bulgaria, Slovakia holds first or second position in labour productivity over the long term.

Labour Productivity per Hour Worked *graph 1*

Source: Slovak Statistical Office – DataCUBE Labour Productivity per Employee
www.statdat.statistics.sk, 2017



According to OECD Slovakia belongs to TOP 10 in the ranking of hard working countries.

Wages in Slovakia

Wages in V4 – Average monthly wage and labour costs in 2016 *table 7*

	Slovakia	Czech Rep.	Poland	Hungary
Average monthly wage (EUR)	912	1.007 [1]	928	844
Local currency	912	27,220 CZK	4,047 PLN	263,171 HUF
Exchange Rate [2]	–	27.029	4.3632	311.44
Social security paid by employer [3]	35.2 %	34.0 %	19.21 % – 23.91 %	28.5 %
Total Monthly Labour [4] Costs (EUR)	1,233	1,349	1,106 – 1,150	1,085

Source: National Statistical Offices of Czech Republic, Hungary, Poland, Slovakia, 2017

The average monthly wage in Slovakia continues to be low compared to Western Europe. According to the data from the Slovak Statistical Office, the average gross monthly wage in 2016 was EUR 912. The official minimum monthly wage as of January 1, 2017 is EUR 435, and the minimum hourly wage is EUR 2.50. The minimum monthly wage is expected to be increased to EUR 460 in 2018.

Wages can also vary significantly depending on the region and industry. E.g. the machine operator in the manufacturing gets on average the gross monthly wage of EUR 633[5] , but service engineer in the same industry earns on average EUR 1,440. Professionals earn substantially more, e.g. the average monthly wage of IT consultant was EUR 1,837 in 2016. Members of top management are evaluated even higher, the average wage of HR Manager is currently in Slovakia EUR 2,697.

1 *The average monthly wage in Czech Republic in the table refers to Q3 2016, since the update for the whole year 2016 has not been published yet.*

2 *Exchange rates indicated in the table refer to average exchange rates of the year 2016 provided by European Central Bank (www.ecb.europa.eu)*

3 *Social security contribution paid by employer in Poland: Social security tax, KMPG.*
Social security contribution paid by employer in Hungary: Comparative Social Security Benefits Study, Deloitte.

4 *Total monthly labour costs are calculated based on social security contributions paid by employer.*

5 *Source: www.platy.sk*

Wages by Regions

table 8

	2010	2011	2012	2013	2014	2015	2016
Slovakia	769	786	805	824	858	883	912
Bratislava region	991	1,001	1,029	1,049	1,107	1,122	1,322
Trnava region	705	735	736	745	772	799	938
Trenčín region	657	687	724	750	779	812	909
Nitra region	636	662	661	680	705	736	860
Žilina region	686	707	726	732	750	786	920
Banská Bystrica region	635	652	675	706	730	751	866
Prešov region	594	608	613	636	657	683	800
Košice region	716	726	735	758	775	803	947

Source: The Statistical Office of the Slovak Republic, www.statistics.sk, 2017

Unemployment

The unemployment rate declined in 2016 compared to previous year and according to EUROSTAT outlook it is set to fall further to some 8 % in 2018, reflecting the continued economic expansion. There are substantial regional differences and e.g. in the Bratislava and Trnava regions the figures are much lower.

Regional Unemployment Rates in Slovakia

table 9

%	2010	2011	2012	2013	2014	2015	2016
Slovakia	12.46	13.59	14.44	13.5	12.29	10.63	9.48
Bratislava region	4.63	5.41	5.72	6.17	6.13	5.34	4.90
Trnava region	8.17	8.88	9.43	9.16	8.03	6.71	5.46
Trenčín region	9.51	9.95	10.89	10.74	9.56	7.71	6.66
Nitra region	11.76	13.27	14.08	12.52	11.21	9.71	8.30
Žilina region	10.86	11.91	12.79	12.51	10.91	8.86	7.44
Banská Bystrica region	18.86	19.83	20.81	18.26	17.22	14.94	13.63
Prešov region	17.75	18.95	20.66	19.35	17.45	15.50	14.47
Košice region	16.78	18.76	19.58	17.23	15.92	14.39	13.25

Source: The Statistical Office of the Slovak Republic, www.statistics.sk, 2017

Education

According to SARIO (The Slovak Investment and Trade Development Agency) calculations based on EUROSTAT and OECD data, more than 90 % of the Slovak workforce has secondary or higher education - this is one of the highest of all European countries. Furthermore, the share of people with university education is on the rise. The 2.4 million-strong workforce has a strong tradition in engineering and mechanical production. Foreign companies frequently praise the motivation and abilities of Slovakia's workers, who also have good language and computer skills.

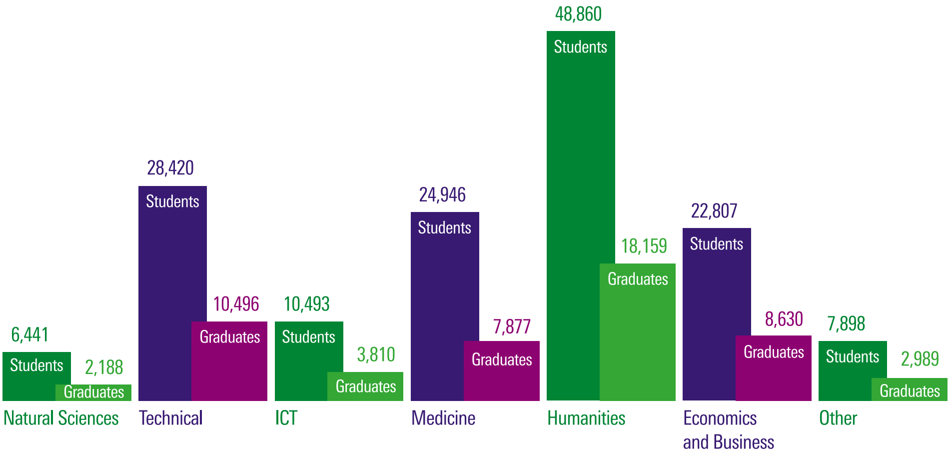
Primary & Secondary Schools

According to the data provided by Slovak Centre for Scientific and Technical Information, in the academic year 2016/2017, there were 429,818 students enrolled to Slovak primary schools and 209,416 to secondary schools (ref. to high schools, conservatories and vocational schools).

University Education

There are 36 universities across the country. During the academic year 2016/2017, there were 151,316 students enrolled to Slovak universities. In the academic year 2015/2016; 53,495 were graduated completing their Bachelor, Master or PhD. studies.

Subject of Studies at the Universities *graph 2*



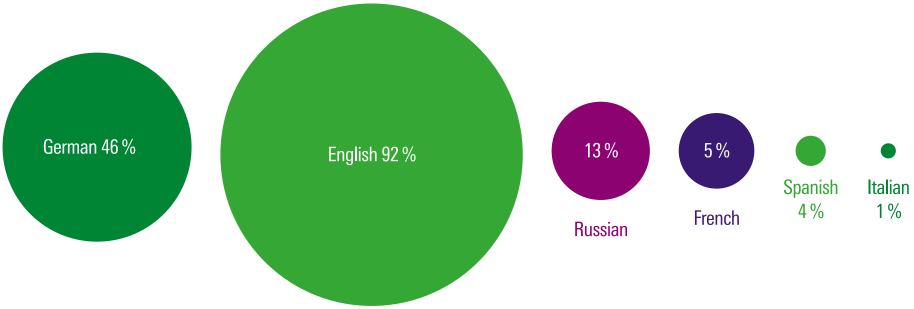
Source: Slovak Centre of Scientific and Technical Information, www.cvtisr.sk, 2017

Language Skills

Slovakia is an export-oriented economy that offers a workforce with a high degree of language skills. English is the most common foreign language spoken, followed by German due to Slovakia's proximity to Austria and Germany. The percentage of people speaking foreign languages has resulted in an inflow of multilingual technology and shared service centres. Slovaks are mostly taught a foreign language from elementary school age and subsequently they deepen their language knowledge (or start learning a language) at secondary school.

The following table shows the most common foreign languages taught in Slovak secondary and vocational schools.[6]

graph 3

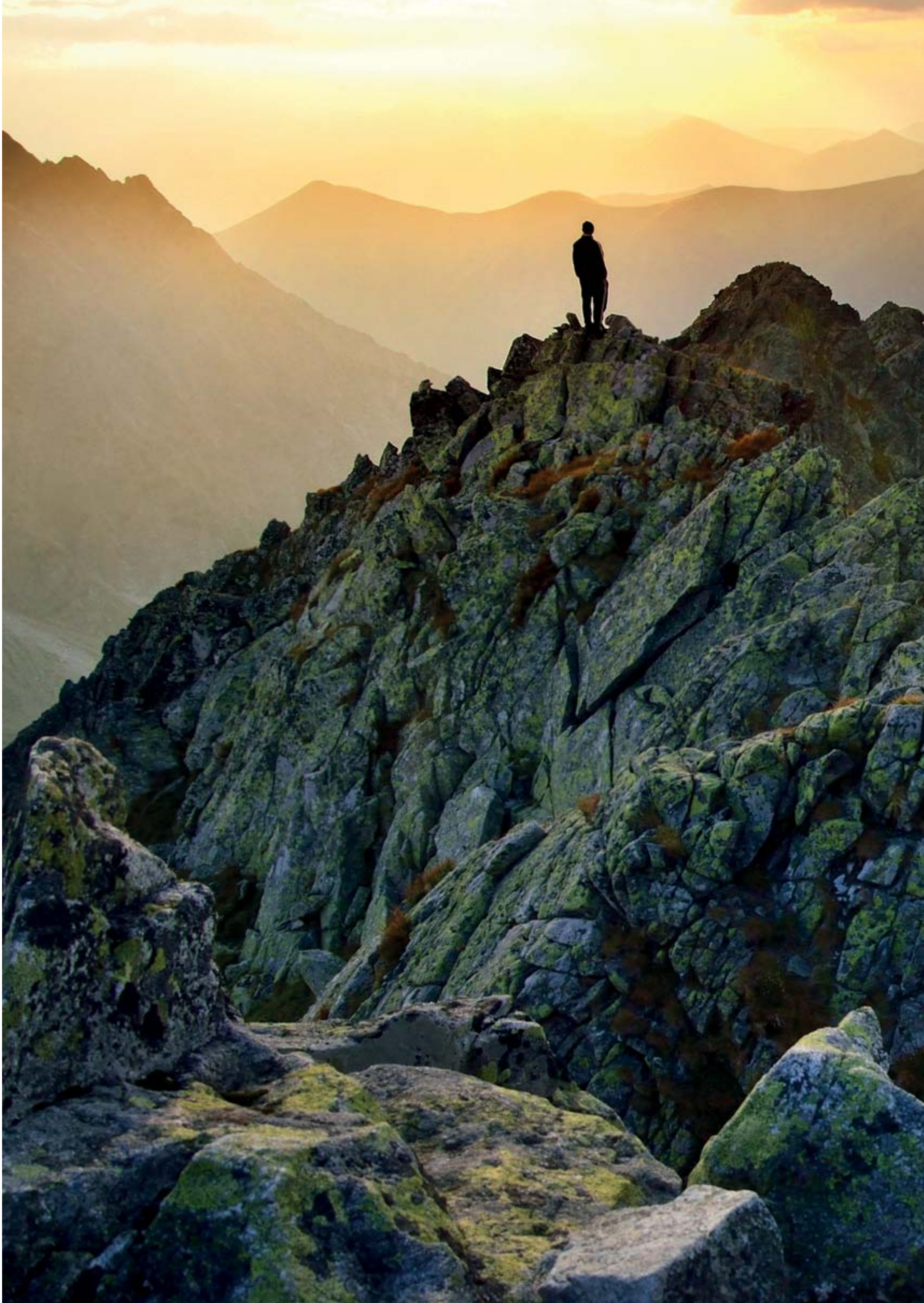


Source: SARIO (www.sario.sk), EUROSTAT (www.ec.europa.eu/eurostat), Centre of Scientific and Technical Information (www.cvtisr.sk), 2017

According to EUROSTAT, in Slovakia 99 % of students in general upper secondary education[7] learn a foreign language, although they are mostly taught a foreign language from elementary school age. English is the most spoken language, followed by German and Russian.

6 *Since the requested data about percentage of people speaking foreign language are not available, we provide you with the percentage of students learning particular foreign language.*

7 *Upper secondary education typically begins at the end of full-time compulsory education.*


Sunset in High Tatras

4

Investment Aid

Investment in Slovakia

Eligible Projects

Under the Slovak Act on Investment Aid the following four types of investment projects may be granted the investment aid:

- Industrial production;
- Technological centres;
- Shared service centres;
- Tourism centres.

Eligible Costs

Companies have the option to calculate the investment aid amount on basis of the investment costs related to the investment project or the gross wage costs of the new jobs associated with the investment project (gross wage costs over a two year period).

Eligible investment costs attributable to investment aid are costs of:

- land acquisition;
- buildings acquisition;
- technological equipment and machinery acquisition;
- intangible fixed assets – licenses, know-how, etc.;
  however only from third and unrelated parties.

All production and technology equipment which will be included in the eligible costs must be new (never depreciated), acquired under market conditions and manufactured not more than two years prior to the start of its operation.

Under the Investment Aid Act, investors can apply for:

- investment grants;
- corporate tax relief;
- new job grants; and
- the option to acquire a property from the public authorities at a price lower than market value.

Investment aid granted by the Slovak Government is considered regional aid and must therefore be fully compatible with EU regional aid regulations. There are many detailed provisions and exceptions that need to be taken into account when applying for investment aid.

Rules for Obtaining Investment Aid

The following rules for obtaining aid should be taken into consideration:

- The investment aid amount is expressed as a percentage of the eligible investment expenditure, which varies from 25 % to 35 % in different regions. Companies in the small and medium sized enterprises sector may receive even higher aid amounts;
- The percentages are based on the regional aid map for Slovakia which is determined by the European Commission. The maximum percentage (intensity ceiling) is set to 35 % for Central and Eastern Slovakia respectively and to 25 % for Western Slovakia. Investments in the Bratislava region are not eligible for investment aid;
- The aim of the Slovak authorities it to guide new investments to high unemployment regions;
- It is current practice that the total aid cannot exceed between EUR 20,000 and EUR 30,000 per new job, irrespective the above thresholds however recently approved projects exceeded this informal ceiling. Therefore it is advisable to discuss the investment aid package before filing any request for aid;
- An eligible investment project must create at least 40 new jobs (10 new jobs for the least developed regions) and these jobs must be kept for at least a five year period (a similar condition applies for the investment project);
- In case the investment project refers to an expansion the turnover or volume of production must increase at least by 15 %;
- The investment project cannot start before the submission of the investment aid application to the Ministry of Economy of the SR or the Ministry of Transport for projects in tourism;
- The investor must report (yearly) about the investment project during the investment project and the five year period following completion. Crucial is that the actual investment amount equals to at least 85 % of the projections and the actual number of the new jobs to 90 % of the projections;
- There is no automatic entitlement to investment aid under this legislation in Slovakia, and all investment aid needs to be approved by the Slovak Government.

Further, investors may apply for subsidies under the EU Structural Fund programs. New programs are set up for the period 2014-2020. Note that most funds will be destined for local and regional support to improve infrastructure, health care, etc. Many schemes under the EU structural fund programs will also be aimed at small and medium sized businesses. However, some programs may be eligible for large companies. Further substantial EU funds will be made available for research and innovation (Horizon 2020).

Key Conditions for Different Types of Investment Projects

table 10

Shared services centres			
Min. investment amount	**% of own equity ***	**Min. number of new jobs**	**Other condition**
EUR 400,000	50 %	At least 40 new jobs	At least 60 % of new jobs must require university education
Technology centres			
Min. investment amount	**% of own equity ***	**Min. number of new jobs**	**Other condition**
EUR 500,000	50 %	At least 30 new jobs	At least 70 % of new jobs must require university education
Tourism			
Unemployment rate	**Min. investment amount**	**% covered by own equity ***	**% of new technology equipment ***
Lower than Slovak average	EUR 10 mil.	50 %	40 %
Higher than Slovak average	EUR 5 mil.	50 %	20 %
Higher than 135 % of Slovak unemployment rate	EUR 3 mil.	50 %	20 %

Industrial Production

Minimum Investment Amounts for Industrial Production *table 11*

The minimum investment amounts depend on the unemployment rate in the district where the investment is targeted.

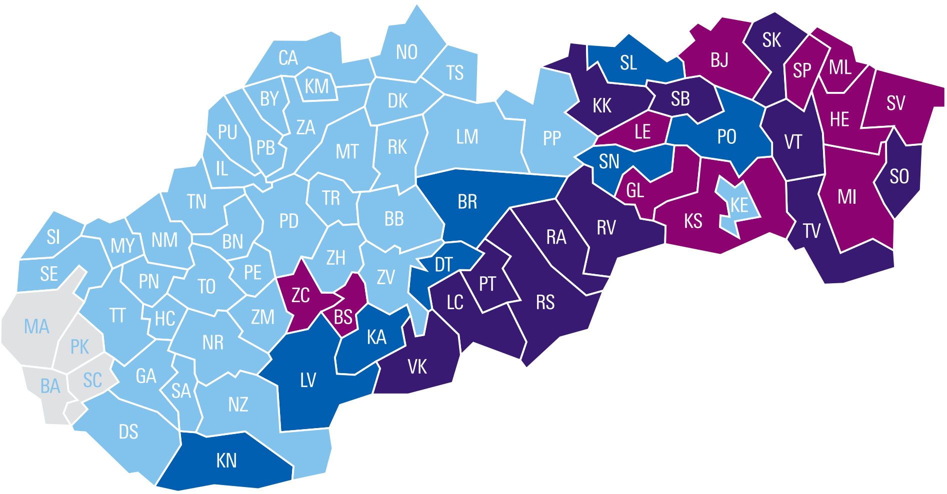
Average unemployment rate (UR)	Minimum investment amount	% of own equity *	% of equipment	Minimum number of new jobs
Below average in SK	EUR 10 mil.	50 %	60 %	40
Above average in SK	EUR 5 mil.	50 %	50 %	40
Above 135 % of average	EUR 3 mil.	50 %	40 %	40
Least developed districts	EUR 0.2 mil.	50 %	30 %	10

** From the minimum investment amount.*

UR – unemployment rate in the year preceding the year in which the investor will request for investment aid – see map. In case the company will invest at least EUR 200 mil. different requirements will apply. In case of small and medium size companies the minimum investment amounts and the ratio of own equity are ower by 50 %.

Minimum Investment Amounts – Classification by Districts *graph 4*

Valid from January, 1, 2017.

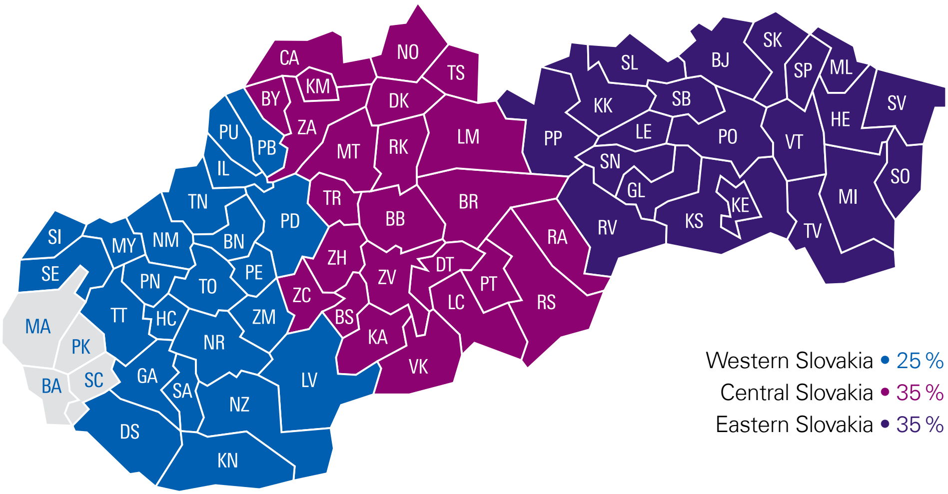


Note: Districts in Bratislava region are excluded from the investment aid scheme.

Maximum Investment Aids *table 12*

	Western Slovakia	Central Slovakia	Eastern Slovakia
Cash grants	25 %	35 %	35 %
Income tax relief	25 %	35 %	35 %
Transfer of property	25 %	35 %	35 %
New jobs grant	Ref. to separate table on the p. 34		
Max. investment aid (Total)	25 %	35 %	35 %

Maximum Intensities of Investment Aid – Classification by Districts *graph 5*



Note: Districts in Bratislava region are excluded from the investment aid scheme.

Maximum Contributions per 1 New Job Created

Industrial Production

table 13

Unemployment rate	Western	Central	Eastern
Zone A	EUR 15,000	EUR 30,000	EUR 30,000
Zone B	EUR 6,000	EUR 10,000	EUR 10,000
Zone C	EUR 5,000	EUR 9,000	EUR 9,000
Zone D	-	-	-

Shared Service Centres

table 14

Unemployment rate	Western	Central	Eastern
Zone A	EUR 18,000	EUR 30,000	EUR 30,000
Zone B	EUR 6,000	EUR 6,000	EUR 6,000
Zone C	EUR 6,000	EUR 6,000	EUR 6,000
Zone D	EUR 6,000	EUR 6,000	EUR 6,000

Technology Centres

table 15

Unemployment rate	Western	Central	Eastern
Zone A	EUR 30,000	EUR 30,000	EUR 30,000
Zone B	EUR 10,000	EUR 10,000	EUR 10,000
Zone C	EUR 10,000	EUR 10,000	EUR 10,000
Zone D	EUR 10,000	EUR 10,000	EUR 10,000

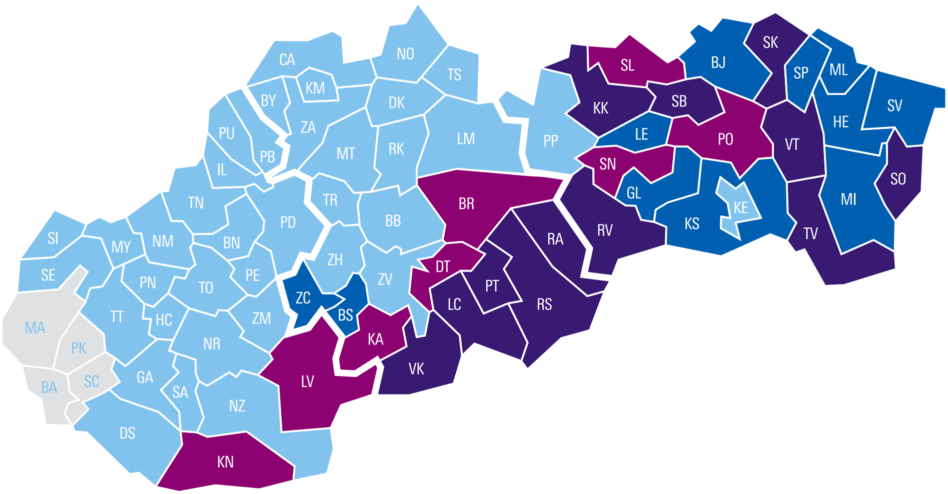
Tourism

table 16

Unemployment rate	Western	Central	Eastern
Zone A	EUR 30,000	EUR 30,000	EUR 30,000
Zone B	EUR 6,000	EUR 10,000	EUR 10,000
Zone C	EUR 5,000	EUR 9,000	EUR 9,000
Zone D	-	-	-

Maximum Contributions for New Jobs – Under Gov. Regulation Nr. 219/2015 Coll. *graph 6*

Valid from January, 1, 2017.



Note: Districts in Bratislava region are excluded from the investment aid scheme.

The most important factors in foreign direct investment are... location, location, location. Investment incentives only seal the deal.

Panorama Landscape with River Hron

5

Business Law

Investment in Slovakia

One of the fundamental laws in this area is the Commercial Code. The Commercial Code regulates business (entrepreneurial) activities that are defined therein as systematic activities conducted independently by an entrepreneur (either an individual or legal entity), in their own name and under their own responsibility for the purpose of making a profit.

Types of Business Entities

Slovak commercial law provides various options for the structure of business entities in Slovakia, all of which (excluding trade business) require registration with the relevant Commercial Register:

- Trade Business;
- General Partnership;
- Limited Partnership;
- Co-operative;
- Simple Joint-Stock Company;
- Limited Liability Company;
- Joint-Stock Company;
- Enterprise or Organizational branch of a foreign company;
- European Company (or "SE", Societas Europaea);
- European Cooperative Society;
- European Economic Interest Group.

Generally, foreigners can conduct business in Slovakia under the same conditions and to the same extent as Slovak citizens. Foreigners can therefore establish a Slovak legal entity and can become a sole partner or a member/shareholder of any legal entity.

Company	General information
Trade Business	Trade is a systematic activity pursued independently, in own name, on own responsibility for the purpose of making profit and under the conditions provided by the Act on Trade Business.
General Partnership "verejná obchodná spoločnosť" or the abbreviation "v.o.s." or "ver. obch. spol."	A company in which at least two persons carry out business activities under a common business name.
Limited Partnership "komanditná spoločnosť" or the abbreviation "k.s." or "kom. spol."	A company in which one or more partners are liable for the partnership's liabilities up to the amount of their unpaid contributions to the registered capital (limited partners) and one or more partners are liable for the partnership's liabilities with their entire property (general partners).
Co-operative "družstvo"	The purpose of a co-operative is to undertake business activities or to ensure the economic, social or other needs of its members. The co-operative must have at least five members (natural persons) or at least two members (legal persons).
Limited Liability Company "spoločnosť s ručením obmedzeným" or the abbreviation "spol. s r.o." or "s.r.o."	This is the most common legal form for conducting business in Slovakia. The company exists independently of its members and it may be established either by one person, a natural or legal person, or by two or more persons. However, the company may not have more than 50 shareholders.
Simple Joint-Stock Company "jednoduchá spoločnosť na akcie" or the abbreviation "j. s. a."	The company may be established by the sole founder or by multiple founders without any limitations regarding maximum number of shareholders. The simple joint-stock company may not be established on the basis of invitation for subscription of shares.
Joint Stock Company "akciová spoločnosť" or the abbreviation "a.s." or "akc. spol."	The company may be established by the sole founder (provided that the founder is a legal entity) or by two or more founders. The joint-stock company may be formed by a founder´s deed with obligation to subscribe for all shares, or by a public call for the subscription of shares.
Enterprise or Organizational branch of an enterprise of foreign person ("podnik" or "organizačná zložka podniku zahraničnej osoby")	Foreign persons (both natural and legal) may conduct business in Slovakia provided that they have their business or branch offices located in Slovakia registered with the Slovak Commercial Register.

table 17

Liability	Registered capital	Acting on behalf of the company
The entrepreneur conducting business on the basis of trade is liable for all obligations arising from the trade business.	The entrepreneur does not create a registered capital.	The entrepreneur represents trade business personally
Partners bear joint and several liabilities for the obligations of the company.	The company is not obliged to create registered capital.	Each partner is entitled to act on behalf of the company.
Limited partners are liable up to the amount of their unpaid contributions to the registered capital. **General partners** are liable with their entire property.	A limited partner has to make a contribution to the registered capital of the partnership in the minimal amount of EUR 250.	General partners are entitled to act on behalf of the company individually.
Co-operative is liable for any breach of its obligations with its entire property. The members are not liable for the obligations of the co-operative.	The co-operative must have a listed registered capital in the minimal amount of EUR 1,250.	Board of Directors is entitled to act on behalf of the co-operative and manages the activities of co-operative.
The liability of a shareholder for obligations of the company is limited to the amount of the unpaid shareholder's contribution to the registered capital. The company is liable for the breach of its obligations with its total assets.	The registered capital of the limited liability company must be at least in the amount of EUR 5,000. Minimum contribution for each shareholder is in the amount of EUR 750.	One or more Managing Directors (only natural persons) appointed by the General Meeting.
Shareholders are not liable for the debts and obligations of the company. The company is liable with its total assets for any breach of its obligations.	The registered capital of a simple joint-stock company is at least in the amount of EUR 1 and it is composed of a set number of shares with certain nominal value.	Statutory body of the simple joint-stock company is the Board of Directors.
Shareholders are not liable for the debts and obligations of the company. The company is liable with its total assets for any breach of its obligations.	The registered capital of a joint-stock company is at least in the amount of EUR 25,000 and it is composed of a set number of shares of a certain nominal value.	Statutory body of the joint-stock company is the Board of Directors.
The founder of the enterprise or organizational branch is liable for the obligations of the enterprise or branch.	There are no minimum capital requirements.	Head of the branch.

Trade Licenses

No entity or individual (resident or non-resident) may carry out any ‘for profit’ business activity on a regular basis without having the appropriate trade license (issued by the respective District Office, Department of trade licensing or by the special state authorities) which may be required for a particular business activity.

The Trade Licensing Act distinguishes between free trades (no special qualification required), craftsman trades (specific education required), and regulated trades (special qualification, such as technical certificates and examination required).

Commercial Register

All legal forms of business, including their branches and organizational units must be registered with the Commercial Register. Registration of individual entrepreneurs is voluntary, in general. The respective commercial registers are maintained by competent district courts. A business may only commence operations in Slovakia once the registration formalities have been completed.

Bankruptcy and Restructuring

The Act on Bankruptcy and Restructuring (the “Bankruptcy Act”) applies to the settlement of claims against a debtor who has gone bankrupt. The aim of bankruptcy or restructuring is to satisfy the claims of creditors vis-à-vis the insolvent debtor on a proportional basis. A debtor is in bankruptcy if either insolvent or excessively indebted. A debtor is insolvent if unable to meet at least two financial obligations of more than one creditor for more than 30 days from the maturity date of obligations in question (“cash flow test”).

A debtor is deemed to be excessively indebted if:

- it is required to maintain accounting books according to the Act on Accounting;
- it has more than one creditor; and
- the value of its liabilities exceeds the value of its assets.

Bankruptcy Proceedings

Bankruptcy proceedings are commenced with a petition for bankruptcy filed either by a debtor, its creditors, or by liquidator on behalf of the debtor. In addition, under certain conditions other persons may also file for the bankruptcy. The court will examine the submitted petition, and if the debtor meets the statutory conditions, the court will issue a resolution on the commencement of bankruptcy proceedings within 15 days as of the receipt of petition. Afterwards, the court appoints a preliminary administrator whose role is to ascertain the debtor’s assets and to review its books and records. From such moment the debtor’s rights on disposal with its assets are significantly restricted. The bankruptcy is declared on the basis of findings of the preliminary administrator by the resolution of the court. After bankruptcy is declared the creditors have a period of 45 days to claim their receivables against the bankrupt company at the bankruptcy administrator.

Restructuring

The aim of restructuring is to solve the debtor's insolvency and to simultaneously preserve the operation of debtor's business or its part. If the company is in threat of insolvency or if it is insolvent the debtor is entitled to appoint a restructuring administrator to prepare a restructuring report. The restructuring administrator may recommend the restructuring of the debtor's business under the statutory conditions.

Government Controls

Competition and Antitrust Laws

Under the Commercial Code an unfair competition is defined as behavior which is contrary to standard competition practices and which may be detrimental to other competitors or consumers. The Commercial Code provides with demonstrative list of activities which are deemed as being unfair competition:

- false advertising;
- deceitful description of goods and services;
- conduct contributing towards mistaken identity;
- parasitic use of the reputation of another competitor's enterprise, products or services;
- bribery;
- discrediting;
- violation of trade secret;
- endangering of consumers' health and the environment.

Statutory regulation of other forms of unlawful restrictions of competition and business stipulates that neither legal entities nor individuals may:

- enter into agreements restricting competition;
- abuse a dominant position on the market;
- create economic connections without the prior consent
  of the Antimonopoly Office of the Slovak Republic or the European Commission.

Agreements Restricting Competition

Agreements restricting competition (written, oral or otherwise) actions in concern or decisions of associations of entrepreneurs that aim to or may result in the restriction of economic competition are forbidden. With the introduction of a market economy the former strict price controls were removed and at present most prices are set freely by companies. Only the prices of energy, rents for particular premises and the prices of certain services are still regulated by the law.

Act 136/2001 Coll. on Protection of Economic Competition as amended bans agreements restricting competition subject of which is mainly:

- direct or indirect fixation of prices or other unfair trading conditions;
- an obligation to limit or control production, sales, technical development or investments;
- provisions on division of market or supply sources;
- commitment of the parties to the agreement that in respect to individual entrepreneurs will in case of identical or comparable performance apply different conditions, by which these entrepreneurs are or might be disadvantaged in competition;
- condition to contract by which the contracting parties accept additional obligation, which by their nature or under commercial usage have no connection with the subject to this contract;
- coordination of entrepreneurs in public procurement, public tender or other similar contest in connection with public procurement, public tender or other similar contest.

Abuse of Dominant Position

A dominant position itself is not prohibited by law; however, the abuse of such position is strictly forbidden. A dominant position in the relevant market is held by an undertaking or several undertakings which are not subject to substantial competition or can act independently as a result of their economic power.

The Act on Protection of Economic Competition provides a demonstrative list of conduct by exercising of which the dominant position is abused. It includes:

- direct or indirect application of disproportionate prices or other unfair trading conditions;
- limitation of production, sales and technical development of goods to detriment of users;
- application of dissimilar conditions to identical or comparable performance to individual entrepreneurs by which they are or they may be disadvantaged in the competition, or
- tying consent to conclude contract on condition that the other party will accept additional obligation, which by their nature or under commercial usage have no connection with the subject to this contract.

Control of Concentrations

A concentration is the process of the economic combining of entrepreneurs through:

- a merger or amalgamation of two or more separate entrepreneurs; or
- an acquisition of direct or indirect control by one or more entrepreneurs over another entrepreneur(s) (or part thereof);
- the establishment of a joint venture jointly controlled by two or more entrepreneurs that will in the future permanently operate as an independent economic entity.

Import / Export Controls

Slovakia is a member of the WTO and strives to maintain as high degree of trade freedom as possible. At present the import and export of a limited number of products (such as firearms and other military materials) are subject to licenses issued by the Ministry of Economy of the Slovak Republic.

Certification of Imported Goods

Certain specified products are subject to a mandatory certification procedure when imported into Slovakia. To confirm that imported goods comply with Slovak technical standards, Slovak customs may require a product certificate before goods can be imported into the country. The certificate can be obtained from the relevant office after testing has taken place. However, if the product already has a foreign certificate complying with Slovak standards, only a certificate of conformity is issued without any prior testing of the product.

Foreign Exchange

A business seeking to trade in foreign exchange assets and/or provide foreign exchange services in Slovakia needs to obtain a foreign exchange license from the National Bank of Slovakia. Foreign exchange licenses cannot be transferred to any other person or passed on to a legal successor.

In order to obtain a foreign exchange license it is mandatory to fulfill several notification conditions vis-à-vis the National Bank of Slovakia specified by the Foreign Exchange Act. Cross-border transfers of funds may be performed only through the National Bank of Slovakia or through a licensed foreign exchange dealer (usually a bank) or a special payment system.

Company in Crisis

Under Slovak legislation, a limited liability company, joint-stock company, simple joint-stock company or limited partnership whose general partner is not an individual is considered to be in crisis if such company is either (i) insolvent or (ii) there is a risk of its insolvency. The risk of insolvency is defined as ratio of company´s own equity and liabilities less than 6:100 in year 2017 and ratio of 8:100 in 2018 and subsequent years.

Obligation to Take Preventive Measures

The statutory representative of company in crisis is obliged to act with due and professional care in order to overcome a crisis of the company. The statutory representatives must take all measures that would otherwise be taken by another reasonably diligent person in a similar position in order to overcome the crisis.

Ban on Repayments Substituting Own Equity

The company in crisis may not make repayment of the equity substitution payment. The repayment is banned also in case that company is not in crisis but would get to the crisis by way of the repayment.

The equity substitution payments are defined as credits, loans and other similar payments granted to the company in crisis (or before the crisis, if their maturity has been extended while in crisis) by e. g.:

(i) a member of statutory body, an employee subordinated directly to the statutory body, proxy, a head of the branch, a member of supervisory body;
(ii) a person having a direct or indirect share interest in the amount representing at least 5 % of the registered capital or voting rights in the company, or a person which has the ability to exercise influence over the management of the company, which is comparable to influence corresponding to this share;
(iii) a silent partner of the company;
(iv) a person having relations with the above persons or a person acting on their behalf.

If the payments substituting own are repaid in violation of the ban hereof, such payment must be returned to the company. The claim for repayment of the payment substituting own equity of the company can be brought forth by the shareholders of the company or by third parties (e. g. creditors of the company). The members of the statutory body of the company are jointly and severally liable for repayment executed in violation of the above mentioned ban.

Old Roman-catholic Church of St. Michael the Archangel, Drazovce

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Accounting, Financial Statements and Audit Requirements

effective as of January 1, 2017
Investment in Slovakia

Accounting Regulatory Framework

Slovak accounting standards are governed by the Act on Accounting, which regulates general accounting principles, maintaining and closing the books, asset and liability valuation, profit and loss calculation, financial statements formats and auditing requirements. There are also requirements contained in the Commercial Code and decrees issued by the Ministry of Finance of the Slovak Republic. All consolidated financial statements shall be prepared exclusively according to IFRS as adopted by the European Union ("EU-IFRS").

Additionally all banks, insurance companies, listed companies and certain other large companies are obliged or can select to prepare their individual financial statements according to EU-IFRS (please refer to the below section Preparation and submission of individual financial statements for more details).

Accounting Records

Slovak bookkeeping rules do not differ very much from those commonly employed worldwide (entries are made on a double-entry basis, chronologically and mainly on a historic cost basis and have to be documented). All accounting books and financial statements must be prepared and maintained in Slovak language and in Euro currency (except where companies prepare their financial statements according to EU-IFRS and have a different functional currency).

Accounting Period

Companies may select a 12 month accounting period that may be different from the calendar year. A notice to tax authorities at least 15 days before the intended change of the accounting period or within 30 days from the date of establishment of the company is required.

Categories of Accounting Entities (effective as of January 1, 2017)

A company shall be classified into size groups as follows:

a) a micro-accounting entity;
b) a small accounting entity; or
c) a large accounting entity and public interest entities.

An accounting entity that meets at least two of the following conditions shall be included in the size group of micro-accounting entities:

a) its total assets* did not exceed EUR 350,000;
b) its net turnover did not exceed EUR 700,000 ;
c) its average number of employees did not exceed 10 during the accounting period.

An accounting entity that meets at least two of the following conditions shall be included in the size group of small accounting entities:

a) its total assets* exceeded the amount of EUR 350,000: but did not exceed the amount of EUR 4 mil.;
b) its net turnover exceeded the amount of EUR 700,000: but did not exceed the amount of EUR 8 mil.;
c) its average number of employees exceeded 10, but did not exceed 50 during the accounting period.

An accounting entity that meets at least two of the following conditions shall be included in the size group of large accounting entities:

a) its total assets* exceeded EUR 4 mil.;
b) its net turnover exceeded EUR 8 mil.;
c) its average number of employees exceeded 50 during the accounting period.

Accounting entities shall be classified into a size group on the basis of the fulfilment of the conditions above as of the first date of the accounting period, and the fulfilment of the conditions for two consecutive preceding accounting periods shall be assessed.

***Total assets** are defined as net amounts after adjustments such as accumulated depreciation and value adjustments.

Net turnover is defined as income from the sale of products, merchandise and services after deducting discounts. Net turnover also includes other income, after deducting discounts, in an accounting entity whose scope of activities includes generating income other than income from the sale of products, merchandise and services.

There are simplified requirements for micro accounting entities and small accounting entities with respect to the preparation of the balance sheet, income statement, and notes to financial statements in comparison with large accounting entities.

Public interest entities that are obliged to maintain bookkeeping and prepare financial statements under the Slovak Act on Accounting are always considered large accounting entities. Some public interest entities should prepare their individual financial statements according to EU-IFRS.

For the purpose of the accounting, a public-interest entity is an accounting entity that has issued securities that were permitted to be traded on a regulated market of any member state of the European Union, a bank, branch of a foreign bank, the Export-Import Bank of the Slovak Republic, an insurance company, branch of a foreign insurance company, a reinsurance company, branch of a foreign reinsurance company, a health insurance company, an asset management company, branch of a foreign asset management company, a pension management company, a supplementary pension insurance company, the Stock Exchange, the Central Depository of Securities, a security trader, a payment institution, an electronic money institution, a collective investment entity, a pension fund, branch of a foreign financial institution, and a large commercial company that meets the size criteria for preparation of its individual financial statements according to EU-IFRS.

Summary of Slovak Accounting Principles

Slovak accounting principles are gradually converging with IFRS, although some differences remain. When valuing assets and liabilities and preparing the financial statements, the following major principles apply:

- assumption of the going concern basis;
- use of accruals and matching concepts;
- generally, prudent valuation of each asset item takes place on a cost basis;
  - fixed assets are valued at acquisition cost, net of depreciation;
  - raw materials and merchandise, finished products and work in progress are valued at the lower of cost or net realizable value;
  - cost of inventories may be established either on a specific identification, weighed average or FIFO basis;
  - certain financial investments can be valued based on the equity method;
- value adjustments should be made for impaired fixed assets, financial investments, obsolete and slow-moving inventory and doubtful receivables;
- valuation of creditors and debtors at their nominal amount; if denominated in foreign currency they need to be recalculated into EUR in accordance with the 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 and on the balance sheet date;
- provisions should be made for certain or probable liabilities (being in principle an obligation resulting from past events), when the amount can be reliably estimated;
- consistency between accounting periods. Full disclosure and retrospective correction of significant changes in accounting policies and significant errors directly through equity (insignificant items can be recognized in the current year income statement).

Preparation and Submission of Individual Financial Statements

Financial statements must contain the balance sheet, income statement and notes to the financial statements (including the statement of changes in equity and cash flow statement in case of large accounting entities and public interest entities). The balance sheet and income statement must be prepared on special forms, and the notes must contain information as specified in the decrees issued by the Ministry of Finance of the Slovak Republic.

All companies meeting any two of three size criteria for two consecutive accounting periods (whose total assets and/or turnover exceed EUR 170 mil. and/or whose average number of employees exceeds 2,000 where total assets is defined as gross amounts before adjustments such as accumulated depreciation and value adjustments, net turnover – please refer to the definition above), all banks, insurance companies and certain other companies have to prepare individual financial statements in accordance with EU-IFRS. Additionally, certain companies, for example listed companies and security traders can select to prepare individual financial statements in accordance with EU-IFRS.

The year-end financial statements must be filled to the Register of Financial Statements within the deadline for filing the tax return in electronic form (obligatory for certain companies) or in written form via tax authorities or the electronic filing room operated by the Slovak Financial Directorate.

Annual Report

Companies that must have their financial statements audited (by an independent auditor) must prepare an annual report containing the financial statements for the accounting period and the auditor's report. The branches of foreign banks, branches of foreign insurance companies etc. are not obliged to prepare annual report. The consistency of the annual report with the financial statements must be audited by an independent auditor.

The annual report has to be filed to the Register of Financial Statements within one year of the end of accounting period.

Consolidated Financial Statements

All consolidated financial statements shall be prepared according to EU-IFRS, while those companies whose parent companies prepare consolidated financial statements under EU legislation are exempt from this requirement. The exemption does not apply to a parent accounting entity that is at the same time a subsidiary accounting entity and has issued securities that were permitted to be traded on a regulated market of a member state or a state of the European Economic Area.

A parent accounting entity is not required to prepare consolidated financial statements if, as of the balance sheet date of consolidated financial statements:

a) based on the individual financial statements of the parent accounting entity and the individual financial statements of all its subsidiary accounting entities, at least two of the following conditions are not met:
   1. total net assets of the parent accounting entity and all its subsidiary accounting entities exceed EUR 24 mil.;
   2. net turnover of the parent accounting entity and all its subsidiary accounting entities exceeds EUR 48 mil.;
   3. the average recalculated number of employees of the parent accounting entity and all its subsidiary accounting entities exceeded 250 during the accounting period; or

b) with respect to the consolidated group, at least two of the following conditions are not met after the consolidation of capital, consolidation of mutual relations between accounting entities, consolidation of profit/loss, and consolidation of expenses and income:
   1. total net assets of the parent accounting entity and all its subsidiary accounting entities exceed EUR 20 mil.;
   2. net turnover of the parent accounting entity and all its subsidiary accounting entities exceeds EUR 40 mil.;
   3. the average recalculated number of employees of the parent accounting entity and all its subsidiary accounting entities exceeded 250 during the accounting period.

The exemption due to the size criteria do not apply for a parent accounting entity if it is a public interest entity or if any of its subsidiary is a public interest entity.

Other exemption exists.

All consolidated financial statements must be audited. A parent company is required to prepare a consolidated annual report. The consolidated and individual annual reports can be combined in one annual report.

The consistency of the consolidated annual report with the consolidated financial statements must be audited by an independent auditor.

The consolidated financial statements and the consolidated annual report have to be filed to the Register of Financial Statements within one year of the end of the accounting period.

Audit Requirements

All consolidated financial statements must be audited. Additionally, all listed companies and all companies preparing their individual financial statements according to EU-IFRS must have these financial statements audited. This requirement also applies to other companies (companies that are required to create share capital e.g. joint-stock companies, limited liability companies or a cooperative) if for the preceding accounting period and as of the balance sheet date two of the following three criteria are met:

- total assets of the company exceed EUR 1 mil. (total assets defined as gross amounts before adjustments such as accumulated depreciation and value adjustments);
- net turnover of the company exceeds EUR 2 mil. (net turnover – please refer to the definition above);
- average number of employees exceeds 30 during the accounting period.

The auditor’s report has to be filed to the Register of Financial Statements within statutory deadlines.

The total compliance in case of submitted amended corporate income tax return electronically takes in Slovakia two hours.

Source: The World Bank Group, 2017

Man at work at iron foundry

7

Taxation of Businesses

Investment in Slovakia

Taxation of Businesses

The Slovak tax system comprises of the following taxes:

- Income taxes (personal income tax, corporate income tax);
- Value added tax (VAT);
- Excise duties;
- Motor vehicle tax;
- Municipal taxes (including real estate tax);
- Special levy for regulated entities;
- Bank tax.

Inheritance and gift tax was abolished with effect from January 1, 2004. Real estate transfer tax was abolished with effect from January 1, 2005.

Legal entities that are seated in Slovakia or which place of effective management is seated in Slovakia are generally regarded as tax resident and liable to pay Slovak corporate income tax.

A taxpayer should register with the tax authorities by the end of the month following the month in which permission to conduct business in Slovakia was obtained. Furthermore, a taxpayer should notify the tax authorities of changes in registration by the end of the month following the month in which such changes arose.

Corporate Income Tax

Corporate income tax is levied on legal entities when their seat or their place of effective management is located in Slovakia. Non-resident entities are liable to pay Slovak corporate income tax only on income derived from Slovak sources.

Tax License / Minimum Tax

The taxpayer declaring a tax loss or tax liability under a tax licence (as per below table) is obliged to pay tax license (minimum tax). The amount of the tax license depends on the entity's turnover and whether the entity is a VAT payer. The tax licence relates only to corporate taxpayers.

table 18

VAT position	Annual turnover	Tax license
not a VAT payer	not exceeding EUR 500,000	EUR 480
a VAT payer	not exceeding EUR 500,000	EUR 960
not relevant	exceeding EUR 500,000	EUR 2,880

The tax license is reduced by a half if at least 20 % of the taxpayer's employees are handicapped persons.

The tax license is due within the period for the filing of the corporate income tax return (i. e. by March 31 of the following year if the deadline is not extended). A positive difference between the actual tax liability and the tax license may be offset against future tax liabilities in excess of the amount of the tax license. Such offset can be performed in the consecutive three tax periods following the tax period in which the tax license was paid.

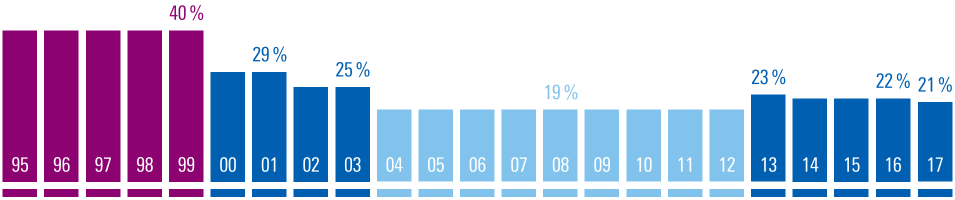
Several exemptions may apply. The tax legislation stipulates which taxpayers are not obliged to pay the tax license. Tax licenses are abolished starting from January 1, 2018. Companies will pay last tax license for year 2017, if their taxable period is a calendar year. If they apply a financial year as their taxable period, the last tax license will be paid for the tax period ending in 2018.

Tax Base and Rate

Corporate income tax is computed by reference to the "tax base". The tax base is generally the gross income of the entity less related expenses, modified by a number of adjusting items. The general tax rate is 21 % of the tax base. The graph below shows how corporate income tax rate in Slovakia has been changing over two decades.

Corporate Income Tax Rate

graph 7



Not Taxable Income Examples:

- dividends paid/received by legal entities resident in Slovakia from Slovakia or contractual countries listed by the Slovak Ministry of Finance on their web-page; dividends received from non-contractual countries, i. e. countries not listed by the Slovak Ministry of Finance, are subject to tax at the rate of 35 %;
- dividends paid after April 1, 2004 by a Slovak subsidiary to an EU Parent Company (as well as from an EU Subsidiary to a Slovak Parent company) even if such dividends relate to profits earned before January 1, 2004; the receiving (parent) company needs to directly possess a holding of at least 25 % of the capital at the time of distribution for the dividends distributed out of pre-2004 profits;
- income received from inheritance or donations (with some exceptions, e. g. gifts provided to a health care provider by a pharmaceutical company), and
- payments related to liquidation surpluses and settlement amounts to which the shareholders became entitled to from January 1, 2004 if paid to a company tax resident in a contractual state.

Tax Deductible and Non-deductible Expenses

As a general rule, documented expenses for generating, ensuring and maintaining taxable income booked in the records of the taxpayer are tax deductible unless they are specifically listed as tax non-deductible items (see the following examples). Generally, documentation should be kept on file to support the tax deductibility. In case of assets (e. g. computers, furniture, cars, etc.), which are for personal use as well as any related expenditures, such expenses are tax deductible only up to the level of the generated taxable income from such assets. In general, costs of acquisition, technical improvement, use, repairs and maintenance of assets for personal use are only deductible up to 80 % of the actual cost, or up to a percentage of usage for business purposes.

Certain expenses, e. g. for consultancy and legal services, costs on rental, costs of marketing and other studies, costs for market research, have to be paid in order to qualify as tax deductible costs.

Examples of Tax Deductible Items:

- tax depreciation costs (certain limitations apply in case of assets subject to rental);
- tax residual value of depreciable assets (certain limitations apply, e. g. in some cases only up to the amount of income from sale;
- obligatory social security contributions paid by an employer;
- expenses incurred for the provision of health and social facilities for employees (subject to special limits in some cases);

- operational expenses of facilities used for protecting the environment;
- taxes and fees, other than those listed as non-deductible items (see below);
- expenses incurred by the founder of a permanent establishment (PE) for the purpose of this PE, including management and administration expenses; regardless of the place where they were incurred, provided that specific conditions in the Income Tax Act are fulfilled;
- advertising costs, with the exception of representation and high value promotional expenses (see below). Advertising costs are costs incurred for the advertisement of the taxpayer's business activities, advertisement of goods, services, immovable property, trade name, trade mark, trade labeling of products and other rights and liabilities related to the taxpayer's activities carried out with the intention to generate, maintain or increase his income;
- interest paid on credits and loans taken for business purposes (transfer pricing or thin Capitalisation limitations may apply);
- reserve for unused holidays including related social security and health insurance costs;
- certain bad debt provisions (subject to limitations)
- material humanitarian aid provided to abroad granted free of charge to the Ministry of Home Affairs based on a deed of covenant.

As of January 1, 2015 it is possible to deduct from the tax base (decreased in utilized tax loss) the aggregate of:

a) 25 % of costs for R&D in the tax period for which the tax return is filed,

b) 25 % of labour and other similar costs of a graduate in a permanent employment relationship (conditions apply),

c) 25 % of costs for R&D incurred in the tax period which exceeds the aggregate of costs for R&D in the previous tax period.

It is necessary to maintain separate evidence of these expenses and some other conditions apply.

Examples of Tax Non-deductible Items:

- penalties and fines (e.g. penalties/fines imposed by state or municipal authorities, contractual penalties);
- ccounting depreciation costs which exceed tax depreciation costs (certain limitations apply e.g. in the case of assets subject to rental or in case of assets for one's personal use);
- individual and corporate income tax and taxes paid on behalf of another taxpayer;
- expenses incurred in providing proper working, social and health care conditions for employees exceeding the limits set by law;
- expenses for business trips above the statutory limit;
- expenses for the generation of tax-free income;
- shortages and damage exceeding the compensation received;

- representation expenses (with the exception of promotional items with a purchase price not exceeding EUR 17 per item, specific rules apply for some items , e.g. promotional vouchers, tobacco products or alcoholic beverages).
- losses derived from the sale of land, assets depreciated in the 6th tax depreciation group, receivables;
- reserves other than those specifically allowed by the tax legislation.

Unrealized foreign exchange losses and gains from receivables and liabilities can be excluded from the tax base provided that the appropriate decision has been made. The taxpayer declares its decision to exclude unrealized foreign exchange losses and gains only via ticking the appropriate box in the tax return form.

Tax Period / Tax Return Filing

The tax period is usually a calendar year. However, it is possible for companies (not individuals) to notify the tax authorities that a taxpayer will use an accounting period that is not identical to a calendar year, i.e. a period of 12 consecutive calendar months (a so-called financial year). Such an accounting period then also becomes the tax period.

A tax return should be filed with the respective Tax Authority within three months following the end of the tax period. In general, it is possible to extend the filing period by up to three months based on a notification filed with the respective Tax Authority within the statutory deadline for filling the respective corporate income tax return, or by up to six months if the taxpayer has foreign sourced income.

There is no group taxation in Slovakia. All entities are taxed separately. There is a special tax treatment for partnerships which are in principle treated as wholly transparent (general partnerships) or partially transparent (limited partnerships).

Tax Losses

- The cumulative tax losses incurred for the 2010 to 2013 tax periods may only be carried forward over a period of four consecutive years and in equal portions in each tax period. Tax losses incurred from 2014 onwards may be carried forward over four consecutive years in equal parts.
- A company wound up without liquidation (e.g. through a merger), is allowed to transfer the right to carry forward its tax losses to its legal successor to set off against subsequent taxable profits. The legal successor may deduct the tax loss of the dissolved legal entity as long as the dissolved entity and its legal successor are liable to corporate income tax and at the same time the purpose of the restructuring was not solely to decrease or to avoid the tax liability.
- Different rules may apply to losses of companies benefiting from various tax incentive schemes.

Tax Depreciation: Straight-line Method *table 19*

Group	Type of Assets	Useful life (period of depreciation)	Annual Depreciation
1	Computers, personal cars, GPS equipment, printers, etc.	4 years	1/4
2	Mounted constructions from wood and plastic (if not connected to the utilities), radiators, furniture, lifting and handling mechanisms, etc.	6 years	1/6
3	Electric engines, turbines, metallurgy machines, cooling and air-conditioning system with the exception for households, etc.	8 years	1/8
4	Mounted constructions from concrete and metals (if not connected to utilities), ships, airplanes, space shuttles, removable parts built in constructions determinated for individual depreciation such as air-conditioning, lift, escalators , etc.	12 years	1/12
5	Buildings and engineer constructions with the exception of buildings and constructions stated in group 6	20 years	1/20
6	Residential buildings, hotels and similar buildings, administrative buildings, buildings for culture and public entertainment, education and healthcare, other non-residential buildings with the exception of agricultural buildings, other engineer constructions.	40 years	1/40

Source: The Financial Directorate of the Slovak Republic, www.financnasprava.sk, 2015

Tax Depreciation: Accelerated Method (in years) *table 20*

Group	Type of assets	Coefficient for accelerated tax depreciation		
		First year	Subsequent years	For increased residual value
2	Mounted constructions from wood and plastic, if not connected to the utilities, radiators, furnaces, lifting and handling mechanisms, etc.	6	7	6
3	Electric engines, turbines, metallurgy machines, cooling and air-conditioning system with the exception for households, etc.	8	9	8

Source: The Financial Directorate of the Slovak Republic, www.financnasprava.sk, 2015

Tax Depreciation

Tax depreciation is a tax deductible expense and is calculated for tax purposes at statutory rates. In case of assets that are subject to rental, the tax depreciation charges are tax deductible up to the amount of rental income.

Tangible assets are grouped into six categories with specified periods of tax depreciation. There are two basic tax depreciation methods: the straight-line method and the accelerated method. Special depreciation schemes are applied to mining facilities, molds, etc. The straight-line method of depreciation as defined by the tax legislation is allowed for each of the 6 depreciation groups (Table 19). The accelerated method of depreciation as defined by the tax legislation is allowed only for depreciation groups 2 and 3 (Table 20).

Companies may have different depreciation rates for accounting and tax purposes. Intangible assets and low value tangible assets (if depreciated and not directly expensed) must be depreciated in line with the accounting depreciation. A taxpayer may depreciate assets which it leases (regular depreciation rules apply), in such case the leased asset may not be depreciated by the lessor. Some assets are not depreciable, e.g. land, works of art etc. Goodwill may under certain restructuring schemes and conditions be depreciated for tax purposes, too.

In principle, the tax depreciation is calculated proportionally to the number of months in which the asset was used.

In certain cases the tax depreciation may or even must be interrupted.

Earning Stripping Rules

In the tax periods commencing on January 1, 2015 at the earliest, the interest and other expenses related to loans received from related party exceeding 25 % of the value of the indicator calculated as the accounting result before tax declared based on the local accounting rules or the IFRS increased by the included depreciation and interest costs, will be tax non-deductible. These rules apply to legal entities, with the exception of banks, insurance companies, reininsurance companies and their Slovak branches and also apply for all related parties in line with the definition of related parties for transfer pricing purposes, i.e. not only to foreign related parties.

Anti-abuse Rules

Effective from January 1, 2016 a new general anti-abuse provision was implemented. In case of use of artificial structures to avoid tax obligation, dividends may become taxable.

Corporate Income Tax Advance Payments

Corporate income tax payer, whose previous tax liability exceeds EUR 16,600, is obliged to pay monthly tax advance payments. Corporate income tax payer, whose previous tax liability exceeds 2,500 EUR, but does not exceed amount of 16,600 EUR, is obliged to pay quarterly tax advance payments.

Permanent Establishments

The phrase "permanent establishment" ("PE") is a term used in tax legislation to define a fixed place of business, which represents a taxable entity in the territory located in Slovakia. A PE can be either a branch that is registered in the Commercial Register, or an unregistered unit that has no legal status ("deemed PE"). Thus, for instance, a person who acts on behalf of a foreign company and repeatedly enters into agreements on its behalf, under a power of attorney, may also be considered to create a PE of the foreign company.

Under present law, a PE is constituted when one-off services have been performed in the territory of Slovakia for more than 183 days within a period of 12 consecutive calendar months. A PE is constituted also in the case of providing services in the territory of Slovakia, if the length of the activity exceeds 183 days either continuously or spasmodically during one or more periods within any 12 consecutive months. In other cases, a PE is constituted if a fixed place through which the activities of the foreign entity are carried out in Slovakia is available. The parent company can register the PE immediately, but in all cases the PE must be registered by end of the calendar month following the month in which the PE was constituted.

Whether or not a PE is created is subject also to the provisions of applicable double tax treaties. Generally speaking, all employees assigned to a PE are subject to Slovak personal income tax (see Chapter 5).

Withholding Taxes

Withholding tax is deducted from certain types of income derived in the territory of Slovakia by both residents and non-residents at a single rate of 19 % in case of payments to treaty countries or 35 % in case of payments to non-treaty countries (the list of treaty countries was published by the Ministry of Finance of the SR on their website www.finance.gov.sk). Such income comprises mainly of interest and revenues derived from participation certificates, from certificates of deposit, and from deposit letters. In case of non-residents, withholding tax is also charged on interest and royalties, subject to exemptions under the EU Interest and Royalty Directive if the payment is to an EU associated company. According to the EU Interest and Royalties Directive, interest and royalty payments to EU associated companies are exempt from withholding tax under certain conditions.

The rate of withholding tax can be reduced in accordance with the applicable double taxation treaties.

Slovak entities are also obliged to deduct a withholding tax of 19 % from payments for business, advisory and consulting services provided they are rendered in the territory of the Slovak Republic if they are made to a non-treaty country before a PE is constituted (the first 183 days of activity in Slovakia).

If the supplier comes from a treaty country and it is likely that a PE will not be constituted, then assumably no withholding tax applies.

In addition to withholding tax, Slovakia also levies a "security tax" on payments to PEs. If a PE exists or is likely to be established, a Slovak entity making payments to the PE must withhold a security tax from all payments at the rate of 19 % in case of treaty countries or 35 % in case of non-treaty countries. The obligation to withhold security tax does not apply to payments in respect to a Slovak PE of an entity based in the EU, which is taxable on its worldwide income in the respective EU country and is not considered as a tax resident in Slovakia. The security tax represents an advance payment of the corporate income tax liability of the PE, which is then credited against its actual tax liability. It is possible to agree with the cancellation or reduction of this advanced payment on the basis of specific approval from the relevant tax authority.

The taxpayer making the payment is obliged to remit withholding taxes and security tax within 15 days of the following month and to notify the tax authority regarding the amount of payment. As of January 1, 2011, the tax withheld is mostly regarded as a final tax.

From January 1, 2017 dividends paid to individulas, tax non-residents from contractual countries by Slovak companies are subject to withholding tax at the rate of 7 %, if the applicable double taxation treaty does not determine otherwise. A withholding tax rate of 35 % applies to dividends paid by Slovak companies to all residents from non-contractual countries, including individuals and companies.

Double Taxation Avoidance Treaties in Force *table 21*

Armenia	Indonesia	Poland
Australia	Ireland	Portugal
Austria	Israel	Romania
Belarus	Italy	Russia
Belgium	Japan	Serbia
Bosna & Herzegovina	Kazakhstan	Singapore
Brazil	Kuwait	Slovenia
Bulgaria	South Korea	South Africa
Canada	Latvia	Spain
China	Libya	Sri Lanka
Croatia	Lithuania	Syria
Cyprus	Luxembourg	Sweden
Czech Republic	Macedonia	Switzerland
Denmark	Malaysia	Taiwan
Estonia	Malta	Tunisia
Finland	Mexico	Turkey
France	Moldova	Turkmenistan
Germany	Mongolia	Ukraine
Georgia	Montenegro	United Kingdom
Greece	The Netherlands	USA
Hungary	Nigeria	Uzbekistan
Iceland	Norway	Vietnam

Source: Financial Directorate of the Slovak Republic, www.financnasprava.sk

Double Taxation Avoidance Treaties Not in Force *table 22*

Barbados	Egypt	Iran	United Arab Emirates

Transfer Pricing

Slovak tax law contains transfer pricing rules which are largely based on OECD principles (especially the OECD Transfer Pricing Guidelines), which permit the authorities to adjust prices charged between related parties that are not in accordance with the arm's length principle (fair market value). Pricing methods (comparable uncontrolled price method, resale method and cost plus method) and profit methods (profit split method and transactional net margin method) are allowed on this basis. The transfer pricing rules for transactions between domestic entities have been introduced as of January 1, 2015.

There is an obligation to keep special documentation on the transfer pricing method used between foreign and domestic related parties. The rules for drafting and keeping the required transfer pricing documentation are issued by the Ministry of Finance of the SR by means of secondary legislation. The taxpayer may be required to keep full-scope, basic or simplified documentation, which differ in complexity of documentation requirements.

The transfer pricing documentation must be submitted to the Tax Authorities within 15 days of their request, otherwise the Tax Authorities may impose penalties on the taxpayer. These penalties may be imposed repeatedly. As of January 1, 2017, the tax legislation set stricter rules on penalties. A taxpayer who by means of transfer pricing deliberately decreased his taxable base or increased a tax loss, will pay penalties in the amount of double the usually imposed penalties. However, if he does not file an appeal agaist the decision of the tax authorities and pays the imposed additional tax within the deadline for filing the appeal, the penalty will not be doubled.

Slovakia has historically had extensive investment aid legislation, which has attracted many investors to the country and has created many new jobs. The investment aid is available for four categories of foreign investment including industrial production, technological and strategic service centers such as software development, high tech and customer support centers.

Investments in the tourist sector may also qualify.

Under the Investment Aid Act investors can apply for:

- Investment grants;
- Corporate tax relief;
- New job grants; and
- The option to acquire real property at a price lower than market value.

The Investment Aid Act formalizes the procedures applying to investment aid. The legislation is aimed at boosting investment in regions with high unemployment rates and particularly to support investment in technological and strategic centers. It also supports investments in the tourism sector. The conditions on the provision of investment aid vary depending on type of the investment, location and other parameters of the project. Different conditions are applicable to investments in the manufacturing industry, technology and strategic investment centers and the tourism sector. Contrary to projects which are funded by EU structural funds, the aid awarded under this program is fully funded by the Slovak state budget.

Investment aid granted by the Slovak Government is considered as regional aid and should therefore be fully compatible with the European Union State Aid regulations.

There are many detailed provisions and exceptions, which need to be taken into account when applying for investment aid.

It should be stressed that:

- The investment aid amount is determined on the basis of a percentage of the eligible investment expenditure or a percentage of the gross salary costs;
- The eligible investment expenditure includes investments into land, buildings and tangible and intangible assets;
- The investment project cannot start before the receipt of a provisional approval to be issued by the Ministry of Economy of the SR or in case of tourism issued by the Ministry of Transport, Construction and Regional Development;
- There is no automatic entitlement to investment aid under this legislation in Slovakia and all investment aid must be approved by the Slovak Government;
- All investment aid is subject to limits set by EU state aid law and in specific cases must be notified to and approved by the European Commission;
- The investment aid varies between 25 % and 35 % of the eligible costs (investment or salary).

  The investment aid intensity is depending on the unemployment rate in the respective district. However the Slovak authorities may reduce the aid amount as there is a tendency to award aid on basis of the new jobs to be created by the investments.
- The Bratislava region is excluded from investment aid;
- Due to budget constraints the Slovak authorities are reluctant to award cash grants. Corporate tax relief is the preferred aid category.

For more details please read chapter 4 of this publication.

Furthermore, investors may apply for subsidies under the EU Structural Fund programs. The program for the period 2014-2020 is currently running. The total available amount determined for Slovakia from the EU Structural Fund is approximately EUR 13 billion.

Note that most of the funds will be destined for local and regional areas to improve infrastructure, health care etc. Furthermore, many schemes under the EU structural fund programs will be aimed at small and medium sized businesses. However some programs may be eligible for large companies. The requirements are published on the websites of the responsible Ministries.

Furthermore, significant EU funds will be made available for research and innovation under the Horizon 2020 program, which is meant to stimulate European research in order to further develop European knowledge of economy and society.

Indirect Taxes

Value Added Tax (VAT)

Slovakia implemented the EU Council Directive 2006/112/EC of November 28, 2006 on the common system of value added tax as well as other amending EU VAT Directives.

VAT Registration

Slovak taxable persons, with their seat, place of business, establishment or residence/habitual abode in Slovakia, must in general register for VAT if their cumulative turnover for the previous up to twelve calendar months reached EUR 49,790. Specific rules apply mainly to:

- a person who acquires a business or a part of a business of a VAT payer;
- a legal successor of a VAT payer dissolved without liquidation
- a person supplying immovable property unless a VAT exemption applies.

Voluntary VAT registration is possible, however, if the applicant is not performing taxable supplies yet, he may be requested to provide a VAT deposit to the Tax Authorities for a period of 12 months.

VAT grouping for group companies is allowed if certain conditions are met.

Foreign persons are obliged to register for VAT in Slovakia if:

- they start performing economic activities in Slovakia which are subject to VAT (certain exceptions apply);
- their distance sales (supplies of goods from outside Slovakia to Slovak non-taxable persons) turnover reached EUR 35,000;
- they supply goods subject to excise duties via distance sales to Slovak non-taxable persons for personal consumption.

* As of January 1, 2016, a foreign person supplying goods (except for distance sale) is not obliged to charge output VAT on supplies to taxable persons with a seat or fixed establishment in Slovakia; in such case the customer should reverse charge of the VAT. Subject to meeting conditions, such foreign persons may claim input VAT via the VAT refund mechanism.

VAT registration without an entitlement to deduct input VAT is obligatory for taxable persons:

- or legal entities which acquire goods from another EU Member State at a value of at least EUR 14,000 in a calendar year;
- who acquire/render services from/to another EU Member State under certain conditions.

VAT Deregistration

VAT deregistration can be applied by:

- a taxpayer whose taxable turnover dropped below EUR 49,790 for the previous twelve calendar months;
- an entity, registered for the acquisition of goods from another EU Member State;
- if the total value of the acquired goods did not reach EUR 14,000 in the relevant as well as previous calendar years;
- a foreign entity performing distance sales, if the total value of the supplied goods did not reach EUR 35,000 in the relevant as well as previous calendar years.

An application for VAT deregistration is obligatory for a taxpayer who ceased to perform economic activities.

Tax Authorities can deregister ex-offo a VAT payer, who:

- does not carry out economic activity in Slovakia;
- repeatedly does not fulfil its administrative obligations e.g. does not file VAT returns, does not pay VAT liabilities, is not reachable at the respective address or does not meet its obligations during a tax inspection. The list of these VAT payers is published on the Tax Directorate web site.

VAT Rates

The standard VAT rate in Slovakia is 20 %. A reduced tax rate 10 % applies to specific goods (e.g. certain medical and pharmaceutical products, books and brochures and certain food products).

Input VAT Recovery

A taxpayer is entitled to deduct VAT from purchased goods and services used by the taxpayer for his own supply of goods and services as a VAT payer. In general, the taxpayer can recover the input VAT provided that:

- a VAT liability arose with respect to the purchased goods or services, in the case of the import of goods, the import VAT was paid;
- the VAT was applied on the supply (by the supplier/the customer/the customs authorities)
- the taxpayer has a valid VAT document (invoice/customs document).

A foreign (non-established) person which is VAT registered in Slovakia may normally reclaim VAT via the VAT refund procedure; where the input supplies are related to own supplies of goods and services on which this person is liable to pay VAT, the input VAT is deducted via its Slovak VAT return.

No VAT recovery is possible on purchased goods or services for the purpose of:

- entertainment or amusement;
- VAT exempt output supplies without an entitlement to input VAT recovery, mainly certain activities in the public interest e.g. postal services, medical care, education, sporting and cultural services, public broadcasting and television, as well as other activities e.g. financial and insurance services, sale and lease of real estate (option to tax exists), sale of a business under certain conditions.

VAT Period

The VAT period of newly registered VAT payers is strictly a calendar month. A quarterly VAT period can be opted for by VAT payers after they have been registered for at least 12 months and their total turnover in the preceding 12-month period did not reach EUR 100,000.

VAT Return

A VAT return is filed within 25 days following the previous VAT period. As of January 1, 2014, the electronic filing of all tax filings (not only VAT returns) became obligatory for all VAT payers. Sending tax filings to tax authorities in a paper form is no longer possible.

EU Sales List

An EC Sales List, in which in general, an intra-community supply of goods and services must be reported, is filed within 25 days following the previous calendar month, in an electronic form. Quarterly filing is possible if the value of the goods reported does not exceed EUR 50,000 in the respective quarter and in the four previous calendar quarters.

VAT Ledger Statement

Since 2014, VAT registered persons are obliged to file a "VAT Ledger Statement" with the Slovak Tax Authorities. The VAT Ledger Statement must contain a detailed list of issued and received invoices for the respective VAT period on/from which the VAT registered person has applied/deducted Slovak VAT. The VAT ledger statement is filed for each tax period together with the VAT return, by the 25th day following the end of the respective tax period by electronic means.

From January 1, 2017, suppliers have to report invoices issued for supplies of construction works in a VAT Ledger Statement despite the fact that such supplies are not reported in a VAT return.

Refunds

Taxable Persons – VAT Registered in Slovakia

An excess of input VAT claim reported via a VAT return is not paid to the VAT payer immediately, however it should be carried forward and offset against a (potential) VAT liability reported in the following tax period. The (part of the) excess input VAT claim which cannot be so offset, should be refunded to the VAT payer within 30 days after the filing of the following period's VAT return. Alternatively, an accelerated refund is possible i. e. within 30 days following the deadline for filing the VAT return for the respective VAT period, if specific conditions are met.

Foreign Taxable Persons – Not VAT Registered in Slovakia

A foreign person established and registered for VAT in another EU Member State can claim a refund of Slovak VAT invoiced to him by a Slovak supplier, in line with the conditions set out in Council Directive 2008/9/EC laying down detailed rules of the refund of valued added tax.

Foreign persons established outside the EU can also claim Slovak VAT in line with rules set out by the 13th Council Directive 86/560/EEC, however, this is based on a reciprocity rule. In order to succeed, during the period for which the VAT refund is claimed, the foreign person:

- could not have its seat, place of business, fixed establishment or residence in Slovakia (within the EU in the case of a non-EU person);
- could not supply goods or services in Slovakia (subject to certain exceptions).

Foreign Individuals

An individual with no residence in any EU country, exporting goods (except for fuel) from Slovakia, can file a request for a VAT refund of Slovak VAT if:

- the amount of the goods exported outside the EU stated in the purchase document exceeds EUR 175;
- the individual possesses a document on the purchase of goods issued by a taxpayer;
- export is carried out within three months following the end of the month of purchase;
- the Customs Office of the respective EU country certifies the export of goods.

The list of taxable transactions where foreign businesses are not entitled to recover input VAT via a regular Slovak VAT return has been extended. From January 1, 2017, this list also includes supplies subject to local VAT reverse charge based on Article § 69 (12) of the VAT Act (e. g. construction works, supply of metal waste and scrap, supply of mobile phones, etc.). If only involved in such supplies, foreign taxable persons will still be entitled to recover Slovak input VAT via a general VAT refund procedure for foreign entities.

Slovak VAT Refund Claim Rules *table 23*

Foreign person established	Deadline for application	Minimum amount (EUR)	Form of application	Period for refund
within the EU	September 30 *	50/400 **	electronic	4/8 **** months
outside the EU	June 30 *	50/1000 ***	hard copy	6 months

* *of the year following the year for which the application is filed.*
** *if the application is filed for a period less than a calendar year but at least 3 months.*
*** *if the application is filed for a period of a calendar half year.*
**** *if additional information is requested by the Tax Authorities.*

Interest payment in favour of a taxable person in the case a VAT refund is postponed due to a tax inspection

As of January 1, 2017 the VAT Act includes rules on interest applicable to excess VAT deductions belatedly refunded by the state. The tax authorities will have to pay interest in the amount of twice the European Central Bank base rate (but not less than 1.5 % p.a.) on the excess VAT deductions withheld for more than 6 months without good reasons. These rules also apply on the cases when the tax audit started before January 1, 2017 but was not finished until the end of 2016.

Customs Duties

Since May 1, 2004, customs rates are based on the EU customs tariffs and depend on the classification of goods and their origin. Customs duty is normally payable within 10 days of the date of importation of goods. Normally, payments cannot be deferred for more than 30 days.

Excise Duties

Excise duties are governed by separate acts which set out the conditions under which excise duty is levied on mineral oils, alcoholic drinks, tobacco products and electricity, coal and natural gas (referred to as "excisable products"). The tax treatment is harmonized with the EU Directives. Taxable persons are all legal entities and individuals who produce these excisable products in Slovakia or to whom excisable products are released in Slovakia. Excise duties are stipulated in accordance with the EU legislation generally as a set amount per unit of measure for each group of products, except for cigarettes, where the tax rate also contains an ad valorem component.

As of February 1, 2017 and later as of February 1, 2019 the excise duty rates on tobacco and tobacco products will be gradually increased.

Motor Vehicle Tax

The motor vehicle tax is imposed on vehicles registered in the Slovak Republic and used for business purposes in the tax period. If an employee uses his private vehicle for business purposes of his/her employer, the employer is obliged to pay motor vehicle tax.

The tax base depends on type of vehicle (it might be engine performance in kW, cylinder capacity or total weight). The annual tax rate is determined by the Act on Motor Vehicle Tax and its amount depends on the type of the vehicle. Furthermore, the tax rate is reduced for newer vehicles and later is increased depending on the age of the vehicle. An additional tax rate reduction is allowed for electric vehicles or vehicles used in combined transportation.

The tax liability arises on the first day of the month when the vehicle is used for business purposes and terminates on the last day of the month of the disposal or temporary disposal of the vehicle from the records, the termination or interruption of business, the dissolution of the taxpayer without liquidation or the change of the vehicle holder. The motor vehicle tax is payble by January 31 of the calendar year following the year to which the due motor vehicle tax relates.

Municipal Taxes

Real Estate Tax

Real estate tax is a municipal tax paid by the owners of buildings (including private and weekend houses), apartments and land, or by tenants of land, registered with the cadastral register, and is determined by the size, location and the type of buildings, flats and land.

The real estate tax on buildings is in general computed as the number of square meters constructed, multiplied by the respective tax rate. The base tax rate is EUR 0.033 per square meter but the Municipal Authority may increase or decrease the rate and determine different rates for various types of buildings; the highest rate may not be higher than 10 times the lowest rate. In addition, the Municipality may impose a surcharge of up to EUR 0.33 per each additional floor.

Owners of land, or in specific cases tenants, must pay real estate tax in respect of the land. The tax base of the land is in general the product of the area of the land and its official value per square meter. The base tax rate is 0.25 % but the Municipal Authority may increase or decrease the rate and determine different rates for various types of land; the highest rate may not be higher than 5 times the lowest annual rate. For land where a nuclear facility is located, the rate may not exceed 100 times the base rate.

Other Municipal Taxes

Other taxes which may be imposed by Municipal authorities include Dog tax, Public area usage tax, Accommodation tax, Vending machines tax, Gaming machines tax, Tax on entry and stay of a motor vehicle in historical parts of towns, Nuclear facility tax. There is also an obligatory local fee on communal waste and minor construction waste.

Special Levy for Regulated Businesses

Businesses subject to this levy are regulated entities – legal entities:

a) operating in one or more of the following areas (possessing the appropriate license):

- Energy;
- Public healthcare insurance;
- Pharmacy;
- Railway transport;
- Air transport;
- Insurance and re-insurance;
- Electronic communications;
- Postal services;
- Public water conduits (distribution) and sewerage;
- Healthcare providing.

b) carrying on business in regulated area during the entire levy period.

Those subject to this levy are not only domestic entities, but also branches of foreign entities licensed in one of the regulated areas in another member state of the EU or EEA. The rate of this levy is 0.00726 per month (8.712 % per year), the liability is calculated as 0.00726 times the sum of the estimated accounting result (profit) of the company adjusted in line with the Slovak Accounting Standards, if exceeding EUR 3 mil. This levy for businesses in regulated industries is due by the end of each calendar month. The levy is subject to an annual clearance based on the actual profit for the respective period.

Bank Tax

The base of this tax is determined as an aggregate of liabilities of the bank decreased by the amount of positive equity, long-term debt provided to a branch of a foreign bank and amount of subordinated debt. As of 2017 the bank tax is in the amount of 0.2 % annually and should not change during the period from 2017 to 2020.

Historical medieval mining town Banská Štiavnica at night

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Taxation of Individuals

Investment in Slovakia

An individual's tax liability is derived from the taxable income. Slovak tax residents are liable to personal income tax on their worldwide income, subject to provisions under applicable double taxation treaties. Slovak tax non-residents are taxed only on income derived from Slovak sources, including Slovak sourced salaries, rent and interest. Dividends were in general not taxable until the end of 2016, unless they are distributed out of profits earned prior to January 1, 2004. However, as of 2017, the dividends are subject to tax. The tax year is the calendar year and the income is taxed at a progressive tax rate of 19 % and 25 % (with exception of separate tax bases):

- The 19 % tax rate will apply to the tax base up to 176.8 times the current amount of the subsistence minimum per annum (i. e. the amount of EUR 35,022.31 for 2017).
- The tax base in excess of this limit will be taxed at the 25 % tax rate.
- As of 2016, individual's capital income is taxed as a separate tax base by unitary tax rate of 19 % regardless whether this income will flow from sources outside Slovakia or sources within Slovakia and regardless of the taxpayer's total annual income.
- As of 2017, new tax rates are introduced for income from sharing a profit (from dividends). 35 % tax rate is applicable to dividends from an entity that resides in a state the Slovak Republic has no Treaty concluded with. For other dividends, 7 % tax rate applies.

Residency

Tax Residents

In accordance with the Slovak Income Tax Act, an individual will generally be considered a Slovak resident for tax purposes if:

- The individual is granted permanent residence status in Slovakia, or
- The individual stays for at least 183 days in a calendar year in the territory of Slovakia, whether consecutive or otherwise.

Tax Non-residents

If individuals do not have a permanent residence or usual presence in Slovakia, they are not considered to be Slovak tax residents and thus they are only liable to pay taxes on their Slovak source income (i. e. income from activities performed in or related to Slovakia).

Additionally, individuals working for a Permanent Establishment (PE) whose salary costs are borne by the PE are subject to personal income tax even if they are not present in the country for at least 183 days in any 12-month period.

Income can be subject to Slovak tax regardless of whether or not it is remitted to Slovakia. Double taxation avoidance treaties may shift the right to tax the income from Slovak sources to the other country. For example, expatriates who are employees of foreign companies and are paid from abroad for activities performed in Slovakia could in some cases be exempt from personal income tax in Slovakia.

Taxable Income

Taxable income comprises of specified categories of income, less the deductions allowable for each category and certain general deductions. The income categories are as follows:

- income from dependent activities (i.e. employment activities);
- income from independent activities (i.e. entrepreneurial activities, for example, partnerships and professional consultancies and self-employed individuals), including rental income;
- income from capital (i.e. interest, dividends distributed from pre-2004 profits, etc.) and other income (including gains other than exempt gains).

Employment Income

Income from employment activities includes any monetary and non-monetary benefits related to employment obtained by an employee (or in specific cases by other persons).

Income tax prepayments must be withheld or paid from employment income on a monthly basis and remitted to the tax authorities.

When an individual who is an employee of a foreign company performs activities for the Slovak company, the individual can be treated as an 'economic employee'. A number of tests apply to determine whether an individual should be treated as an economic employee, but broadly this applies in cases where the foreign employer's contractual obligations, in terms of the services provided by the individual, are to provide manpower to the Slovak employer who supervises and takes responsibility for the activities of the individual.

The Slovak company is treated as effectively leasing manpower and is deemed to be the economic employer of the individual (often an expatriate). The salary paid to the expatriate by the foreign employer is subject to Slovak income tax as if the individual was on the Slovak company's payroll. The tax is normally collected by withholding at the source from payments of the service fee incorporating the charge for the employee from the foreign entity to the Slovak employer (e.g. by deduction from the amount invoiced) unless it is agreed that it will be collected in some other way such as through tax prepayments.

Entrepreneurial Activities

Income from entrepreneurial and other self-employed activities is subject to Slovak taxation in accordance with the general tax principles. Individuals who are not Slovak tax residents will be taxed on Slovak sourced income. Broadly, expenses incurred to attain, secure and maintain the income of the taxpayer are deductible for tax purposes.

As an alternative to actual costs, a flat deduction of 60 % of income can be claimed provided that the individual is not registered for VAT purposes (or the individual is registered for VAT only during certain part of the tax period), but capped at EUR 20,000 annually.

Rental Income

Income from the rental of real estate or movable property is subject to the Slovak tax. Depreciation may be claimed against the income from letting a building, generally over a period of 40 years. The property is then deemed to be used for the business purposes which has an effect on the possibility to exempt its sale – please refer below. Deductions can also be claimed for interest and finance charges, repairs and maintenance and real estate taxes. Some limitations may apply if the property is not included into the business assets.

Income from Capital

Income from capital includes securities income, profit shares from partnerships and interest income. Each item of taxable income is subject to specific tax rules and generally the Slovak entity making the payment will withhold tax at the source, which will constitute the final tax liability for the recipient. Dividends paid out of profits earned in the period between January 1, 2004 and December 31, 2016 are not subject to tax.

An individual who is a Slovak tax resident must include all taxable foreign sourced interest income in his/her taxable income (as well as dividend income, if taxable). Subject to the provisions of the applicable double taxation treaties, foreign tax paid on dividends and interest received can be offset against the Slovak tax liability on the same income up to the amount of the Slovak tax liability. Tax paid on dividends which are not subject to tax in Slovakia cannot be offset against any other tax liability in Slovakia.

Tax-exempt Income

Certain types of income are exempt from tax, e.g.:

- income (capital gains) from the sale of immovable assets after five years from acquisition, or, if the asset was used for business purposes, after five years from the date when the taxpayer ceased to use the asset for business purposes
- income (capital gains) from the sale of movable assets or, if the asset was used for business purposes, after five years from the date when the taxpayer ceased to use the asset for business purposes.

Non-monetary benefits that are not subject to tax in Slovakia include e.g.:

- the employer's share of payments on behalf of the employee to the compulsory social security system;
- reimbursement of business travel expenses up to the statutory limit.

Social Security Contributions *table 24*

	Rate (Employee)	Rate (Employer)	Maximum monthly assessment base (EUR)
Sickness insurance	1.40 %	1.40 %	6,181
Pension insurance	4.00 %	14.00 %	6,181
Disability insurance	3.00 %	3.00 %	6,181
Unemployment insurance	1.00 %	1.00 %	6,181
Guarantee insurance	-	0.25 %	6,181
Accident insurance	-	0.80 %	unlimited
Reserve fund	-	4.75 %	6,181
Health insurance	4.00 %	10.00 %	unlimited

Source: Ministry of Labour, Social Affairs and Family of the Slovak Republic, www.employment.gov.sk, 2016

Salary Earned from Abroad

In general, non-residents are not subject to Slovak income tax on compensation attributable to work performed outside Slovakia. Slovak tax residents are subject to tax on non-Slovak source income unless exempt under the provision of a double taxation avoidance treaty. A unilateral exemption applies to income earned by a resident from dependent activities from foreign sources, from a country with which Slovakia has not entered into a double taxation treaty, as long as such income is documented as taxed in the country of origin, as well as from countries with which the double taxation treaty exists, if this is more beneficial (i. e. replacing the foreign tax credit method laid down by the treaty). The unilateral exemption also applies to income for work performed for the EU as long as it is taxed by the EU.

Deductions from Income

The following may be deducted from the taxable income by both tax residents and non-residents:

- mandatory social security contributions paid by the employee in Slovakia or abroad;
- a general non-taxable personal allowance and spouse allowance. However, the allowance of a given year is gradually decreased, depending on the amount of the taxpayer's tax base and the spouse income. The individual must be a Slovak tax resident or a non-resident deriving at least 90 % of income from Slovak sources to benefit from the spouse allowance. Both allowances are applicable only to the "active income" of the taxpayer (i. e. income from employment or self-employment);
- contributions to supplementary pension savings schemes (3rd pillar) or foreign equivalents can also be deducted (conditions apply). A non-resident may only deduct this if at least 90 % of his/her active income is from Slovak sources.

Reduction of Tax – Child Allowance

The taxpayer's tax liability is reduced by an annual child allowance of EUR 21.41 monthly per child in 2017. This is however subject to certain conditions, including a 90 % Slovak source income test for non-residents.

Personal Income Tax Compliance

An annual personal income tax return must be filed with the tax authorities no later than by the end of third month following the end of the tax period (in general the calendar year). The payment of the personal income tax liability is also due by the filing date. A notification to the tax authorities on the extension of the filing deadline and tax payment date up to a maximum of a further three (in some cases six) months can be made by March 31 of the following year at the latest. There are significant penalties for non-compliance with the regulations. In some cases, a tax return does not have to be filed, e. g. if the taxpayer had only employment income and provided that the employer has performed, upon the taxpayer's request (which must be made no later than by February 15), a yearly tax settlement on behalf of the taxpayer (subject to further conditions).

Social Security

EU Regulations

Since the accession of Slovakia into the EU on May 1, 2004, the EU Social Security Regulation has been applicable in Slovakia. As a result, social security rules, including Council Regulation (EEC) No. 883/2004 on the coordination of social security systems are applicable, unless any transitional arrangements have been agreed between Slovakia and other member states. This regulation states that subject to specific exceptions, the law of the state where the employment is exercised should apply. This means that an employee assigned from another member state to perform work for a Slovak company in the territory of Slovakia becomes, in principle, subject to the Slovak social system.

However, the EU Regulation includes exemptions allowing an assigned employee to remain in his/her home social security system. There is a specific exemption available if the assignment is not expected to exceed 24 months.

The EU Regulations are not applicable to individuals who are not subject to the social security scheme in some of the EU, EEA states or Switzerland. Such foreigners who are employed in Slovakia by a Slovak entity must contribute to the Slovak social security system, unless a bilateral agreement provides otherwise.

Slovak Domestic Law

According to the Slovak social and health care security system, an individual pays contributions to the social security and health care systems as mentioned above. It should be noted that Slovak social security payments are subject to a “cap” for 2017 as highlighted in Table 24.

Inheritance and Gift Tax

There is no inheritance tax in Slovakia. There is no gift (donation) tax but gifts received in connection with employment or entrepreneurial activity may represent taxable income.

In 2017 paying taxes is less costly and easier by reducing the motor vehicle tax and the number of property tax payments.

Poprad Lake, High Tatras

9

Labour Law

The principal legislation regulating employment as well as rights and duties of employees and employers in Slovakia is the Labour Code.

Employment Contract

An employment relationship is established by a written employment contract concluded between an employer and employee. The parties agree on the job description, place of work, date of commencement of the work, and the salary (unless this has been agreed in a collective agreement). Prior to conclusion of the employment contract the employer is obliged to inform a prospective employee of obligations arising from the employment contract, working conditions and salary conditions. On the day of taking up the employment the employer is obliged to acquaint the employee with health and safety regulations and collective agreements.

Pursuant to the Act on Illegal Work and Illegal Employment it is prohibited for an employer to employ persons without an established employment relationship or without a work/ residency permit (unless the person is a citizen of the EU, or a citizen of contracting states to the Agreement on the European Economic Area and Switzerland). An employment contract may be concluded for a fixed or an indefinite term. If the contract is agreed for a fixed term, it may be concluded cumulatively for a maximum period of two years; it can also be extended or concluded again within these two years only twice. Limited duration of the contract must be agreed upon in writing, otherwise the contract is deemed to be of indefinite term.

Working Hours

The maximum weekly working time is 40 hours, employees performing work on a two-shift operation may work up to 38.75 hours per week and employees working a three-shift system or who are involved in continuous operation may work up to 37.5 hours per week. Although in some particularly arduous or hazardous occupations the maximum figure of weekly working time may be lower. The employer may agree with representatives of the employees in writing on the working time account, which represents a way of uneven distribution of working time and of the basis of needs of the employer. Generally, the maximum overtime may not exceed 48 hours per week, however special condition may apply for certain types of work.

Holidays

Any employee who works for the same employer constantly for at least 60 days in a calendar year is entitled to annual paid holiday on a pro rate basis. The basic holiday entitlement is a minimum of 4 weeks per year, however this entitlement rises to minimum of 5 weeks for employees aged 33 or over. Collective agreements may increase holiday entitlement ever more. Salary during holidays is based on the employee's average monthly remuneration. State holidays are regarded as paid leave in addition to the normal holiday entitlement.

Termination of Employment Contracts

An employment contract can be terminated in writing by:

- mutual agreement;
- notice on termination;
- immediate termination;
- termination in the probationary period.

The expiration of a fixed-term employment contract also constitutes a valid form of termination of employment relationship, although it should be borne in mind that in case of a foreign national, the date of expiration of his/ her residency permit (either by virtue of time or revocation) also serves as a valid reason for termination of the contract of employment. Both the employer and the employee may terminate the employment relationship during a probationary period (maximum of three months or six months for an executive employee) without stating any reason. A written notice in this case should be given and delivered to the other party at least three days before the day of stipulated termination.

In order the immediate termination of employment contract becomes effective, the employer must terminate the employment relationship within two months since becoming aware of the grounds for an immediate termination and at the latest within one year of the day on which those grounds arose.

Finally, both the employer and the employee may terminate an employment contract with a written notice on termination. The employee may terminate the employment contract for any reason or without stating any reasons. On the other hand, the employer may terminate the employment contract with a notice only in cases stipulated by the Labour Code, i. e.:

- if the employer's business or a part thereof is wound-up or relocated and the employee does not agree with the change of agreed place of work;
- if the employee is made redundant by virtue of change in duties, technical equipment, reduction in the number of employees with the aim of increasing work efficiency, or other organizational changes;

- if the employee according to the medical opinion lost ability to perform his/her work for long-period, or if the employee cannot perform work due to occupational disease or the risk of such disease or if the employee has reached a maximum permitted exposure determined by the decision of the respective public health authorities;
- if the employee lost conditions necessary for performance of the work required by a law, if the employee lost the function to which he/she was appointed, if the employee does not fulfil conditions for proper performance of agreed work set forth by the employee in the internal regulations due to matters beyond employees control, employee fulfills work tasks in unsatisfying manner and the employer asked for correction of deficiencies in last six months and employee had not corrected deficiencies in reasonable time;
- if there is a reason for immediate termination, or if there is an ongoing less serious breach of working discipline the employee may be dismissed, provided he/she has been warned in writing within the previous six months as to the possibility of dismissal.

The statutory minimum notice period is at least one month, increasing to three months for employees with five and more years of service. The notice period commences on the first day of the month following the month after which the notice has been received.

If the employee does not remain with the employer during the notice period, the employee may be obliged to compensate the employer up to total amount of average salary of the employee multiplied by the length of the notice period, if such compensation was agreed in writing in the employment contract. An employer has a duty to negotiate a notice or an immediate dismissal given by the employer with employees' representatives; otherwise, termination of employment by the employer is invalid.

Severance Payment

If the employment relationship is terminated for organizational or health reasons (upon a notice of termination, or by agreement on termination), the employer must pay the employee a severance allowance in the amount determined by the years of employment with the employer and the employee's average monthly salary.

Under the Labour Code in some cases there might be a concurrence of severance allowance and notice period.

Matej Beňuš, representing Slovakia in C1 (Canoe Individuals), silver medal winner at 2016 Rio de Janeiro Olympics, bronze medal winner at 2011 World championship, silver and twice bronze medal winner at European championship (2010, 2013, 2015), proudly sponsored by KPMG.


ENUS M.

10

Living and Working in Slovakia

Residence / Working Permits

Visa requirements have been gradually reduced also mainly due to the expansion of the Schengen zone of which Slovakia became a part on December 21, 2007.

Visa requirements to Slovakia currently do not apply to:

a) European Union and European Free Trade Association citizens;
b) Citizens of Andorra, Argentina, Australia, Brazil, Brunei, Guatemala, Honduras, Hong Kong, Chile, Croatia, Israel, Japan, Canada, Republic of Korea, Costa Rica, Malaysia, Mexico, Nicaragua, Panama, Paraguay, El Salvador, Singapore, Uruguay, USA, and Venezuela for visits of up to 90 days
c) Citizens of Monaco and New Zealand for visits of up to 3 months;
d) Citizens of San Marino and the Vatican for visits of up to 30 days.

Responsible authorities for visas and the entry of foreigners to Slovakia are the Ministry of Foreign and European Affairs of the Slovak Republic (www.foreign.gov.sk) and the Ministry of Interior of the Slovak Republic (www.minv.sk).

Types of Visa

The following types of visas are issued by the Slovak authorities:

a) Schengen visa;
b) National visa.

Schengen Visa

A Schengen visa is an authorisation issued by an EU member state with a view to:

a) Transit through or an intended stay in the territory of the EU member states of duration of no more than three months in any six-month period from the date of first entry in the territory of the EU member states;
b) Transit through the international transit areas of airports of the EU member states.

It may be issued for one, two or multiple entries. The period of validity shall not exceed five years. In case of transit, the length of the authorised stay shall correspond to the time necessary for the purpose of the transit. The period of visa validity includes an additional "period of grace" of 15 days. However, member states may decide not to grant such a period of grace.

National Visa

A national visa may be issued to a foreigner along with a residence permit or in connection with Slovakia's commitments under international treaties, or if it is for the benefit of Slovakia. A national visa is valid only for the territory of Slovakia. However, it entitles its holder to transit through one or more Schengen member states when travelling to Slovakia. No return transit is allowed. The foreigner is required to have a Schengen visa for a return trip, if he/she decides to leave the Schengen Area outside Slovakia. A national visa is granted for a stay which is longer than 3 months but no more than 1 year. More information about visas can be found at the web page of the Ministry of Foreign and European Affairs of the Slovak Republic at www.foreign.gov.sk/en.

Settling in Slovakia

Citizen of a Third Country

A citizen of a third country (i.e. non-EU resident) has to apply for a residence permit. He/she may apply for either a temporary or permanent residence permit. A temporary residence permit is issued for and bounded with a specific purpose of stay in Slovakia.

A foreigner should always file an application for a temporary residence in person abroad. It could be done either at the representative authority (the embassy or a consulate) accredited for the country in which his/ her travel document was issued, or at the representative authority accredited for the country of his/her domicile. If such representative authority does not exist, the Ministry of Foreign and European Affairs of the SR in cooperation with the Ministry of Interior of the SR, will determine the competent representative authority. A foreigner may begin performing his/her activities (e.g. business, employment) only after he/she is granted a residence permit, unless some exceptions stipulated by law may be applied.

Employment of Foreigners

Foreign nationals coming to work in Slovakia, even for short periods, must in general have a work permit and a temporary residence permit for the purpose of work (as regards the latter, please see the previous section). Work permits are granted by the local labour office based on of a written application. The main requirement is a job offer by an employer to the respective foreigner. The work permit can be granted only if the job cannot be filled by a registered unemployed person. There is no legal entitlement to grant a work permit to a foreigner, even if all the statutory requirements are met.

Certain categories of foreigners do not need work permits in order to work in Slovakia. There are e. g. citizens of EU member states, students, artists, and those appointed to Slovakia by an employer with its seat in another EU member state in connection with the provision of services being secured by such employer. A work permit may be granted for a maximum period of two years. It may be renewed annually for a further two years.

Residential Accommodation

Bratislava and other major urban centres offer a wide choice of furnished and unfurnished houses for rental for expatriates and their families, and many estate agencies provide relocation services. Sale and rental prices of residential premises vary, depending on the city, location, size and quality.

If you would like to buy an apartment, according to The National Bank of Slovakia the average purchase price for square metre in Bratislava region is EUR 1,700, in Košice region EUR 950 per square metre and in Žilina region EUR 750 per square metre. The average monthly rent for a standard three-room apartment is EUR 650 in Bratislava, EUR 500 in Košice and EUR 400 in Žilina. Prices in other cities are lower than those in Bratislava and Košice.

Medical Care

Slovakia provides high quality health care. Every village has a health centre and there is at least one hospital in every larger city and several health centres. Highly specialized hospitals are situated e. g. in Bratislava, Martin, Banská Bystrica and Košice. To receive medical treatment, European Union citizens must have valid European Health Insurance Card. Medical treatments for other foreigners are available for direct payment. For a foreigner it is essential to have medical insurance to pay for the cost of care in the event of sudden illness or injury. A foreigner can be insured either under the public health insurance programme or through commercial travel health insurance.

Health care in Slovakia is financed by the health insurance. Health insurance in Slovakia is obligatory and is paid by every citizen of Slovakia. The insurance fee is deducted from wages. Medical insurance for children, disabled and women on maternity leave is paid by the state. Dental treatment in Slovakia is usually not fully covered by health insurance and many dentists in Slovakia do not have contracts with health insurance companies. Operations and hospital treatments are also covered from the health insurance. Most medications are partially covered by the insurance; some medications are even fully covered while others are only available for full payment. Antibiotics and many other pills are only available on doctoral prescription.

Education of Foreign Children

If you are raising children, Slovakia has many international accredited private schools, taught by certified teachers from around the world. There are schools taught e. g. in English, German or French language. These schools enrol children from all over the world and give them unique and special educational experiences. In addition, especially in Bratislava you can find primary schools and kindergartens with the focus on other world languages such as Chinese, Spanish or Russian. More information can be found e. g. at the website of Migration Information Centre – www.mic.iom.sk/en.

Leisure Activities

Slovakia offers a wealth of sporting opportunities. Football (soccer) and ice hockey are the most popular sports in Slovakia. Almost every town and village has a football pitch and a team in the regional league. Other popular sports are basketball, tennis, kayaking, cycling, running and golf. Running for instance is gaining huge popularity among Slovaks. Several unique running events have been organized all over Slovakia, such as ČSOB Bratislava Marathon which attracted the attention of more than 10,000 passionate runners this year or relay-race from Low Tatras to Bratislava (350 km). If you are interested in golf, Slovakia offers also several high quality golf courses. For more information check e. g. the website of The Slovak Golf Association (www.skga.sk).

Winter sports such as downhill and cross-country skiing are among the many leisure activities one can enjoy in Slovakia. There are many outstanding ski resorts in the Tatra Mountains (check e. g. www.vt.sk or www.jasna.sk), with first-class facilities, equipment rental and qualified instructors. Every year there are significant investments to ski resort located in Tatra Mountains, so for tourist it is a real pleasure to spend winter holidays there. In March 2016 the Audi Ski World Cup took place in Ski Area Jasná which is a clear proof of the quality that Slovak mountains offer.

Slovakia is an amazing destination for nature lovers. A 12,000 kilometres long, well-maintained and well-marked system of hiking trails provide access to pristine wilderness in many national parks and preserves where local wildlife can be seen.

Cultural Life

For foreigners interested in culture, Bratislava and other places in Slovakia are famous for their architectural heritage. The country prides itself on numerous museums, theatres, cinemas, galleries and concert halls.

The Slovak National Theatre (www.snd.sk) performs opera and ballet on the regular basis. The Slovak National Gallery (www.sng.sk) has an excellent selection of permanent and temporary exhibits of paintings and sculpture to please every art enthusiast. The lovers of contemporary art will be glad to visit Danubiana Meulensteen Art Museum, which is a truly unique cultural project based in Bratislava city part Čuňovo. During summer time, Bratislava´s visitors can enjoy Viva Musica Festival. It introduces the best of classical music performed by renowned artists at unusual places and in non-traditional contexts. The centre of Eastern Slovakia, Košice, was the 2013 European Capital of Culture. On this occasion there have been built several cultural spots which are worth to visit.

Restaurants and Shopping

Slovakia has many restaurants and other eating facilities which meet your wishes. You can choose from high class restaurants to simple take-aways, from Slovak cuisine to international and specialized ones, and home delivery as well.

Supermarkets and shopping malls are present in most Slovak cities as well as majority of international retail chains and boutiques. A wide spectrum of services is offered across the whole country – spa and fitness centres, banks, post offices, cinemas, etc. Groceries and other shops are usually open 8 a.m. – 6 p.m. during the working week and till noon on Saturdays. Shopping malls are open every day approximately from 10 a.m. till 9 p.m.

In Slovakia you can visit the most extensive medieval fortress complex in Central Europe - Spiš Castle or admire the tallest wooden Gothic altar in the world - in the Church of St. Jacob in Levoča.

Our runners on ČSOB Bratislava Marathon 2017


6088C

11

How KPMG Can Help

Investment in Slovakia

KPMG in Slovakia was established in 1991; since that time we have served more than 3,200 clients. Among our success stories belong Slovak small and medium-sized companies, corporations, government entities and private investors across all major industries. They all benefit from our deep knowledge of the local business environment combined with the experience and the resources of the worldwide network of KPMG member firms. Today, KPMG in Slovakia employs over 300 people who provide a wide range of professional services in the area of audit, tax, law and advisory. Our branch offices are located in Bratislava and Košice.

In terms of your foreign direct investment, there are many ways KPMG can help to ensure a smooth process.

Our Team of Experts are Able to Help you with e.g.:

- Analyses of the investment environment;
- Finding Slovak partners for joint-venture or suppliers;
- Sector and regional analyses;
- Recommendation on the ideal investment location and suitable real estate;
- Consultancy in the area of state aid;
- Implementation of investment projects;
- Applications for investment incentives;
- Expansion process, reinvestment and development of research operations.

Our Service Offering

State Aid and Investment Incentives

Investment aid is one of the crucial factors when considering the location of investments. With more than 15 years of experiences in this field, we can guide you smoothly through overall investment aid process.

What We Offer

- Assessment of your outlook to obtain investment aid;
- Preparation of the investment intention;
- Application for investment aid;
- Help with compliance.

Tax & Legal Advisory

The Slovak legislative environment is changing rapidly as the economy opens up to foreign investment and adjusts to EU legislation. In addition to new legislation, there are significant changes in the interpretation of existing regulations. In these circumstances, effective tax advice and innovative planning can give your business a competitive advantage.

Because we know how complex tax matters can be, we make it our business to stay abreast of new laws, policies, accounting and commercial principles and international tax treaties.

We Offer Support in the Area of

- Personal Income Tax;
- Corporate Income Tax;
- Value Added Tax;
- Transfer Pricing Services;
- Support and Representation in Tax Audits and Disputes;
- Mergers and Acquisition Tax;
- State Aid Advisory and Compliance;
- Global Mobility Services & Payroll;
- Legal Advisory Services.

Smart Admin+

Complex services for your company

- Financial accounting & Bookkeeping
- Controlling

- Tax, Compliance & Payroll
- Admin Work
- One Stop Shop (unique services for global VAT work)
- Other services according to clients' needs
- Complementary KPMG services
  (Deal Advisory, M&A, Managerial accounting, Tax and legal advisory)

Advisory

When you are looking for investor, considering expansion, or need a help during tough times in your business, KPMG is here to provide you expert help. In the role of financial adviser, we support our clients through mergers and acquisitions, disposals, complex refinancing and transactions that require fairness opinion. If you choose KPMG, our team will assist you to negotiate the best possible terms and deliver actions which improve your cash flow and increase your potential.

We Offer Consultancy and Support in

- Mergers & Acquisitions, Takeovers and Buy-outs;
- Disposals and Divestments;
- Due Diligence;
- Valuation and Business Modelling;
- Financial Restructuring and Turnaround Assistance;
- Project Finance;
- Application of Accounting Rules and Regulations;
- Managing Hedging Investments;
- Reducing Fraud Risk Potential and Investigating Leakage;
- Optimizing Internal Controls and Compliance Processes;
- Actuarial Services;
- Dispute Advisory Services;
- Business Performance Services;
- Project Management and Quality Assurance;
- IT Advisory;
- Financial Executive Search
- Leasing of Financial Professionals
- Coordination and Methodological Support of EU Funds;
- Financial Services Advisory;
- Innovation Advisory Services.

Audit

Credibility towards various stakeholders is a key success factor in these turbulent times. Such credibility depends on many things but a reliable set of financial statements will go a long way towards ensuring it. In addition, accounting standards are becoming more complex and this can create new challenges at various levels in your organization (from the workload of the accounting department to reporting to your shareholders).

What We Offer

- Reliable and Trusted Financial Statements;
- Implementation of New Standards;
- Streamline of Existing Reporting Systems.

Industries

In Slovakia, KPMG Operates in the Following Industries

- Automotive;
- Consumer Markets;
- Energy and Natural resources;
- Financial Services - Banking & Insurance;
- Public Sector;
- Real Estate
- Industrial Manufacturing;
- Travel, Leisure & Tourism;
- Shared Service Centres.

Detailed information about KPMG service portfolio is available at: www.kpmg.sk

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