# Slovakia Country Profile

EU Tax Centre

July 2015

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

**EU Member State**

Yes

**Double Tax Treaties**

With:

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

**Forms of doing business**

Limited liability company (s.r.o.)
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 the 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.

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**Compliance requirements for CIT purposes**

The corporate income tax return must be filed within 3 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:

- up to 3 calendar months; or
- up to 6 calendar months (if a taxable income of taxpayer also originates from sources abroad).

**Tax rate**

The standard corporate income tax rate is 22 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). 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% shareholding requirement was not reduced to 20% and 15%, as required by Directive 2003/123; for dividend distributions in 2013, the shareholding requirement was temporarily decreased to 10%).
- 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 months.

The rate may also be reduced under DTTs.

35 percent on interest paid to taxpayer in non-tax treaty 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 months.

The rate may also be reduced under DTTs.

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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 tax

No

**Holding rules**

Dividend received from resident/non-resident subsidiaries

Exemption, except for distributions of profits generated before 2004 (in that case taxed at 19 percent, subject to a potential treaty reduction).

For dividends distributed by an EU resident subsidiary whose share capital is directly held as to 25 percent (temporarily decreased to 10 percent for distributions made in 2013), the exemption applies regardless of the year in which the profit was earned (due to the domestic law implementing the EU Parent-Subsidiary Directive).

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 (may be reduced/exempted by application of DTT);
- Taxation of capital gains from non-Slovak sources.

**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**

On the transfer of shares

No

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### 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:

- Land tax,
- Property tax on buildings and
- 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.

## Controlled Foreign Company rules

No

## 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 the local transfer pricing documentation to the tax authority upon its request (i.e. not only in the course of the tax audit) within a period of 15 days from request delivery.

## 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% of an amount in principle corresponding to EBITDA will be tax non-deductible. 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.

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| **Specific Anti-Avoidance rules/Anti Treaty Shopping Provisions** | No |
| **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.<br><br>As of September 1, 2014, it is possible to request the Financial Directorate for a binding opinion regarding the application of tax laws. |
| **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 2015.

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