

Slovakia Country Profile

EU Tax Centre

June 2017

Key tax factors for efficient cross-border business and investment involving Slovakia

EU Member State Yes

Double Tax Treaties With:

Armenia	France	Lithuania	Slovenia
Australia	Georgia	Luxembourg	South Africa
Austria	Germany	Macedonia	Spain
Belarus	Greece	Malaysia	Sri Lanka
Belgium	Hungary	Malta	Sweden
Bosnia & Herzegovina	Iceland	Mexico	Switzerland
Brazil	India	Moldova	Syria
Bulgaria	Indonesia	Mongolia	Taiwan
Canada	Iran	Montenegro	Tunisia
China	Rep. of Ireland	Netherlands	Turkey
Croatia	Israel	Nigeria	Turkmenistan
Cyprus	Italy	Norway	UK
Czech Rep.	Japan	Poland	Ukraine
Denmark	Kazakhstan	Portugal	US
Egypt ^(a)	Rep. of Korea	Romania	Uzbekistan
Estonia	Kuwait	Russia	Vietnam
Finland	Latvia	Serbia	
	Libya	Singapore	

Notes: (a) Treaty signed but not yet in force

Forms of doing business Limited liability company (s.r.o.) and Joint-stock company (a.s.)

Legal entity capital requirements Limited liability company (s.r.o.): at least EUR 5,000;
Joint-stock company (a.s.): at least EUR 25,000.



Residence and tax system	A company is resident if it has been incorporated in Slovakia or if its place of effective management is in Slovakia. Resident companies are taxed on their worldwide income. Non-resident companies are taxed on their Slovak source income only.
Compliance requirements for CIT purposes	The corporate income tax return must be filed within three months from the end of the respective taxable period (usually the calendar year, but can be changed to a different financial year). However, based on the written notification submitted to the relevant tax authorities by the date prescribed for the filing of the tax return, the deadline for filing can be extended: A) up to three calendar months; or B) up to six calendar months (if the taxpayer has also earned taxable income originating abroad).
Tax rate	The standard corporate income tax rate is 21 percent.
Withholding tax rates	<p>On dividends paid to non-resident companies</p> <p>No withholding tax on dividends paid to non-resident companies (except for distributions of profits generated before 2004). 35 percent on dividends paid to a taxpayer in a non-tax treaty country, distributed out of profits derived in taxable periods starting on and after January 1, 2017. Distributions to non-white list countries from profits realized in taxable periods starting on and before December 31, 2016 (subject to exception mentioned above) continue to be exempt from WHT.</p> <p>No withholding tax applies to dividends paid to EU parents, regardless of the year in which the profit was earned (due to the domestic law implementing the EU Parent-Subsidiary Directive), if the following conditions are fulfilled:</p> <ul style="list-style-type: none"> ■ Participation requirement: 25 percent of the share capital in the case of pre-2004 profits (the 25 percent shareholding requirement was not reduced to 10 percent), ■ No minimum holding period. <p>On interest paid to non-resident companies</p> <p>Generally 19 percent, but exemption for interest paid to EU-associated companies (due to the domestic law implementing the EU Interest and Royalties Directive):</p> <ul style="list-style-type: none"> ■ Associated companies: direct holding of 25 percent of the share capital; ■ Minimum holding period: 24 consecutive months before the payment date. <p>The rate may also be reduced under DTTs.</p> <p>35 percent on interest paid to taxpayer in non-tax treaty state.</p>



On patent royalties and certain copyright royalties paid to non-resident companies

Generally 19 percent, but exception for royalties paid to EU-associated companies (due to the domestic law implementing the EU Interest and Royalties Directive):

- Associated companies: direct holding of 25 percent of the share capital;
- Minimum holding period: 24 consecutive months before the payment date.

The rate may also be reduced under DTTs.

35 percent on royalties paid to taxpayer in non-tax treaty state.

On fees for technical services

Generally 19 percent on fees for technical advisory services provided by non-residents in the territory of the Slovak Republic. Benefit from DTT may be sought.

On other payments

Withholding tax must be applied on specified categories of income originating from sources in the territory of the Slovak Republic.

Branch withholding taxes

No

Holding rules

Dividend received from resident/non-resident subsidiaries

Exemption, except for distributions of profits generated before 2004.

For dividends distributed by an EU resident subsidiary whose share capital is directly held as to 25 percent, the exemption applies regardless of the year in which the profit was earned (due to the domestic law implementing the EU Parent-Subsidiary Directive).

In accordance with the amendment of the EU Parent-Subsidiary Directive, in order to avoid tax evasion related to hybrid instruments, the profit shares (e.g. dividends) are not subject to tax only to the extent that they are not a tax expense of the distributor of the profit share.

Dividends received from non-treaty states are subject to tax at the rate of 35 percent if distributed out of profits for taxable periods starting on and after January 1, 2017.

Capital gains obtained from resident/non-resident subsidiaries

In principle, taxable as ordinary income: taxation of capital gains from Slovak sources, on the sale of moveable assets of a PE, shares and securities in a Slovak entity if sold by a non-resident to a Slovak entity or if the non-resident company owns real estate in Slovakia with an accounting value totaling more than 50 percent of the company's equity (may be reduced/exempted by application of DTT).



Tax losses	As of January 1, 2014 tax losses can be carried forward in equal parts over 4 years. Provisional conditions to the Income Tax Act stipulate that any tax losses reported from 2010 to 2013 not utilized until January 1, 2014 can only be carried forward in four equal portions.
Tax consolidation rules/Group relief rules	No
Registration duties	No, only minimal stamp duties when a company is being registered or changes to registration in the Commercial Register.
Transfer duties	<p>On the transfer of shares</p> <p>No</p> <p>On the transfer of land and buildings</p> <p>No</p> <p>Stamp duties</p> <p>Yes</p> <p>Real estate taxes</p> <p>The real estate tax consists of three different types of taxes:</p> <ol style="list-style-type: none"> 1. Land tax, 2. Property tax on buildings, and 3. Apartment tax. <p>The tax return for real estate tax must be filed before January 31 of the year for which this tax return is filed.</p>
Controlled Foreign Company rules	No
Transfer pricing rules	<p>General transfer pricing rules</p> <p>OECD Transfer Pricing Guidelines apply. Very broad definition of 'related parties'. As of January 1, 2015, transfer pricing rules apply also between Slovak entities.</p> <p>Documentation requirement</p> <p>As of January 1, 2009, there is an obligation for foreign-related parties to keep specific transfer pricing documentation. Detailed requirements for such documentation were issued by the Ministry of Finance.</p>



	<p>As of 2014 the taxpayer is obliged to submit local transfer pricing documentation to the tax authorities upon request (i.e. not only during the course of a tax audit), within 15 days of receiving the request.</p> <p>As of January 1, 2015, domestic related parties are also required to maintain transfer pricing documentation.</p>
Thin capitalization rules	Earning stripping rules: In the tax periods commencing on or after January 1, 2015, interest and other expenses related to loans received from a related party exceeding 25 percent of an amount in principle corresponding to EBITDA will be non-deductible for tax purposes. The rules apply to related parties - in line with the definition of related parties for transfer pricing purposes, i.e. to foreign and domestic related parties. These rules do not apply to certain financial institutions, e.g. banks, insurance companies, re-insurance companies.
General Anti-Avoidance rules (GAAR)	No General Anti-Avoidance provisions except for the transfer pricing and substance over form rules.
Specific Anti-Avoidance rules/Anti Treaty Shopping Provisions	No
Advance Ruling system	<p>Tax authorities may issue binding advance rulings on transfer pricing issues and for the determination of the taxable base of a PE only.</p> <p>As of September 1, 2014, it is possible to request a binding opinion from the Financial Directorate, on the application of tax laws in specific areas.</p>
IP / R&D incentives	Yes. A company may file an application for R&D incentives after the Ministry of Education publishes a call for submissions. A successful application results in tax relief, which is computed as a proportional part of the tax due.
Other incentives	Investment incentives can be granted if the particular conditions and all the administrative requirements are met.
VAT	The standard rate is 20 percent and the reduced rate is 10 percent. VAT grouping is possible
Other relevant points of attention	In principle, 'substance over form' rule in the Tax Administration Act applies to any planning structure.

Source: Slovakian tax law and local tax administration guidelines, updated 2017.



Contact us

Zuzana Blazejova

KPMG in Slovakia

T +421259984331

E zblazejova@kpmg.sk

www.kpmg.com

© 2017 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

Country Profile is published by KPMG International Cooperative in collaboration with the EU Tax Centre. Its content should be viewed only as a general guide and should not be relied on without consulting your local KPMG tax adviser for the specific application of a country's tax rules to your own situation. The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.