

# Slovakia Country Profile

EU Tax Centre

October 2021

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

**EU Member State** Yes.

**Double Tax Treaties** With the following countries, territories and jurisdictions:

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

(a) Treaty signed but not yet in force

**Most important 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).

## **Corporate income tax rate**

The standard corporate income tax rate is 21 percent.

Starting from the tax period beginning on January 1, 2021, the tax rate for legal entities and individual entrepreneurs, whose income (revenues) does not exceed EUR 49,790 per year, was reduced to 15 percent.

## **Withholding tax rates**

### **On dividends paid to non-resident companies**

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-cooperative 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.

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:

- 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.

### **On interest paid to non-resident companies**

Generally 19 percent, but exemption for interest 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.

As of January 1, 2020, if the minimum time period for continuous holding of the share in the registered capital will be met after the day on which the taxpayer paid the income to the taxpayer, the taxpayer may request the tax authorities to refund this withholding tax.

The rate may also be reduced under Double Tax Treaties (DTTs).

35 percent on interest paid to taxpayer in non-cooperative state.

#### [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.

As of January 1, 2020, if the minimum time period for continuous holding of the share in the registered capital will be met after the day on which the taxpayer paid the income to the taxpayer, the taxpayer may request the tax authorities to refund this withholding tax.

The rate may also be reduced under DTTs.

35 percent on royalties paid to taxpayer in non-cooperative 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 DTTs 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-cooperative 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 located in Slovakia if sold by a non-resident to a Slovak entity, or assets of a PE, shares and securities in 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 DTTs).

As of January 1, 2018, the Income Tax Act introduced the participation exemption rules for capital gains on the sale of shares and business shares, applicable to Slovak tax residents and PEs, provided that the following conditions are met:

- minimum holding of 10 percent of the registered capital;
- minimum holding period for 24 consecutive calendar months;
- substance test: the company selling shares must perform economic activities in the territory of Slovakia, perform material functions, bear risks related to the investment and have the respective personal and material equipment.

Only legal entities (not individuals) are entitled to the exemption and it also applies to shareholdings acquired up to December 31, 2017; however the holding period test on existing shareholdings starts on or after January 1, 2018 and therefore it will only be possible to apply the participation exemption for the first time in 2020.

#### Tax losses

Tax losses incurred from January 1, 2014, to December 31, 2019 can be carried forward in equal parts over 4 years. Tax losses incurred not earlier than on January 1, 2020 can be carried forward over 5 years. The condition of equal amortization was abolished and a limit on the amortized loss to 50percent of the reported tax base was introduced.

#### 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

##### On the transfer of shares

No.

### On the transfer of land and buildings

No.

### Stamp duties

Yes.

### Real estate taxes

The real estate tax consists of three different types of taxes:

1. Land tax,
2. Property tax on buildings, and
3. Apartment tax.

The tax return for real estate tax must be filed before January 31 of the year for which this tax return is filed.

### Exit tax

As of January 1, 2018, the Income Tax Act introduced the "Exit tax". If a tax resident or a tax non-resident with a PE established in Slovakia decides to transfer assets or business activities or its tax residence abroad, an obligation to tax the economic value of all capital gains normally generated in Slovakia will arise, despite the fact that profit had not been realized at the time of exit. Assets transferred outside the territory of Slovakia will be subject to tax even if no sale / change of the legal ownership arises, as long as Slovakia loses its right to tax this income due to the transfer of the property.

Exit tax is levied at a rate of 21 percent.

### Controlled Foreign Company rules

As of January 1, 2019, Control Foreign Company (CFC) rules apply in Slovakia.

The non-resident company is treated as a CFC if it is controlled by a Slovak resident or jointly with related parties, by direct or indirect share participation in the share capital or voting rights of at least 50 percent or at least 50 percent profit share, and the corporate income tax of the CFC paid abroad is lower than 50 percent of the Slovak tax. In such cases, the corporate income tax base of the CFC will be included in the corporate income tax base of its Slovak controlling company and taxed in accordance with Slovak tax legislation. Some of the foreign tax paid on the CFC's income may be credited against the final tax liability.

### Transfer pricing rules

#### General transfer pricing rules

OECD Transfer Pricing Guidelines apply. Very broad definition of 'related parties'. As of January 1, 2015, transfer pricing rules apply also between Slovak entities.

#### Documentation requirement

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.

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.

As of January 1, 2015, domestic related parties are also required to maintain transfer pricing documentation.

**Thin capitalization rules/Interest Limitation 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)**

Yes.

**Specific Anti-Avoidance rules/Anti Treaty Shopping Provisions/Anti-Hybrid rules**

Yes.

As of January 1, 2020, the ATAD and ATAD II as implemented into the Income Tax Act became effective in the part dealing with the prevention of tax avoidance with respect to hybrid mismatches. The introduced rules prevent from benefiting from hybrid entities and hybrid instruments which arose as a result of a different tax treatment of financial instruments and/or taxpayers and which lead to a decrease of tax liability.

**Advance Ruling system**

Tax authorities may issue binding advance rulings on transfer pricing issues and for the determination of the taxable base of a PE only.

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.

**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.

As of January 1, 2018, the Income Tax Act introduced a separate tax regime, the patent box. Income for the use of or the right to use granted and registered patents, utility models and software created by the taxpayer (not purchased) will be partially exempt from tax. The exemption will also apply to 50 percent of profit generated by the sale of products manufactured using a registered patent or a technical design protected by a utility model.

In addition, a taxpayer carrying out R&D activities is entitled to apply for 200 percent deduction of R&D costs. The R&D deduction in the amount of 150 percent is available already for the calendar year 2019, or a tax year which began after 1 January 2019, and the final increase of R&D deduction to 200 percent will be applicable for 2020, or a tax year beginning after 1 January 2020.

The deduction period is prolonged from four to five tax periods after 1 January 2020.

Special conditions apply.

**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.

**Mandatory Disclosure Rules Updates**

For country specific information and updates on the EU Mandatory Disclosure Rules please visit KPMG's EU Tax Centre's [MDR Updates page](#).

Source: Slovakian tax law and local tax administration guidelines, updated 2021.

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