Thinking beyond borders: Management of extended business travelers - Slovakia

January 2024

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Key message

Liability to Slovak tax is determined by a person's residence status for taxation purposes and the source of the person's income. Income tax is levied at progressive tax rates on an individual's taxable income for the year, which is calculated by subtracting allowable deductions from the total taxable income.

1 Key message

Extended business travelers can be taxed on employment income relating to their Slovak workdays.

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Income tax

2 Income Tax

2.1 Liability for income tax

A person's liability for Slovak tax is determined by residence status. A person can be a resident or a non-resident for Slovak tax purposes.

A resident of Slovakia generally refers to an individual with permanent residence in Slovakia (either registered or deemed) or who has a "residence" in Slovakia (meaning a person who has availability of accommodation not intended only to occasional stay with obvious intention to stay in Slovakia permanently) or who spends at least 183 days in Slovakia during a calendar year. A non-resident of Slovakia is generally anyone not qualifying as a tax resident.

The general rule is that a person who is a tax resident of Slovakia is taxable on the person's worldwide income. Non-residents are generally taxable on income derived from sources in Slovakia. Provided that the extended business travelers do not transfer their center of vital interests to Slovakia, they are likely to be considered non-resident of Slovakia for tax purposes due to the double tax treaty tiebreaker rules.

2.2 Definition of Source

Employment income is generally treated as Slovak-sourced compensation where the individual performs the services while physically located in Slovakia.

2.3 Tax trigger points for employment income

Slovak legislation provides for unilateral exemption of employment income for work performed in the territory of the Slovak Republic by a non-resident if it is paid by an employer having its registered office or residence abroad, provided that the time period related to the performance of the work does not exceed 183 days during any 12 consecutive months, and provided that no permanent establishment (PE) of the employer exists in Slovakia. This unilateral exemption contains conditions similar to those determining taxing rights under the double tax treaties. Neither the unilateral nor the treaty exemption will apply if the Slovak entity is the traveler's economic employer, in which case the income would be taxable as of the 1st day of presence in Slovakia.

2.4 Types of taxable income

For extended business travelers, the types of income that are generally taxed are employment income, including fringe benefits and Slovak-sourced income, and gains from taxable Slovak assets (such as real estate).

2.5 Tax rates

Net taxable income is taxed at progressive rates of 19 and 25 percent. For 2024, higher tax rate applies on part of annual tax base exceeding 47,537.98 euros (EUR).

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Social Security

3 Social Security

3.1 Liability for social security

Extended business travelers employed by an entity located in a European Economic Area (EEA) member state or Switzerland, in most cases, can remain subject to their home country/jurisdiction's social security scheme. They can obtain an exemption from paying social security in Slovakia, regardless of their citizenship. This exemption is based on the EEA/ Swiss rules with respect to postings and/or simultaneous employment.

Other extended business travelers, in some cases, may stay in their home countries/jurisdictions' social security systems and obtain exemptions from paying Slovak social security based on the provisions of social security treaties signed between their home countries/jurisdictions and Slovakia.

If no continued home country/jurisdiction social security coverage and no subsequent exemption from social security contributions are available, an extended business traveler may be subject to Slovak employee social security.

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Compliance obligations

4 Compliance obligations

4.1 Employees' compliance obligations

Tax returns are due by 31 March following the tax year-end, which is 31 December. An extension of a maximum of 3 months can be applied for (with possibility of additional 3 months extension under specific circumstances).

Filing of tax returns is not required, and tax is thus zero if taxable income is less than certain annually updated thresholds (EUR 2,823.24 for 2024).

Extended business travelers who envisage exceeding 183 days of stay in Slovakia may also be subject to a monthly tax prepayment obligation on their taxable income.

4.2 Employer reporting and withholding requirements

If employees of a foreign employer spend over 183 days during any 12 consecutive months in Slovakia, or if the employer creates a PE in Slovakia, the foreign employer may qualify as a taxpayer who assumes the employer reporting and withholding obligations. This, however, would not be required if the activities in Slovakia comprise of provision of services.

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Other issues

5 Other issues

5.1 Work permit/visa requirements

A visa requirement exists only in relation to certain countries/jurisdictions. The type of visa required will depend on the purpose of the individual's entry into Slovakia.

A work permit and residence permit may also be required, depending on the duration of the envisaged stay in Slovakia.

5.2 Double taxation treaties

In addition to Slovakia's domestic arrangements that provide relief from international double taxation, Slovakia has entered into double taxation treaties with more than 60 countries/jurisdictions to prevent double taxation and allow cooperation between Slovakia and foreign tax authorities in enforcing their respective tax laws. From 2019, the application of Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) should be observed.

5.3 Permanent establishment implications

There is the potential that a PE could be created as a result of extended business travel.

5.4 Indirect taxes

Value-added tax (VAT) registration of the foreign employer of the business traveler is usually not required, as the obligation to charge VAT on the taxable supplies is transferred to the service recipient. However, if the services are provided from the fixed establishment or if the recipient is not a taxable person, the VAT registration requirement may apply.

5.5 Transfer pricing

Slovak transfer pricing regulations are aligned with the Organisation for Economic Co-operation and Development (OECD) regulations.

5.6 Local data privacy requirements

Slovakia has data privacy laws.

5.7 Exchange control

Slovakia, in general, does not restrict the flow of Slovak or foreign currency into or out of the country/jurisdiction. Travelers entering or leaving the European Union (EU) and carrying any sum equal to or exceeding EUR 10,000, however, are obliged to make a declaration to the customs authorities.

Certain reporting obligations also are imposed to control tax evasion and money laundering.

5.8 Non-deductible costs for assignees

Deductions in Slovakia are rather limited, the employee's mandatory social security contributions being the most significant deduction from the tax base.

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- Act No. 595/2003 Coll. on Income Tax as amended,
- Act No. 461/2003 Coll. on Social Security as amended,
- Act No. 283/2002 Coll. on Travel Allowances as amended,
- Act No. 404/2011 Coll. On Residence of Aliens as amended.

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