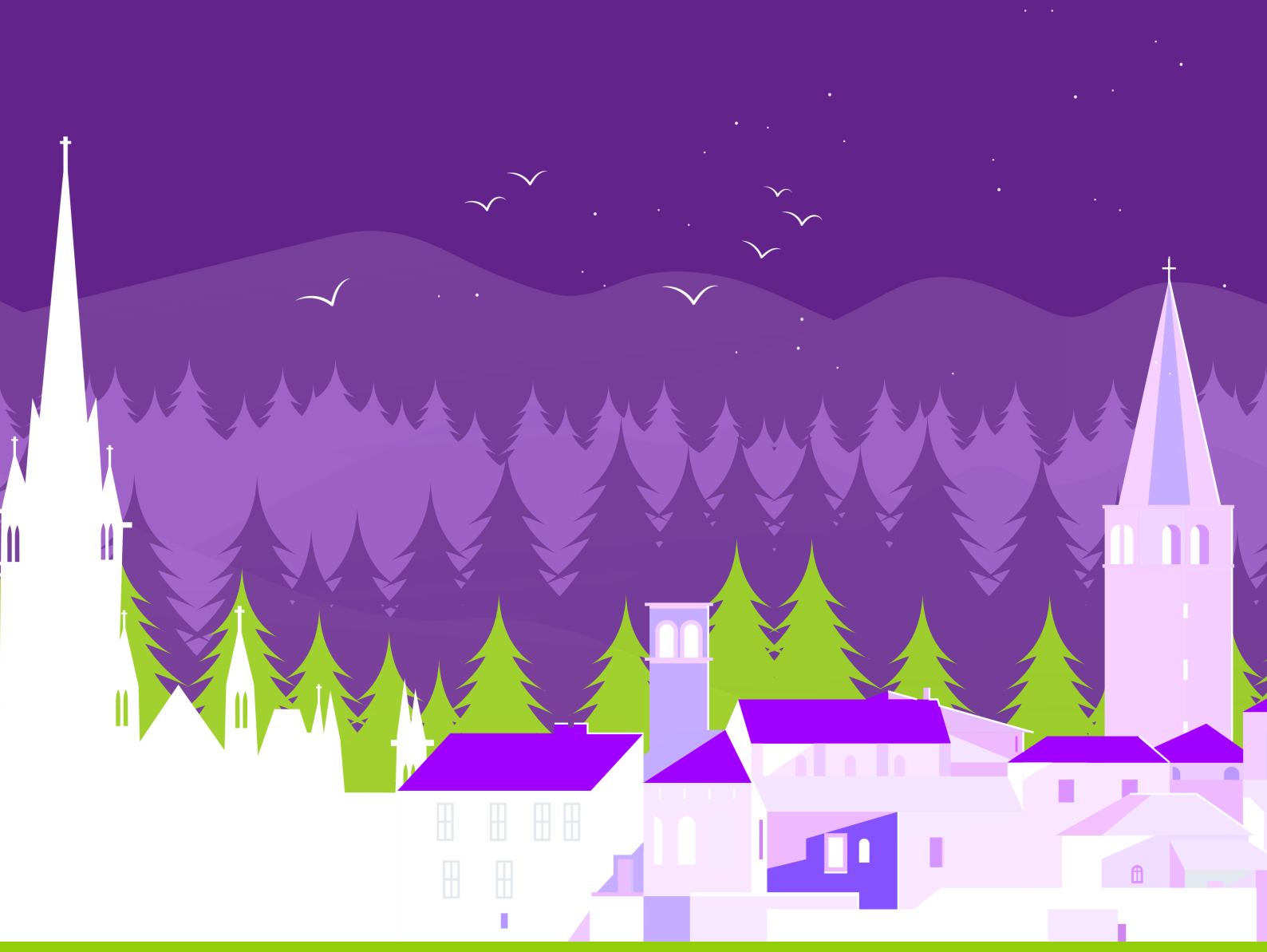
GLOBAL EXPANSION

An Equus Software Company

GLOBAL EMPLOYER GUIDE

SLOVAKIA



Basic Country Facts

Full name

- Slovak Republic

Capital

- Bratislava

Main Languages

- Slovak
- Hungarian
- Czech
- Polish
- Ukrainian
- Roma

Population

- 5.45 million

Monetary unit

- Euro

Internet domain

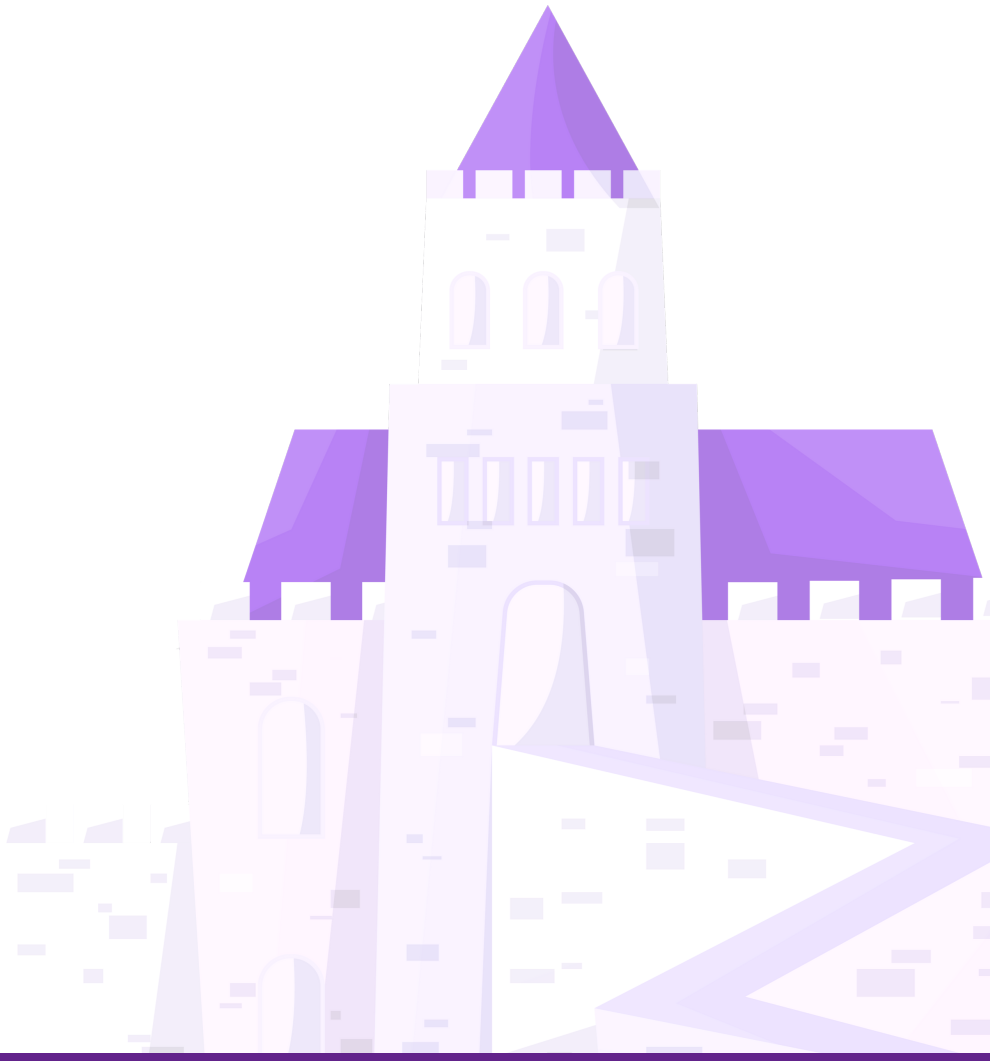
- .sk

International dialing code

- +421

Currency

- Euro



STATUTORY LABOR REQUIREMENTS

Probation Period

- The parties can agree on an initial probationary period of maximum 3 months for general employees.
- For certain managerial positions, the initial probationary period may be extended up to 6 months.

Annual Leave

- Employees are generally entitled to four weeks of paid annual leave.
- Typically, one week is taken in the winter and three in the summer.

Public Holidays

- Emergence of Slovakia (1st January)
- Feast of the Epiphany (6th January)
- Good Friday (10th April)
- Easter Monday (13th April)
- International Workers' Day (1st May)
- Victory in Europe Day (8th April)
- Memory of St. Cyril and St. Methodius (5th July)
- Slovak National Uprising (29th August)
- Day of the Constitution of the Slovak Republic (1st September)
- Day of Our Lady of Sorrows (15th September)
- All Sants' Day (1st November)
- Struggle for Freedom and Democracy Day (17th November)
- Christmas Eve (24th December)
- Christmas Day (25th December)

Maternity Leave

- Female employees are generally entitled to 34 weeks of paid leave.
- Single employees are entitled to 37 weeks.
- Leave generally begins six weeks before the due date, but may begin eight weeks prior.
- Women must take at least 14 weeks of leave, six of which must occur after the birth.

Paternity Leave

- Fathers are generally entitled to paternity leave from the birth of the child until the end of the mother's leave.
- Parents may request parental leave until the child turns three.

Sick Leave

- Employees are eligible for paid sick leave as follows:
  - First three days: 25% of normal wage, paid by the employer
  - Days four through 10: 55% of normal wage, paid by the employer
  - 11+ days: 55% of normal wage, paid by the Social Insurance Agency

Work Hours

- The maximum weekly working time is 40 hours
- Employees working on the basis of a two-shift system may work up to 38.75 hours per week and
- employees working on a three-shift system or who are involved in continuous operation may work up to 37.5 hours per week.

Overtime

- The maximum overtime work that an employer can order is 150 hours per year
- An employee is entitled to the wage earned and to a preferential wage rate in the sum of at least 25 per cent of his or her average earnings for overtime work.

Notice Period

- The statutory minimum notice period is: -
  - 1 month (unless longer notice period is stipulated by the labor Code)
  - 2 months, if the employee was employed for at least 1 year but less than 5 years
  - 3 months, if the employee was employed for at least 5 years

Severance

- Employees are generally entitled to severance pay if they have been terminated because:
  - the company dissolved or moved and the employee does not want to move
  - the employee is made redundant
  - the employee is no longer able to perform the job for health reasons
- If the employee received notice, his/her severance pay should be at least one to four times the employee's average monthly earnings, depending on the number of years of employment.
- If the employee was terminated by agreement, he/she is entitled to one to five times his/her average monthly earnings, depending on the length of service.

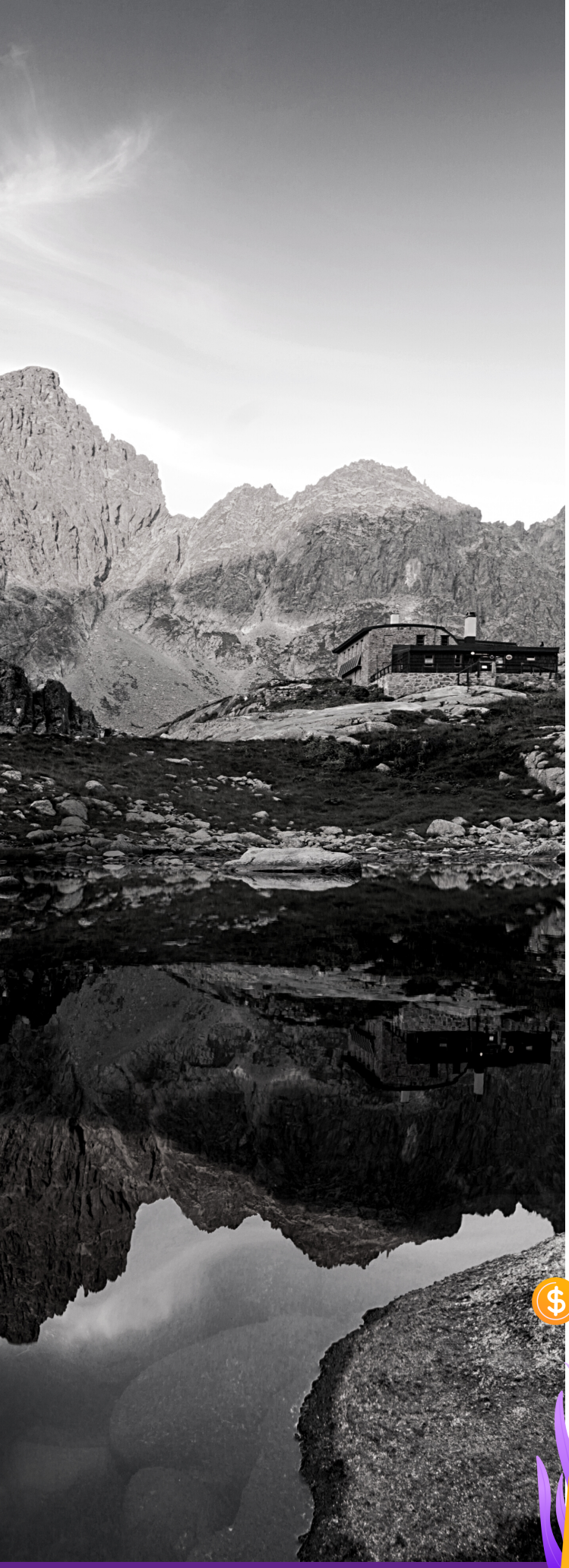
- If the employer terminates an employee's contract either by notice or agreement because the employee cannot perform the job due to an occupational accident, occupational disease, or the risk of such a disease, the employee is entitled to at least 10 times his/her average monthly earnings.

13th Month

- Employers may pay out 13th month payment in June to eligible employees: those who have been continuously employed by the company for at least two years.
- Employers can also pay a 14th month payment in December to those employees they have employed continuously for at least four years.

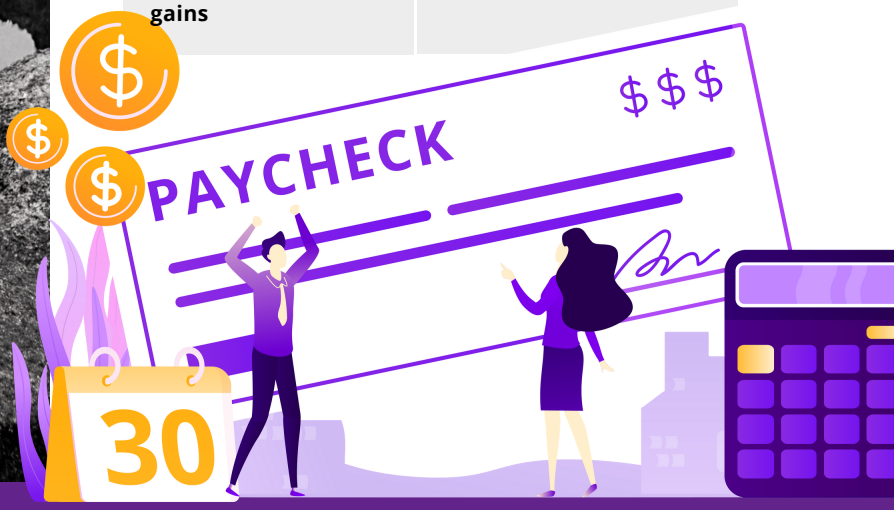
Income Tax

- A tax resident of the Slovak Republic is subject to tax on worldwide income, irrespective of whether the income is remitted to the Slovak Republic.
- A Slovak tax non-resident is liable to tax on Slovak-source income only.
- Slovak-source income includes income from work performed in the Slovak Republic, including director's fees, income from an independent business done through a permanent establishment (PE), and income from services carried out in the Slovak Republic.
- Slovak-source income also includes interest income, license fees, and income from the sale or rental of property located in the Slovak Republic.



- The tax rates applicable in Slovakia are as follows:
  - The tax base of up to 176.8 times the subsistence level (i.e. 36,256.38 euros [EUR]) is subject to a 19% tax rate. The exceeding part of the tax base is taxed at 25%.
  - Dividend income arising from profits before 2004 and after 1 January 2017 is included in a specific tax base taxable at a 7% rate (if paid from abroad) and 7% withholding tax (WHT) if paid by a Slovak company.
  - Income of constitutional authorities from dependent activity is, in addition to the tax calculated as listed above, subject to a special tax rate of 5%.
  - Income from capital gains is included in a specific tax base taxable at a 19% rate.

Income Tax	
Income	**Rate (%)**
Up to 36,256.38 Euros	**19%**
Over 36,256.38 Euros	**25%**
Dividend Income	**7% (if paid from abroad)**
Income from capital gains	**19%**



Social Security Contributions

- If an employee is subject to the Slovak social security system, both the employer and the employee must pay social security contributions.
- Slovak social security contributions consist of sickness, old-age, disability, unemployment, guarantee and accident insurance, and contributions to the reserve fund.
- In general, every person performing an income-generating activity for which he or she is entitled to a regular monthly compensation (and also irregular for the purposes of pension insurance) subject to income tax is deemed to be an employee for Slovak social security purposes.
- Rental, capital or other income is not subject to social insurance.
- Slovak health insurance contributions are for health care.
- Individuals having income subject to income tax (including dividends paid to employees not participating in the registered capital of a company that are generated from profits for accounting periods beginning after 1 January 2011, and capital or other income on which the Slovak withholding tax does not apply) is subject to health insurance.
- Persons acting as members of statutory or supervisory bodies for employers, with a registered seat in the Slovak Republic, are not subject to Slovak health insurance if they do not have permanent residency in the Slovak Republic and are subject to a health insurance system in a non-European Union (EU) state.
- The combined rate for the employee's social and health insurance contribution is 13.4% of his or her assessment base, which is, in general, his or her monthly taxable employment income.
- The employer's contribution rate is 35.2% of the employee's assessment base.
- The maximum monthly assessment base for all types of insurance (excluding accident insurance and health insurance) equals seven times the average wage in the Slovak economy.
- The assessment base for accident insurance and health insurance is not limited.
- This means that the actual health insurance contribution (employers' as well as employees' part) and accident insurance (employers' part only) is calculated based on the total amount of income that is subject to the respective insurance under the Slovak legislation.

Benefit	Employers (%)	Employees	Self-employed
Sickness insurance	1.4	1.4	4.4
Health insurance	10	4	14
Old-age insurance	14	4	18
Disability insurance	3	3	6
Accident insurance	0.8	0	0
Guarantee fund	0.25	0	0
Reserve fund	4.75	0	4.75
Unemployment insurance	1	1	0
Total	**35.2**	**13.4**	**47.15**

Deductible Expenses

- No deductions are available from income from employment, except for statutory health and social insurance contributions.
- Sums received by way of reimbursement of expenses incurred in connection with employment are exempt from tax, provided they do not exceed the statutory limits and are not aimed for private use.
- An annual deduction of up to EUR 500 is available from certain types of income from capital, including gains on the sale of shares, and rental income from real estate.
- The personal allowance of 19.2 times the minimum subsistence amount announced on 1 January each year is available to all individuals whose annual tax base does not exceed a certain limit. If the tax base of a taxpayer exceeds a certain limit, the personal allowance is reduced to nil progressively, based on a formula.
- For 2019, the personal allowance is set at EUR 3,937.35 based on the minimum subsistence amount valid on 1 January 2019. Individuals whose tax base for 2019 is higher than EUR 20,507.00 cannot apply the entire non-taxable personal allowance.
- Their personal allowance is reduced to nil progressively, based on a formula, so that those with an annual tax base equal to or higher than EUR 36,256.37 in 2019 are not entitled to any personal allowance.
- A dependent spouse allowance of up to 19.2 times the minimum subsistence amount can also be claimed in 2019 by Slovak tax residents with permanent residence in Slovakia, provided the spouse does not have income in excess of the allowance amount (i.e. EUR 3,937.35 in 2019).
- The amount of the spouse allowance depends on the level of the individual's and spouse's 2019 incomes, and is based on a formula.
- However, if the individual's tax base is equal to or higher than EUR 52,005.75 in 2019, the individual will not be entitled to any spouse allowance.
- A Slovak tax non-resident can claim spouse allowance only if 90% of one's worldwide income is from Slovak sources.
- Personal and dependent spouse allowance can decrease only the income from employment, business, or other self-employment.
- The spouse allowance is applied only if the spouse is living with the taxpayer in the common household and is taking care of a dependent child, receives a cash allowance for nursing, is registered with an employment center and is actively seeking a job, is considered a disabled individual, or is a severely disabled individual.
- Individuals between 18 and 35 may deduct 50% of the interest paid on mortgage during five years, up to EUR 400 monthly and from maximum base of EUR 50,000 per property.
- Interest bonus is claimed by individuals whose average monthly income is up to 1.3 times the average monthly salary of employees in the economy.

Deductible Expenses	
Employment Expenses	• No deductions are available from income from employment, except for statutory health and social insurance contributions
Deductions from capital gains	• An annual deduction of up to EUR 500 is available from certain types of income from capital, including gains on the sale of shares, and rental income from real estate.
Personal Allowances	• For 2019, the personal allowance is set at EUR 3,937.35 based on the minimum subsistence amount valid on 1 January 2019. • Individuals whose tax base for 2019 is higher than EUR 20,507.00 cannot apply the entire non-taxable personal allowance. • Their personal allowance is reduced to nil progressively, based on a formula, so that those with an annual tax base equal to or higher than EUR 36,256.37 in 2019 are not entitled to any personal allowance. • A dependent spouse allowance of up to 19.2 times the minimum subsistence amount can also be claimed in 2019 by Slovak tax residents with permanent residence in Slovakia, provided the spouse does not have income in excess of the allowance amount (i.e. EUR 3,937.35 in 2019). • The amount of the spouse allowance depends on the level of the individual's and spouse's 2019 incomes, and is based on a formula. • However, if the individual's tax base is equal to or higher than EUR 52,005.75 in 2019, the individual will not be entitled to any spouse allowance. • A Slovak tax non-resident can claim spouse allowance only if 90% of one's worldwide income is from Slovak sources. • The spouse allowance is applied only if the spouse is living with the taxpayer in the common household and is taking care of a dependent child, receives a cash allowance for nursing, is registered with an employment center and is actively seeking a job, is considered a disabled individual, or is a severely disabled individual.
Tax Bonus for young people	• Individuals between 18 and 35 may deduct 50% of the interest paid on mortgage during five years, up to EUR 400 monthly and from maximum base of EUR 50,000 per property. • Interest bonus is claimed by individuals whose average monthly income is up to 1.3 times the average monthly salary of employees • in the economy.

Immigration

Work Permits

- Non-EU nationals must request permission to work in the Slovak Republic at the locally competent Office of Labor, Social Affairs and Family of the Slovak Republic.
- The office may require from the employer a written request for permission to employ a foreigner.
- An employer must report a job vacancy to the Central Labor Office at least 20 working days before applying for the job permission.
- The process of reporting job vacancies can be omitted; however, this applies only for selected professions in regions with low unemployment rates as indicated by labor inspectorates.

EU Blue Card

- The Blue Card is a type of temporary residence, which is issued to non-EU nationals for the purpose of highly qualified employment in the Slovak Republic.
- The basic requirement for acquiring the Blue Card is higher professional qualification in the form of university education.
- In addition, the agreed-upon salary must not be lower than 1.5 times the wage in the Slovak national economy in the relevant field, and an employment contract must be concluded for the duration of at least one year.
- A Blue Card entitles an individual to enter, reside and work in the Slovak Republic and to travel abroad and back.
- An employer must report a job vacancy to the Central Labor Office at least 15 working days before applying for the Blue Card.
- The employer must notify the Central Labor Office of the commencement and termination of the employment of a non-EU national within seven days.
- The Blue Card is issued for a maximum period of four years.
- If the duration of the employment relationship is shorter than four years, the Foreigner Police issues a Blue Card for the duration of the employment relationship extended by 90 days.

Self-employment

- To engage in activities that have the characteristics of a trade, an individual must apply for a trade license.
- The acquisition of a trade license does not always enable an individual to legally start running a business in the Slovak Republic.
- Depending on the individual's citizenship and type of residence in the Slovak Republic, in certain cases, an individual may not start conducting a business until he or she obtains temporary residence for the purpose of business and/or registers with the Commercial Register.

Intra-company transfer

- The recent amendment (to the Act on Residence of Foreigners, effective from 1 May 2017) involved national transposition of Directive 2014/66/EU on the conditions of entry and residence of third-country nationals in the framework of an intra-corporate transfer (also known as the ICT Directive).

- The purpose of this amendment is to facilitate mobility and accelerate the procedure for granting temporary residence permits for selected categories of employees who are nationals of third countries.
- These are the cases with an employer established outside of the EU that transfers an employee for more than 90 days, up to three years for managers and specialists and up to one year for trainees, to a branch within an EU member state (including those covered by the EEA Agreement and the Swiss Confederation).
- However, once the EU member state implements the terms of the ICT Directive, the third-country nationals with an ICT permit issued in any EU member state (the location of first temporary residence) can enter, stay and work in one or more additional member states that have also implemented the ICT into local law, with little or no interruption to their secondment and vice versa.

Type of Visa/ Permits	Documentation	Validity	Eligibility
EU Blue Card	• Valid Passport • Bachelors or Master's degree • Proof of health insurance • Valid residence permit or a national long-term visa	4 years	• High skilled workers • The gross annual salary resulting from the monthly or annual salary specified in the work contract or binding job offer must be equal to or higher than at least 1.5 times the average gross annual salary in the Member State concerned). • For 2015, Slovakia set the minimum salary • threshold at: 15 102 EUR.
Temporary Residence Permit	• Application form • 2 passport pictures • Valid passport • Document proving the purpose of residence • Criminal record • Proof of accommodation • Proof of financial coverage • Proof of health insurance	2 years (employment) 3 years (self-employed)	• Temporary residence can be obtained for employment, self-employment , and ICT purposes

Value Added Tax (VAT)

- Companies are required to charge the correct VAT rates on their Slovakian transactions, and will be held liable for any errors or omissions.
- Whilst the EU sets the framework for the rates, the Slovak Republic still determines the actual rates – although the higher, standard rate must be above 15%.
- The standard VAT rate in the Slovak Republic is 20%, with a reduced rate of 10% on certain goods and services.
- A number of services are exempt from Slovakian VAT, such as financial and postal services.

VAT Rates	
Standard Rates	20%
Reduced Rates	10%
Zero Rate	0%

Withholding Tax

Dividends

- Dividends distributed out of profits generated as from 2017 and paid to an entity or individual resident in a country that has not concluded a tax treaty with Slovakia are subject to a 35% withholding tax
- Dividends distributed by a Slovak-resident entity out of profits generated as from 2017 to an entity resident in a country that has concluded a tax treaty with Slovakia are exempt from withholding tax
- Dividends distributed by a Slovak-resident entity out of profits generated as from 2017 to individuals' resident in Slovakia or a country that has concluded a treaty with Slovakia are subject to a 7% withholding tax
- The withholding tax rate may be reduced under a tax treaty

Interest

- Interest paid to a nonresident is subject to a 19% withholding tax, unless the rate is reduced under a tax treaty or an exemption applies under the EU interest and royalties' directive
- A 35% rate applies where the payment is made to a resident of a non-treaty state

Royalties

- Royalties paid to a nonresident are subject to a 19% withholding tax, unless the rate is reduced under a tax treaty or an exemption applies under the EU interest and royalties' directive
- A 35% rate applies where the payment is made to a resident of a non-treaty state.

WHT	
Dividends	• 35% (dividends paid to a resident of a non-treaty state) • 7% (dividends paid to a Slovak resident or a resident of a non-treaty state)
Interest	• 19% (interest paid to a non-resident) • 35% (interest paid to a resident of non-treaty state)
Royalties	• 19% (royalties paid to a non-resident) • 35% (royalties paid to a resident of non-treaty state)

Termination

- The employment contracts in Slovakia can be terminated in writing by both parties as follows:
  - mutual agreement,
  - immediate termination
    - The employer must terminate the employment within two months since becoming aware of the grounds for the immediate termination, and at the latest within one year of the day on which those grounds arose.
    - This method of termination of employment relationship can be used only in exceptional circumstances stipulated by the labor Code,
  - termination in the probationary period by both the employer or employee who may terminate the employment during probationary period without providing any reason for termination by a written notice that should be given and delivered to the other party at least 3 days before the day of stipulated termination,
  - notice
    - In this case both employer and employee may terminate an employment contract by a written notice.
    - The employee may terminate the employment contract for any reason or without stating any reasons.
    - On the other hand, the employer may terminate the employment contract only in the situations expressly stipulated in the labor Code.

Statutory Benefits

- These are benefits as postulated by law
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, paternity leave, notice period, severance pay, 13th month pay and 14th month pay
- Statutory benefits also include social security benefits

Statutory Benefits
Probationary Period
Annual Leave
Public Holidays
Sick Leave
Maternity Leave
Paternity Leave
Notice Period
Severance Pay
13th Month Pay
14th Month Pay
Social Security Benefits

Payments and Invoicing

- The tax year for individuals is the calendar year.
- Tax returns for each tax year must be filed within three months after the end of the respective tax year (that is, by 31 March of the year following the tax year).
- This deadline can be extended by three months on the filing of an announcement with the respective tax authority.
- If an individual who is a resident for tax purposes in the Slovak Republic receives foreign-source income, the deadline can be extended up to six months (that is, until 30 September) on the filing of an announcement.
- Employment income received by 31 January of the following year that relates to the preceding year is regarded as income of the preceding year.
- Individuals performing dependent activities in the Slovak Republic for neither Slovak nor foreign payers of tax must make monthly Slovak tax prepayments based on the actual income received.
- In general, married persons are taxed separately on all types of income.
- The income from joint property, such as interest income or income from the sale or renting of the property, is generally divided between married persons equally, unless agreed otherwise. Related expenses are divided in the same percentage as income.

Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Slovakia ranked 45th in the World in 2019 in terms of ease of doing business.

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