

# GMS Flash Alert



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## Slovakia - Changes to Caps for Social Security in 2017

During its October and November sessions, the Slovak Parliament approved amendments to a law concerning the caps for calculating social security contributions, which have now been significantly increased or even entirely lifted.<sup>1</sup> These changes are already applicable with effect from January 2017.

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### WHY THIS MATTERS

For high-earning individuals, the cost of paying social security contributions in Slovakia was previously limited by relatively low caps (i.e., the maximum level of income from which contributions are calculated). Whereas before the caps had been increased each year in line with increases of the average salary level, this time the increase is more substantial, and for the first time a significant portion of the employee's portion of the contributions will be paid from total income without any limits. This can have a material impact on the income of employees and the costs for employers where contributions are paid in Slovakia. At the same time, the change was approved very shortly before its application date, thus not allowing for potential planning opportunities or proper budgeting for extra costs.

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### No Caps for Health-Care Insurance Contributions

For 2016, mandatory health-care insurance contributions were due in Slovakia only on maximum monthly incomes of EUR 4,290 (or EUR 51,480 annual income). As of 2017, there is no such cap and both the employee's (4 percent) as well as the employer's (10 percent) contributions will be due on total employment income.

## Increase of Caps for Social Security Contributions

The other branch of contributions, which covers social security in Slovakia (employee 9.4 percent and employer 24.4 percent), used to be capped at monthly incomes of EUR 4,290. For 2017, this cap has been increased to EUR 6,181 per month. One other type of employer's contribution (injury insurance at 0.8 percent), which was not previously capped, remains uncapped.

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### KPMG NOTE

It should be noted that the relevant laws are designed in such a way that even if higher contributions are paid from employees' income, this does not result in any higher entitlements or additional benefits from the social security or health-care insurance schemes.

Paying higher contributions, however, can have a positive effect on one's tax liability thanks to the fact that contributions are deductible from taxable income in Slovakia. Thus, the recent changes that effectively increased employees' contributions could result in savings on personal income tax in the amount of 25 percent from the extra contributions arising, provided that the employee's compensation is taxable in Slovakia.

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### FOOTNOTE:

1 Slovak text of the [Amendment of the Social Security Act](#).

The Slovak text of the [Amendment of the Act on Health Care Insurance](#).

\* \* \* \*

EUR 1 = USD 1.055

EUR 1 = GBP 0.867

EUR 1 = PLN 4.37

## Contact us

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