

Country profile



Doing business in Slovakia

July 2022

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SLOVAKIA

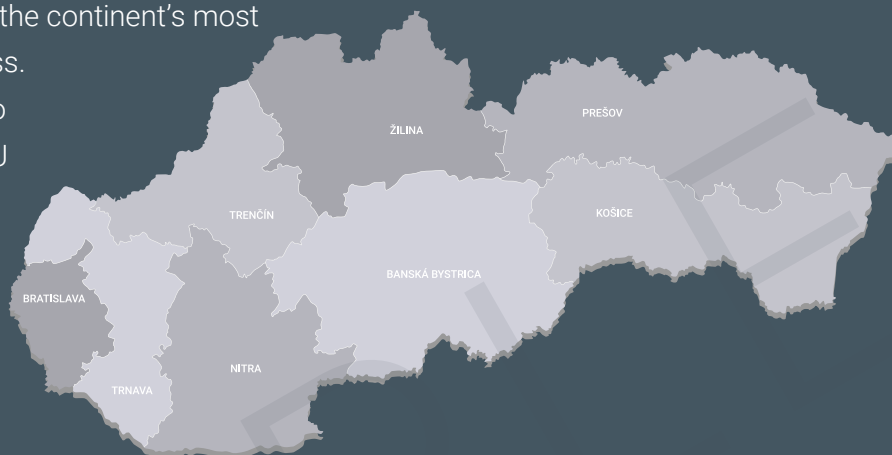
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Country summary

Slovakia, officially known as the Slovak Republic, is located in the centre of Europe and is one of the continent's most attractive locations for doing business.

A stable legal environment, access to European Union (EU) markets and EU funds, improved transport corridors, improved technology and common currency have made it an attractive location for foreign investors. Key sectors of the economy include information and communication technology (ICT), financial and insurance services, automotive industry, electricity and gas supply, public administration and mining. It ranked 29th for the complexity of its business environment, according to TMF Group's 2022 'Global Business Complexity Index'. Slovakia is a member of international organisations, such as the EU, the Organization for Economic and Cooperative Development (OECD), and the World Trade Organization (WTO).



1.1 Legal structures

Limited liability company, or branch office are the most common forms of business entities used by foreign investors.

- In an LLC, a minimum capital of €5,000 is required and there should be at least one member and at most 50 members.

Legal entities including Joint Stock Company, Simple Joint Stock Company, General Partnership, Limited Partnership and Cooperatives are also used in Slovakia.

1.2 Incorporation procedures

Every company incorporated in Slovakia must be registered with the Slovak Commercial Register.

1.3 Ongoing obligations

All listed companies in Slovakia must have their financial statements audited by an independent auditor.

Financial statements are required to be prepared in accordance with Slovak Accounting Regulations (Act on Accounting, Commercial Code and decrees issued by the Ministry of Finance). Consolidated financial statements shall be prepared in accordance with International Financial Reporting Standards (IFRS).

- Financial statements have to be filed with the register of financial statements, within six months of the end of the financial year at the latest, by the date on which the entity files the income tax return. The financial statements have to be approved within one year of the reporting period. Annual reports should be filed with the register of financial statements within one year of

the reporting period. Preparation of an annual report is mandatory only for entities that are required to have their financial statements audited.

- The audit of financial statements must be performed, and the annual report must be verified by an auditor within one year of the end of the accounting period for which the financial statements or annual report have been prepared.

1.4 Tax implications*

VAT: 20%. A reduced rate of 10% applies to medical and pharmaceutical products, basic food products, some printed media and accommodation services.

Corporate income tax: 21% (lower rate of 15% for threshold of €49,790).

**Refers to general taxes, actual rate may vary.*

1.5 Labour environment

Social security contributions for employer and employee are 35.2% and 13.4% respectively.

All third country (non-EU) nationals coming to work in Slovakia, even for short periods, are required to obtain a work permit (or a confirmation of possibility to take the vacant post) and a temporary residence permit.

When employing an EU citizen or third country national, the employer must comply with the reporting obligation towards the competent Office of Labour, Social Matters and Family. The duty must be fulfilled within seven working days from entering a job and the same applies for the termination of employment.

The minimum monthly wage as of January 2022 is €646.

Employment in Slovakia is governed by the Labour Code.

1.6 Compliance requirements

Slovakia has signed a multilateral competent authority agreement for the automatic exchange of Country-by-Country (CbC) reports, in line with BEPS Action 13, and signed the law for the ratification of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI) on 30 July 2018.

Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) were adopted by Slovakia in September 2015 and January 2016 respectively.

Slovakia has adopted most of the principles of IFRS in its accounting law. However, there are still some differences between IFRS and Slovak accounting standards.

An amendment to Slovakia's Act on Prevention of Legalisation of Income from the Criminal Activity and Terrorist Financing (the AML Act) came into effect on 15 March 2018, followed by adoption of the 5th EU AML directive from 1 November 2020.

Slovakia is known to be a country with a low risk of money laundering; it ranked 90th among 110 countries.

Country factsheet



GDP
US\$114.87 billion
(World Bank, current US\$, 2021)



Country capital
Slovakia, Bratislava



Language
Slovak



Key government departments

- **Ministry of Economy**
- **Ministry of Finance**
- **Ministry of Labour, Social Affairs and Family**
- **Ministry of Justice**
- **Ministry of Health**
- **Ministry of Foreign Affairs**



Currency
Euro (sign: €; code: EUR)



GNI per capita
US\$20,250
(World Bank, Atlas method, current US\$, 2021)



Key cities
Bratislava, Košice, Žilina, Prešov, Nitra



Population
5.45 million (World Bank, 2021)



Key sectors
Information and communication technology (ICT), financial and insurance services, automotive, electronics, BPO, manufacturing, mining

SLOVAKIA





Legal structures – Company formation

The Slovak Commercial Code recognises the following common forms of business entities, all of which are required to be registered in the Slovak Commercial Register:

Limited Liability Company (LLC, *spoločnosť s ručením obmedzeným, s.r.o.*):

- An LLC must have at least one and at most 50 members, who may be individuals or legal entities. However, one sole member company cannot be the sole member of another company. An individual can be a sole participant in no more than three limited liability companies.
- A minimum capital of €5,000 is required at the time of incorporation. If there is one participant, the initial capital must be fully paid. If there are two or more participants, at least 50% of the registered capital and 30% of each participant's initial capital contribution must be paid. The minimum capital contribution of each participant is €750.
- Capital is divided into ownership interests. The liability of the members is limited to the unpaid value of their ownership interests.
- A reserve fund must be established, following the company's first year in profit, at a level of at least 5% of net profit but not more than 10% of the registered capital.
 - Thereafter, the fund must be supplemented annually by a sum stipulated in the memorandum of association; this sum, however, may not be lower than 5% of net profit.
 - The reserve fund is to be supplemented until it reaches the level stipulated in the memorandum of association, which must be at least 10% of the registered capital.

Joint Stock Company (JSC, *akciová spoločnosť, a.s.*):

A JSC may be formed by a single legal entity or by two or more resident or non-resident individuals or legal entities, as shareholders. It can be public or private.

- A minimum capital of €25,000 is required at the time of incorporation, which must be fully subscribed and at least 30% of monetary contributions and all non-monetary contributions must be paid.
- Capital is divided into shares, which can be registered or bearer shares. Shares of a public A.S. are offered for subscription through a public offering and can be listed on a stock exchange.
- A reserve fund of at least 10% of its registered capital must be established at the company's incorporation. Thereafter, the fund must be increased annually by a sum stipulated in the company's articles of association. This sum, however, may not be lower than 10% of net profit.

Simple Joint Stock Company (*jednoduchá spoločnosť na akcie, j.s.a.*):

A simple joint stock company has been introduced as a new business vehicle and a hybrid type of corporate form, combining various features of a limited liability company and a joint stock company.

- A J.S.A. may be established by one or more individuals or legal entities (resident or non-resident).
- A minimum capital of €1 is required at the time of incorporation. The entire amount of registered capital needs to be subscribed and all contributions of the shareholders into the registered capital must be fully paid up.
- Capital is divided into registered shares. Shares may be transferable; however, it is possible to restrict or exclude their transferability.
- Shares of a J.S.A. will not be accepted by the Stock Exchange to be traded on the securities market.



- A reserve fund of at least 10% of the registered capital will need to be established at the company's incorporation.
- Thereafter, the fund will need to be increased annually by a sum stipulated in the company's articles of association, which will need to be at least 10% of net profit.
- The reserve fund will be supplemented, until it reaches the level stipulated in the company's articles of association, which will need to be at least 20% of the registered capital.

General Partnership (verejná obchodná spoločnosť, v.o.s.):

These are generally formed by two or more individuals or legal entities who are jointly and severally liable for the partnership's obligations. There is no minimum capital requirement, and an audit is required under specified circumstances.

Limited Partnership (komanditná spoločnosť, k.s.):

They are generally founded by two or more legal entities or individuals comprising at least one limited and one general partner. General partners are jointly and severally liable for the obligations of the partnership. The liability of the limited partners is limited to the extent of their capital contribution, which must be at least €250. Only general partners are entitled to manage the partnership and act as its statutory representatives.

Cooperative (družstvo):

Cooperatives may be formed by at least five members (individuals) or at least two legal entities, whose liability is limited to the extent of their capital contribution. A minimum capital of €1,250 is required at the time of incorporation.

- A cooperative is required to create an indivisible fund at least in the amount of 10% of the registered capital,

upon its incorporation. The fund must be replenished annually by at least 10% of the cooperative's annual profit, until the amount of the indivisible fund is equal to one half of the registered capital of the co-operative.

Branch Office of a foreign company (organizačná zložka podniku zahraničnej osoby):

These types of entities are treated as foreign exchange non-residents under the Foreign Exchange Act (ie they are not treated as separate legal entities). These entities are not subject to any minimum capital or audit requirements.

- While Slovak law does not limit the activities of enterprises or branch offices of foreign entities, it does require that these offices hold a trade licence or other authorisation and provide a full list of their planned activities in their application for entry into the Commercial Register. Only then may they engage in the activities registered in the Commercial Register.

As part of the EU, Slovak law also recognises the following legal entities:

- European Company (Societas Europaea – SE): These operate on a Europe-wide basis under a Europe-wide law that allows the creation of a registered presence in Slovakia.
- European Economic Interest Group (EEIG): These also operate on a Europe-wide basis and can have an official address in Slovakia.
- European Cooperative Society (Societas Cooperativa Europea – SCE): These operate on a Europe-wide basis and can establish a registered office in Slovakia.

Incorporation procedures



Slovakia ranked 29th for the complexity of its business environment, according to TMF Group's 2022 'Global Business Complexity Index'

Incorporation procedures for establishing a Limited Liability Company (s.r.o)

S. No	Procedure	Time to complete	Associated costs
1	Check the uniqueness of the proposed company name <i>Agency: Commercial Register held by the District Court</i>	Less than one day (online procedure)	No charge
2	Notarise articles of association and related documents <i>Agency: Notary Public or Registrar's Office</i>	One day	<ul style="list-style-type: none"> The fee for the verification of a signature at a Notary Public is €1.99 (excluding VAT), ie, €9.95 (excluding VAT) for the verification of five signatures The fee for the verification of a signature at the Registrar's Office is €1.50, ie, €7.50 for the verification of five signatures Both options are commonly available and used in practice
3	Apply to the Ministry of Law and Human Rights for approval of the deed of establishment <i>Agency: Ministry of Law and Human Rights</i>	One day	No charge
4	Make a company seal <i>Agency: Seal Maker</i>	Five days	No charge
5	Obtain a Domicile Letter, when required <i>Agency: Sub-district Office</i>	Nine days	Electronic process: 150€ for Court Registration, no charge for the standard trade licence
6	Register for VAT <i>Agency: Tax Authority Office</i>	Up to 21 days	No charge
7	Register with pension, sickness, and disability insurance and unemployment insurance at the local social insurance company (Socialna poisťovňa) <i>Agency: Local social insurance company</i>	One day, simultaneous with previous procedure	No charge
8	Register for health insurance <i>Agency: Health Insurance company</i>	One day, simultaneous with previous procedure	No charge

3.1 Personnel

LLCs are managed by a statutory body of one or more executives. A supervisory board may be established but is not a legal requirement.

A JSC is managed by a Board of Directors with at least one member. Members of the board are elected in the general meeting of shareholders or by the supervisory board, if the same is stipulated in the articles of association.

- Members of the board of directors are elected for a maximum of five years.
- JSCs are also required to have a supervisory board with at least three members, who are elected for a maximum of five years. If the JSC has more than 50 employees, at least one-third of the members of the supervisory board must be elected by the employees.

A JSA is managed by a board of directors, whose members are elected by the general meeting or, if stipulated by the company's articles of association, by the supervisory board.

- Members of the board of directors can be elected for an indefinite period.
- A supervisory board can also be established but is not mandatory.

Partnerships are managed by general partners, who act as its statutory representatives.

Cooperatives with more than 50 members are managed by a board of directors. The members are required to elect a supervisory committee, with at least three members, to perform regulatory and ombudsman functions.

- If the cooperative has fewer than 50 members, the members' meeting may perform the functions of the board of directors and supervisory committee.

A branch of a foreign entity is required to appoint a director (manager) to head the branch and register them in the Commercial Register.

- A director can either be a Slovak national or a foreigner with a valid temporary Slovak residence permit. The residence permit is not required for citizens of the EU and OECD countries.



Ongoing obligations

4.1 Frequency of board/shareholder meetings for a corporation and limited liability companies

The General Meeting of Shareholders is the supreme body of a JSC, which meets at least once annually. Each shareholder is asked to attend general meetings, vote, and ask for information and explanations. The key issues discussed in the meeting include amendments to the articles of association, an increase or reduction of the registered capital, appointment and removal of members of the board of directors and/or the supervisory board, approval of financial statements and profit distribution, and decisions concerning the liquidation of the company. Shareholders who hold at least 5% (or less if specified in the company's articles of association) of the registered capital for more than three months can request the board of directors to arrange for an extraordinary general meeting for a specified agenda.

For an LLC and JSA, a general meeting of the members is held at least once a year, primarily to approve financial statements of the entity.

A Members' Meeting, which is the supreme body of a cooperative, must be held at least annually, and each member of the cooperative has one vote at the members' meeting, unless stipulated otherwise in the articles of association. The meeting is primarily conducted to elect a board of directors who deal with the day-to-day affairs of the cooperative; and a supervisory committee that is responsible for the regulatory functions.

4.2 Audit requirements

The following types of entities are required to have their financial statements audited:

- Business entities that are obliged to create issued capital (eg limited liability companies, all Slovak joint-stock companies and cooperatives) which meet at least two of the following criteria:
 - Total gross assets exceeding €4 million
 - Net turnover exceeding €8 million
 - Average number of employees exceeding 50.
- All listed companies.

Certain organisations that are designated by taxpayers as beneficiaries of percentage donations of income tax, if the annual amount of the tax donations received exceeds €35,000.

Entities required to prepare financial statements in accordance with IFRS, which include:

- Business entities (a.s., s.r.o., v.o.s., k.s.) which meet at least two of the following criteria in at least two consecutive financial years:
 - Total gross assets exceeding €170 million
 - Net turnover exceeding €170 million
 - Average number of employees exceeding 2,000.
- Banks, insurance companies, or other entities providing financial services.
- Business entities required to prepare IFRS financial statements under special Government requirements or EU legislation.
- Companies that are required to prepare consolidated financial statements. A company is required to prepare consolidated financial statements when the aggregated amounts of the parent and subsidiaries meet at least two of the following criteria in the previous and current financial year:
 - Total gross assets exceeding €24 million
 - Net turnover exceeding €48 million
 - Average number of employees exceeding 250.
- Other entities that are required to be audited according to special legislation.
- The audit of financial statements must be performed, and the annual report must be verified by an auditor within one year of the end of the accounting period for which the financial statements or annual report have been prepared.

4.3 Filing requirements

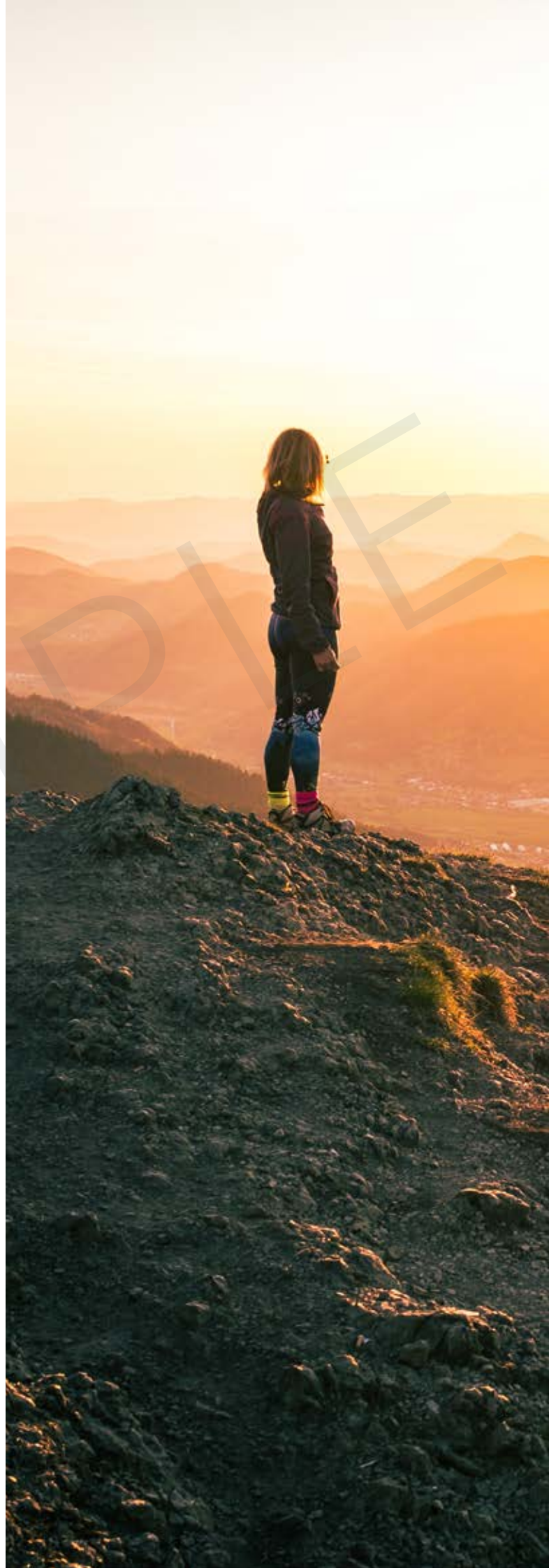
All entities must prepare their accounting books and financial statements in Slovak language and in EUR (except where companies prepare their financial statements in accordance with IFRS and have a different functional currency). Financial statements are required to be prepared in accordance with Slovak Accounting Regulations (Act on Accounting, Commercial Code and decrees issued by the Ministry of Finance). Consolidated financial statements shall be prepared in accordance with IFRS. All entities are required to submit a copy of their financial statements, together with their corporate income tax return, to the relevant tax authority. Entities that prepare financial statements in accordance with IFRS are also required to submit a summary of selected information from their financial statements.

Financial statements have to be filed with the register of financial statements within six months of the end of the financial year, however, no later than the deadline for filing the income tax return. The financial statements have to be approved within one year of the end of the financial year. Annual reports should be filed with the register of financial statements within one year of the reporting period. Preparation of an annual report is mandatory only for entities that are required to have their financial statements audited.

Annual reports must contain financial statements, an auditor's report, summary of operations/activities, significant and subsequent events, information about research and development costs, forecast for the entity, and other information as specified by other applicable acts.

For entities that have shares, or other securities traded on regulated markets, annual reports must also contain governance and management disclosures, information about structure of shares and securities and their restrictions, agreements between shareholders or other information related to shareholders and the company's bodies. Consolidated financial statements must be filed with the register of financial statements within one year of the reporting period.

Entities that are required to prepare financial statements in accordance with IFRS (except branch of bank, asset management company, insurance or reinsurance company) must make full financial statements and annual reports publicly available on their website, for a minimum of one year.



Tax implications

5.1 Value added tax (VAT)

VAT is imposed on the delivery of taxable goods and VAT is charged on the supply of goods and services in the Slovak Republic, on the acquisition of goods from another EU Member State (intra-community acquisition of goods), on the acquisition of selected "reverse charge" services from other EU Member States or third countries, and on goods imported from non-EU countries.

The standard VAT rate is 20%. A reduced rate of 10% applies mainly to pharmaceutical products, certain medical aids, printed materials (books, certain types of magazines, newspapers, etc.), selected food products (eg, fish and meat products, milk, butter, bread, potatoes, tomatoes, apples, etc.) and accommodation services. Certain supplies, such as financial and insurance services, are exempt from VAT.

5.2 Withholding tax

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, which may be reduced under a tax treaty. Dividends distributed out 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.

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

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

No withholding tax is levied on technical services fees.

No withholding tax is levied on profits remitted by a branch to the head office.

5.3 Corporate income tax

The corporate income tax rate is 21%.

- The tax rate for entities with income less than €49,790 is 15%.

An exit tax is imposed when a taxpayer moves its assets and/or business activities (either fully or partially) and/or tax residence out of Slovakia. The exit tax rate is 21% and applies on the economic value of the gains generated in Slovakia.

Investment incentives may be available for the production, expansion, or modernisation of shared services centres or research and development (R&D) centres. These incentives are subject to special rules in the State Aid Act and can be provided in the form of either cash or tax relief. Furthermore, the taxpayer may deduct 200% of R&D expenses incurred in the relevant tax period, plus the year-over-year increase in such expenses.

5.5 List of countries with Free Trade Agreements

Slovakia is a member of the EU, and implements the EU's FTAs:

FTAs	Entered into effect	FTAs	Entered into effect
EU – Overseas Countries and Territories FTA	January 1971	EU – Caribbean Forum FTA	December 2008
EU – Switzerland and Liechtenstein FTA	January 1973	EU – Papua New Guinea and Fiji FTA	December 2009
EU – Iceland FTA	April 1973	EU – South Korea FTA	July 2011
EU – Norway FTA	July 1973	EU – Eastern and Southern African States Interim EPA	May 2012
EU – Syria FTA	July 1977	EU – Colombia and Peru FTA	March 2013
EU – Faroe Islands FTA	January 1997	EU – Central America FTA	August 2013
EU – Palestinian Authority FTA	July 1997	EU – Serbia FTA	September 2013
EU – Tunisia FTA	March 1998	EU – Ukraine FTA	April 2014
EU – South Africa FTA	January 2000	EU – Cameroon FTA	August 2014
EU – Morocco FTA	March 2000	EU – Republic of Moldova FTA	September 2014
EU – Israel FTA	June 2000	EU – Georgia FTA	September 2014
EU – Mexico FTA	July 2000	EU – Cote d'Ivoire FTA	September 2016
EU – Macedonia FTA	June 2001	EU – Southern African Development Community FTA	October 2016
EU – Jordan FTA	May 2002	EU – Ghana FTA	December 2016
EU – Chile FTA	February 2003	EU – Colombia and Peru FTA (Accession of Ecuador)	January 2017
EU – Lebanon FTA	March 2003	EU – Canada FTA	September 2017
EU – Egypt FTA	June 2004	EU – Japan FTA	February 2019
EU – Algeria FTA	September 2005	EU – Singapore	November 2019
EU – Albania FTA	December 2006	EU – Vietnam	August 2020
EU – Montenegro FTA	January 2008	EU – United Kingdom	May 2021
EU – Bosnia and Herzegovina FTA	July 2008		

Furthermore, the EU is negotiating FTAs with the Eastern African Community, West Africa and the Philippines. It is also in the early stages of negotiations with India, Indonesia, Malaysia and Thailand.

5.5 Customs policy

Slovakia does not impose any customs duty on goods or services imported from EU countries. Imports from non-EU countries are subject to the EU common customs duty, VAT, and excise duty (levied on energy products such as mineral oil, electricity, coal, and natural gas, beverages such as beer, wine, and spirits and tobacco products). The EU customs tariff depends on the classification of goods and their origin.

Generally, payments for customs duties are required to be made within 10 days from the date of import and cannot be deferred for more than 30 days.

5.6 Import restrictions

The EU imposes controls on the import of certain types of goods through import quotas, anti-dumping customs duties and embargoes, which are implemented by Slovakia as well. Restricted imports include endangered species of animals and plants, dangerous chemicals, counterfeit or pirated goods, agricultural products, iron and steel products, and aluminium products.

5.7 Customs incentives

No customs duties are levied on the trade of goods between EU Member States. Slovakia implements the bilateral and multilateral FTAs concluded by the EU with other countries, under which goods from member countries may be imported at reduced rates or free of duty. Furthermore, EU customs regulations provide customs exemptions and preferences for various purposes, such as aid for developing countries.



Labour environment

6.1 Social security system

The Slovak social security system includes state pensions and insurance for sickness, permanent disability, unemployment, injury and employer insolvency, as well as contributions to a reserve fund. Both the employer and the employee are required to make social security contributions. The employee's contribution is withheld by the employer on a monthly basis.

- For 2022 the employer and employee contribution rates are as follows:

Type Of Contribution	Employer Contribution (% Of Employee Salary)	Employee Contribution (% Of Salary)	Maximum Monthly Assessment Base
Pension contribution	14%	4%	€7,931
Health insurance	10%	4%	Unlimited
Disability fund	3%	3%	€7,931
Sickness insurance	1.4%	1.4%	€7,931
Unemployment insurance	1%	1%	€7,931
Accident insurance	0.8%	-	Unlimited
Reserve fund	4.75%	-	€7,931
Guarantee insurance	0.25%	-	€7,931
Total	35.2%	13.4%	-

6.2 Employment contracts

Under the Slovak Labour Code, employment contracts must be in writing, and should include details of the job description, place of work, date on which employment commences, salary and other working conditions (eg pay date, working time, length of vacation and length of notice period). The employment contract should be signed by the employee and employer.

An employment contract can be for a fixed or an indefinite term. A fixed-term contract can be concluded cumulatively for a maximum of two years and can be extended or concluded again within these two years only twice. The

duration of the contract must be agreed upon in writing, otherwise the contract is deemed to be of an indefinite term. Employers can also enter into collective bargaining agreements with employees.

Employment contracts may include a probationary period of at most three months, except in the case of an executive employee who reports directly to the statutory body or a member of the statutory body and in the case of an executive employee who reports directly to such an executive employee, where the maximum length of the probationary period can be six months.

An employment contract can be terminated in writing by mutual agreement, by notice, immediately, during the probationary period, or at the expiry of a fixed-term contract:

An employment contract can be terminated at any time by mutual agreement.

In the case of termination by notice, a minimum notice period of one month is required, which increases to two months if the employee was employed for at least one year but less than five years, and three months if the employee was employed for at least five years.

An employee can terminate employment immediately in the case of a threat to his/her health; non-payment of wages, compensatory wages, travel expenses, compensation for temporary/sick leave; while an employer can terminate employment immediately if the employee is convicted of deliberate criminal acts or serious breach of working discipline.

- An employee may be dismissed by an employer only for the reasons defined in the Labour Code, such as the winding-up or relocation (in a case where the employee does not agree with the relocation) of the employer or a part thereof, the redundancy of the employee, inability to perform work due to health reasons, unsatisfactory performance, or disciplinary breaches. The employee is entitled to severance pay corresponding to the number of years worked for the employer if the employment was terminated by notice of the employer or by agreement between the employer and the employee for health or organisational reasons. Severance payments vary between one month's and four months' pay when the employment is terminated by notice; and between one month's and five months' pay if it is terminated by agreement.
- Both the employee and the employer are eligible to terminate the employment during the probationary period without providing any reason, although a notice of at least three days prior to termination is required.

In the case of mass layoffs (when a prescribed number of employees are dismissed over a period of 30 days), an employer must negotiate with the employees at least a month before giving out such a verdict, so that they get a fair chance to reduce the impact of the termination and take proper steps to get out of the adverse consequences.

6.3 Foreign personnel

Foreign citizens from the European Economic Area (EEA) and Switzerland can work in Slovakia without any work/residence permits. However, the Slovak employer is required to inform the labour authorities of the employment of any such individual within seven working days of the commencement of the employment activities. The same applies for the termination of the employment.

All other foreign nationals coming to work in Slovakia, even for short periods, are required to obtain a work permit (or a confirmation of possibility to take the vacant post) and a temporary residence permit. The work permit is only

granted to a foreign national if the requirements of the job are not fulfilled by a local Slovak unemployed person or to an employee transferred on the base of an intercompany transfer to Slovakia. The employer is required to inform the labour authorities of the employment of any such individual within seven working days from the commencement of the employment activities. The same applies for the termination of the employment.

6.4 Work permits

Citizens of countries within the EEA and of Switzerland are obliged to register with the Slovak Foreign Police, if they stay in Slovakia for more than three months. Nationals of a third country (ie non-EEA and non-Swiss nationals) are obliged to apply for a work permit and temporary residence prior to their arrival.

Residency permits issued are of two types:

- Temporary residence permits are issued with a maximum validity of up to five years, depending on the type of permit. A Blue Card is a type of temporary residence permit that a third country national can apply when performing a highly-qualified role in Slovakia.
- Permanent residence permits are valid for a period of up to five years and are extended for an unlimited period after the first permit expires.

Visa requirements currently do not apply for:

- EU and European Free Trade Association citizens.
- Citizens of Albania, Andorra, Antigua and Barbuda, Argentina, Aruba, Australia, Bahamas, Barbados, Bosnia and Herzegovina, Brazil, Brunei, Canada, Cape Verde, Colombia, Costa Rica, Curacao, Dominican Republic, Georgia, Grenada, Guatemala, Honduras, Hong Kong, Chile, Israel, Japan, Republic of Korea, Kiribati, Macao OAO, Macedonia, Malaysia, Marshall Islands, Mauritius, Mexico, Republic of Moldova, Monaco, Montenegro, Nicaragua, Palau, Panama, Paraguay, Peru, El Salvador, San Marino, Samoa, Seychelles, Singapore, The United Arab Emirates, The United Kingdom of Great Britain and Northern Ireland, Saint Lucia, Saint Vincent and Grenada, Serbia, Saint Kitts and Nevis, Solomon Islands, Taiwan, Timor, Tonga, Trinidad and Tobago, Tuvalu, Ukraine, Uruguay, USA, The Netherlands Antilles, Vanuatu and Venezuela for visits of up to 90 days.

The following types of visas are issued by the Slovak authorities:

- **Schengen visa:** A Schengen visa is an authorisation issued by an EU Member State with a view to a) Transit through or an intended stay in the territory of the EU Member States of duration of no more than three months in any six-month period from the date of first entry in the territory of the EU Member States; b) Transit through the international transit areas of airports of the EU Member States. It may be issued for one, two or multiple entries. The period of validity shall not exceed five years.

- **National visa:** A National visa is issued to a foreigner along with a residence permit, or in connection with Slovakia's commitments under international treaties, or if it is for the benefit of Slovakia. It is valid only for the territory of Slovakia, and is granted for a stay which is longer than three months but no more than one year.

6.5 Public holidays and leave

The Slovak employment system grants 15 days of public holidays.

Employees engaged with the same employer for a period of at least 60 days in a year are eligible for paid holidays on a pro-rata basis. The minimum annual entitlement to paid leave is four weeks (five weeks for employees who are older than 33 years or are taking care of a child).

Besides these, employees are also given days off with or without pay in the case of exceptional circumstances, such as medical examination, childbirth, and marriage.

6.6 Local office working hours and time zone

Slovakia has a five-day working week (with rest on Saturday and Sunday, or Sunday and Monday) with a maximum of 40 hours of work.

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.

Regular working hours are between 8am/9am and 5pm/6pm. Any work performed between 10pm and 6am is referred to as night work. An employee's average weekly working time, including overtime, cannot exceed 48 hours. An employee can work a maximum of 400 hours of overtime in a year. Out of this, the employer may order the employee to work overtime up to a maximum of 150 hours (plus 100 extra hours in the healthcare sector) in a year.

Standard Time Zone is UTC/GMT +1hour. Daylight Savings Time (UTC/GMT +2 hours) applies from the last Sunday of March to the last Sunday of October.

6.7 Payroll cycles

Salaries are generally paid on a monthly basis. The minimum monthly wage as of 1 January 2022 is €646. The minimum hourly wage is €3.713.

The system of wage benefits has changed since 1 January 2021. It is now a given sum rather than a percentage of a person's income. The wage benefit in addition to the achieved wage for each hour of work is:

- Saturday: at least €1.79 per hour; if an employee works regularly on Saturdays, it is at least €1.61 per hour.

- Sunday: at least €3.58 per hour; if an employee works regularly on Saturdays, it is at least €3.22 per hour.
- Night: at least €1.43 per hour of night work – applies to an employee conducting non-risky work or at least €1.79 per hour of night work – applies to employee conducting risky work; if an employee works night hours regularly, the bonus can be lowered to €1.25, but this only applies to non-risky jobs.
- The premium paid for work performed on public holidays is 100% of the employee's average earnings.

6.8 HR legislation

Employment in Slovakia is governed by the Labour Code. The key aspects of the Labour Code include stipulations on employment agreements, probation periods, labour protection policies such as minimum wages, hours of work, public holidays and paid vacations, procedures for termination of contracts and work permits, amongst others. Other legislations include the Act on Employment services, Act on Illegal Employment and Occupational Safety and Health Protection Act.



Compliance requirements

7.1 Base Erosion and Profit Shifting (BEPS)

As an EU Member State, Slovakia must adapt its national law to the EU anti-tax avoidance directive (ATAD) I and II, which contain minimum standard provisions on BEPS Actions 2, 3 and 4. Slovakia has signed a multilateral competent authority agreement for the automatic exchange of Country-by-Country (CbC) reports, in line with BEPS Action 13. Ultimate parent entities of large multinational groups resident in Slovakia with a consolidated annual turnover above €750 million are required to annually report information to the relevant tax authority. The first CbC report in relation to financial years starting after 31 December 2016 was required to be filed no later than 31 December 2017.

On 28 March 2018, the Slovak tax administration issued guidance regarding the taxation of non-residents that perform regular intermediation of accommodation and transport services within the Slovak Republic through digital platforms. Based on the amended definition of permanent establishment (PE), effective from 1 January 2018, non-resident operators of digital platforms who repeatedly facilitate the conclusion of contracts for providing transportation and accommodation services are deemed to carry out the activities through a fixed place of business in Slovakia. The guidance clarifies that they are obliged to register a PE in Slovakia by the end of the month following the month when these repeated activities are carried out.

On 30 July 2018, Slovakia signed the law for the ratification of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI). The country deposited its ratification instrument to bring the MLI into force for its covered agreements (tax treaties) on 20 September 2018, and MLI is in force from 1 January 2019.

7.2 Foreign Account Tax Compliance Act (FATCA)

Slovakia has a FATCA Model 1 intergovernmental agreement (IGA) with the US, in force since November 2015. The agreement requires Slovakian financial institutions to report, to the Financial Directorate of the Slovak Republic, information about financial accounts held by US taxpayers, or by foreign entities in which US taxpayers hold a substantial ownership interest. The Financial Directorate shares this information with the US Internal Revenue Service (IRS). FATCA was implemented into Slovak legislation with effect from 1 January 2016, with a first reporting deadline of 30 June 2016.

7.3 Common Reporting Standard (CRS)

CRS was implemented into Slovak legislation with effect from 1 January 2016, and the first reporting deadline to the Slovak tax authorities was 30 June 2017.

7.4 International Financial Reporting Standards (IFRS)

Slovakia has adopted most of the principles of IFRS in its accounting law. However, there are still some differences between IFRS and Slovak accounting standards. The following entities are required to prepare their statutory financial statements according to IFRS:

- Business entities (a.s., s.r.o., v.o.s., k.s.) which meet at least two of the following criteria in at least two consecutive financial years:
 - Total gross assets exceeding €170 million
 - Net turnover exceeding €170 million
 - Average number of employees exceeding 2,000.

Banks, insurance companies, or other entities providing financial services.

Business entities required to prepare IFRS financial statements under special Government requirements or EU legislation.

Companies that are required to prepare consolidated financial statements. A company is required to prepare consolidated financial statements when the aggregated amounts of the parent and subsidiaries meet at least two of the following criteria in the previous and current financial year:

- Total gross assets exceeding €24 million
- Net turnover exceeding € 48million
- Average number of employees exceeding 250.

7.5 Anti-Money Laundering (AML)

On 15 March 2018, an amendment to Slovakia's Act on Prevention of Legalisation of Income from the Criminal Activity and Terrorist Financing (the AML Act) came into effect. The amendment transposed the EU's Fourth AML directive into Slovak law, and introduced the following key changes:

- **Obligated entity:** The amendment specifies in more detail the conditions under which a bank, financial agent, financial advisor, insurance company, judicial executor, attorney-at-law or notary public, auditor, accountant, tax advisor, provider of asset management services or

business services, trustee or provider of postal services etc. is considered as an obliged entity for purposes of the AML Act. In addition, the new legislation reduces the threshold of payments made or received in cash, execution of which classifies the relevant person as the obliged person, from €15,000 to €10,000.

- **Ultimate Beneficial Owner (UBO) records-keeping:** Legal entities (excluding public sector entities) and purposeful property associations without legal personality are obliged to identify their UBO, to keep and regularly update data about the UBO – unless they are contained in the verification document filed with the register of public sector partners.
- **UBO registration:** Registration of data related to the UBO in the relevant register is one of the conditions for the establishment of selected legal entities (eg companies, non-investment funds, not-for-profit organisations or foundations). Such UBO data will not be publicly available.
 - In order to apply customer due diligence, the obliged entity is entitled to obtain UBO data from the Slovak Statistical Office.
 - The obligation to register UBO data when establishing and registering the above legal entities came into force on 1 November 2018. Legal entities already registered in the respective register (eg in the commercial register) by 31 October 2018 are obliged to file the application for UBO data registration by 31 December 2019.
 - However, registration of the UBO in the local Commercial register will not replace the obligation to identify and register the UBO under the act on the register of public sector partners.
- **Politically exposed person:** Implies a natural person who is, or has been, entrusted with prominent public functions, irrespective of the place of his/her permanent residency. Under previous regulation, this category consisted only of such persons with permanent residency outside Slovakia.
- **Own activity programme and risk assessment:** Obligated entities must align their own activity programmes in line with the amended legislation by 15 May 2018. In addition, the obliged person must conduct a risk assessment taking into account factors related to the type of the service and risk factors indicated in the AML Act.
- **Administrative offences:** The amendment regulates the conditions for the imposition of penalties for administrative offences, increases limits of these penalties (up to €1 million for entrepreneurs and up to €5 million for banks and financial institutions for a breach of selected obligations), and prolongs the time limits within which the investigation unit is allowed to impose penalties from one year from detection of the breach to three years.

- The 5th EU AML directive came into force in the beginning of 2020. It was transposed into Slovak legislation with a delay, and the new rules were applicable from 1 November 2020. Among the changes introduced are:

- Information on UBOs to be publicly available in the extent of name, surname, date of birth, nationality, address, and reason for which the person is considered UBO.
- Virtual currency service providers shall be considered as Obligated entities, and virtual currency transactions shall become regulated trades.
- Decreased financial limits for exemptions in the use of anonymous prepaid card payments including virtual money exchange platforms.

As per the Council of Europe's MONEYVAL's fifth round evaluation report published on 29 October 2020, Slovakia was fully or largely compliant with 24 of the 40 FATF recommendations constituting the AML/CFT standard, and partially compliant in implementation of 16 recommendations.

7.6 Know-Your-Customer (KYC)

The amendment to the AML Act introduced the following changes related to customer due diligence:

- **Basic due diligence:** The scope of the basic customer due diligence is extended by:
 - Mandatory identification of the UBO.
 - Adoption of measures for verification of such an identification and for understanding the ownership and control structure of the client.
 - Identification whether the client or its UBO are politically exposed persons or internationally sanctioned persons.

The amendment also reduces the threshold of the amount of occasional transactions, under execution of which the obliged entity must apply customer due diligence, from €15,000 to €10,000 (or €2,000 for providers of gambling services).

- **Simplified due diligence:** In areas of lower risk of legalisation and terrorist financing, the obliged entities must apply at least simplified customer due diligence. Before adoption of the amendment, no care was required in this case.
- **Enhanced due diligence:** Obligated entities are required to apply enhanced customer due diligence in a case of a higher risk, reflected in the risk assessment, and always with respect to:
 - Cross-border correspondent relationships of a bank and financial institution with a third-country respondent institution. Dealing with a politically exposed person, or with a person established in the third countries identified by the Commission as high-risk third countries.



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