



## Slovakia - Overview of Amendments to Personal Income Tax Act

The Slovak Parliament has approved amendments to the Slovak Income Tax Act.<sup>1</sup> The amendments will enter into force on 1 January 2024, concerning taxation of individuals, and include changes to the tax treatment of virtual currency, sales of unlisted securities, and sales of shares in limited liability companies, amongst others. Employee's shares schemes were regulated differently for listed shares and unlisted shares.

### WHY THIS MATTERS

The amendments introduce tax relief for taxpayers investing in certain investment vehicles. This should be welcome news to such taxpayers, who may benefit from a lower tax burden. Employers of globally-mobile employees may wish to determine how their global-mobility compensation and tax policies may need adjusting in light of these changes.

### Highlights of the Measures

- More precise treatment and new definitions related to **virtual currency (crypto)**, including "stablecoin" or "staking," as well as new exemptions in case of use or sale of virtual currency not held for business, were introduced:
  - o Total net gain up to EUR 2,400 in a year from exchanging virtual currency for goods or services will be exempt from tax;
  - o Income from the sale of virtual currency after one year from its acquisition will be taxed at a special 7-percent tax rate (moreover, no statutory health insurance will be applied).

- Income from the sale of **securities not listed on a stock exchange/regulated market** will be exempt from tax after three years from their acquisition (with certain exceptions, e.g., bills of exchange, cheques, etc.) if the securities were not included in the individual's business assets.
- Similarly, income from **the sale of shares in a limited liability company (LLC)** will be exempt from tax after three years from their acquisition, except for the transfer of shares acquired as an employee benefit-in-kind or shares that were included in business assets. This exemption will apply to shares acquired after 31 December 2023.
- An exemption from income tax is introduced for benefits-in-kind in the form of **employee shares** or in the form of a **share in an LLC** if:
  1. the company has not paid any profit share (dividends) so far; and
  2. these employee shares have not been/are not listed on a regulated market until the end of the tax year in which the benefit was acquired by the employee.

Another important change is that **the controlled foreign companies rules ("CFC")** applicable for individuals are **removed**, effective 1 August 2023. If there was a payment of this tax<sup>2</sup> before its abolition, the payment should be treated as a tax over-payment. For legal entities, the CFC rules remain in force.

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## KPMG INSIGHTS

The rules concerning taxation of various investments – whether those investments be in securities, LLCs, or virtual currency – can be complex and compliance can be tricky, even more so when dealing with globally-mobile employees who may be subject to the new rules. An important change is also the different tax point for employees' share schemes in case of listed employee shares compared to unlisted employee shares where the dividends have not been paid so far.

In preparation for 1 January 2024, when these changes take effect, employers and their employees may have questions about how the changes apply to them and what steps they might take in order to benefit from the tax relief described in this newsletter. It is recommended they consult with their qualified professional tax adviser or a member of the GMS / People Services team in Slovakia (see the Contacts section) before taking any decisions.

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## FOOTNOTES:

1 Slovak Income Tax Act. no 595/2003 Coll.

2 Income tax related to CFC rules (from companies in low tax jurisdictions). This may be an important change for expatriates who have shares in foreign companies who will no longer be subject to taxes levied on unpaid income.

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## Contact us

For additional information or assistance, please contact your local GMS or People Services professional or one of the following professionals with the KPMG International member firm in Slovakia:



**Martina Čižmariková**  
**GMS - Manager**  
Tel. + 421 2 599 84 325  
[mcizmarikova@kpmg.sk](mailto:mcizmarikova@kpmg.sk)



**Ivana Sobolicova**  
**GMS - Senior Manager**  
Tel. + 421 9 057 03 190  
[isobolicova@kpmg.sk](mailto:isobolicova@kpmg.sk)

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