

GMS Flash Alert

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Slovakia - Tax Residence Definition Is Broadened from 2018

As part of the annual amendment of the Income Tax Act, the Slovak Parliament approved broadening the tax residence test for individuals.¹ According to the amended wording of the definition, the categories of tax residents will include not only persons with a registered permanent residence and those who stay in Slovakia for at least 183 days in a calendar year, but also persons deemed to have a residence in Slovakia even if not registered. This change is applicable for the 2018 tax year.

WHY THIS MATTERS

This broadening of the definition of Slovakian residence will likely result in a change of tax residence status for individuals who spend extended periods of time abroad and were able to claim nonresident status by de-registering their permanent residence address, but who still maintain a certain degree of ties to Slovakia, including having a residence available to them. As a result of this change in tax resident status, such individuals may be subject to tax on their worldwide income in Slovakia.

Employers may wish to take stock of their expatriate workforce coming into and leaving Slovakia and their registered permanent residence address or residence status in Slovakia.

Further Details

Until now, individuals were considered to be tax residents in Slovakia only if they either were registered as having a permanent residence address with the authorities, or stayed in Slovakia at least 183 days in a calendar year. Adding an "actual residence" test aims to include also those who deregistered their permanent residence address in Slovakia and who do not spend more than half a year in the country, but who maintain a home in Slovakia if it can be established that they intend to permanently reside there.

KPMG NOTE

It should be noted that this change is not likely to affect individuals who are tax residents in a country with which Slovakia has a double taxation treaty (“DTT”), if they can establish their tax residence in that other country under the residence “tie-breaker” rules of the relevant DTT.

However, this change may affect individuals who reside in countries with which Slovakia does not have a DTT, and those who do not have tax resident status in any other country. Others may find that although they are currently tax residents in a treaty country, their newly-acquired Slovak tax resident status will cause a transfer of their tax residence to Slovakia under the tie-breaker rules.

FOOTNOTE:

1 For the Slovak text of the amendment of the Income Tax Act as approved by the Parliament, see: <http://www.nrsr.sk/web/Dynamic/Download.aspx?DocID=446719>.

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Contact us

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