

DOING BUSINESS IN SLOVAKIA
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LAWYERS WITH INTEGRITY





DOING BUSINESS IN GUIDE: SLOVAKIA

MSI's guide on Doing Business in Slovakia provides current information about the financial, regulatory and legal considerations that could affect business dealings within Slovakia. For further assistance please contact our MSI member firm in Slovakia.

COUNTRY OVERVIEW

Population: Slovakia has a total population of 5,42 million inhabitants (1.2% of the EU27 population).

Location: Strategic location in the heart of Europe with great export potential (one of the most export-oriented and open economies in the EU). One of the safest and most stable countries in Europe. A member of the Eurozone since 2009 as one of the few in Central & Eastern Europe. The highest labour productivity rate in CEE.

Government: Parliamentary democracy. The cabinet headed by the prime minister holds the executive powers and the country's highest legislative body is the parliament of 150 members. The president is the head of state, and the formal head of the executive's office with limited powers.

Languages: The national language is Slovak. However, most people speak English, Czech, German and Hungarian as well.

Currency: The national currency is the Euro. Slovakia adopted the euro on January 1, 2009 which facilitated free trade through lower transaction costs, higher pricing transparency, and greater monetary stability. Slovakia has a stable sovereign credit ratings and its financial outlook, though lowered because of supply global chain issues and the conflict in Ukraine, remain positive according to Moody's and S&P.

Economic summary:

GDP: €130,99 billion

Income per capita: €25,420

Inflation: 4,1 %

Membership in international institutions:

European Union, the Eurozone, the Council of Europe, the Visegrad Group (V4), CEFTA, NATO, OECD, WHO, WTO, UN, OSCE, the International Monetary Fund, the World Bank, the International Finance Cooperation, UNESCO, INTERPOL, International Energy Agency, etc.

Free Trade Agreements: Apart from being a member of the EU, separate agreements has been concluded with Norway, Iceland, the Faroe Island, North Macedonia, Albania, Montenegro, Bosnia and Hercegovina, the Palestinian Authority, Syria, Tunisia, Morocco, Israel, Jordan, Lebanon, Egypt, Algeria, Mexico, South Africa, CARIFORUM states, Madagascar, Mauritius, the Seychelles, Zimbabwe, the Republic of Korea, Papua New Guinea, Fiji, Iraq, Colombia, Peru, Central America and Canada.

Main sectors of the economy: Slovakia promotes itself as the largest car producer per capita in the world with four carmakers located in western Slovakia (Bratislava region - Volkswagen, Trnava region - Peugeot, Nitra region - Jaguar Land Rover and Žilina region - Kia). While the fifth carmaker, the Swedish Volvo, will open its plant near Košice in 2026, it sees an even bigger space for development of the network of carmaker's subcontractors, especially in the east of the country. The second strongest pillar of Slovakia's industry is the electrotechnical industry with companies in Galanta, Nitra and Nové Mesto nad Váhom, to mention a few. Other sectors with a tradition in Slovakia are the chemical industry and forestry. IT is a promising sector in Slovakia, where apart from Bratislava, Košice and Žilina also house strong IT clusters. Slovakia has become home to several business service centres too, most of which are currently located in Bratislava

with opportunities to spread into other parts of Slovakia. The trend of transitioning the economy towards services is visible by the mushrooming of start-ups and R&D centres, many of which can utilise EU funds or the state's investment incentives.



Investment Aid: New and established investors can be supported in realisation of their investment projects in existing or new operation. Almost 88% of the Slovakian regions are eligible for regional investment aid. The key priorities remain in support for investments with high added value, R&D, increase in innovation and automation in line with Industry 4.0 technological trends and smart specialisation strategy – RIS3. A tax allowance is still a preferred form of investment aid (mainly for R&D and Industry 4.0 as a special tax reduction) although cash grants for tangible and intangible fixed assets, subsidies for new created jobs and transfer or leases of publicly owned real estate at a price below market value is still available. Supported area include industrial production, technology centres, combined project of industrial production and technological centre, shared service centres. Slovakia is also one of the three first winners of US Project Phoenix and thus will receive support to explore converting coal plants to innovative small modular reactors is expected.

SETTING UP A BUSINESS

Under Slovak law, a foreign individual or company may operate in Slovakia through an incorporated entity or branch. Slovak corporate law provides a flexible and liberal framework for the organization of subsidiaries or branches.

Legal types of business entities

1. Branch (organizačná zložka)
2. Sole proprietorship (živnosť)
3. General partnership (VOS)
4. Limited partnership (KS)
5. Limited liability company (SRO)
6. Joint stock company (AS)
7. Simple joint stock company (JAS)
8. Cooperative (družstvo)

In international business (SME as well as large businesses), the limited liability company (SRO) and the branch are most commonly used. The SRO is incorporated by one or more founders pursuant to the execution of a notarial deed of incorporation before a civil law notary. The minimum share capital is €5,000. Sole shareholder companies cannot however become a sole shareholder of the Slovak limited liability company (SRO).

Large business, but mainly financial and insurance institutions use the form of a joint stock company (AS) as well, although this legal form is more bureaucratic than other legal forms. Certain regulated businesses must use this legal form mandatorily (banks, insurance, security traders etc.).

Simple joint stock company (JAS) form is generally used by start-ups or entrepreneurs seeking capital infusions.

Limited partnership (KS) provides the solution for entrepreneurs separating capital from the management of the company.

There are minimum requirements for capital contribution and 2 types of partners – unlimited and limited, unlimited liability of the general partner is mostly the reason this type is infrequently used.

General partnership is not frequently used due to unlimited liability of all partners. This legal form is vastly used by entrepreneurs with personal contribution to the business. Recent use of this legal form is on decline.

TAXATION

Financial year of taxes and financial

accounts: The financial year is equal to the calendar year. However, legal entities may opt for a different financial year if they wish. Business entities are subject to corporate income tax. The branch (permanent establishment) is taxed with corporate income tax as well.

Accounting and auditing: A statutory audit is required when 2 of the following 3 criteria is met for two consecutive years:

1. Annual turnover > €8 million;
2. Total assets > €4 million;
3. Number of employees > 50

A statutory audit is also required for units accounting according to IFRS.

Registration procedures: Entrepreneurs and companies are registered with the tax authorities and are given a fiscal registration number. All legal entities should deliver submission to the Tax Authorities electronically.

Corporate income tax: The tax period is a calendar year or the business year. Resident companies are taxable on their worldwide income. The taxable income is accounting profits adjusted for items as described in the tax law.

The standard corporate income tax rate is 21%. The reduced tax rate is 10% and is applicable for taxpayers with taxable revenues up to €100 000 per tax year.

Dividends received from subsidiaries located in cooperating states paid out of profits derived from 2004 are not subject to CIT. Dividends received from subsidiaries located in non-cooperating states are subject to 37% tax.



Withholding taxes: Some payments (e.g. fees for services, royalties, interest on loans and deposits, rentals, etc.) are subject to withholding tax when paid by Slovak taxpayers to foreign parties. The tax rate is 19%. 35% tax rate applies on payments to non-cooperative jurisdictions.

Withholding tax of 7% applies on dividends paid from Slovak companies to shareholder (individual) from profit generated after 01.01.2025.

Lower rates may apply according to DTT.

Special tax on regulated industries:

All entities in regulated industries (energy, insurance and re-insurance, public health-care insurance, electronic communications, pharmaceuticals, postal services, railway transport, public water distribution and sewerage, air transport), which profit is at least €3 million, must pay special tax.

Wage tax: In Slovakia there is progressive taxation. For individuals (natural persons) tax rate 19 % applies for income up to €48 441 for 2025. Income over this limit is taxed at tax rate 25 %.

Wage tax is a withholding tax and as such it is an advance payment on income tax.

Personal income tax: In Slovakia there is progressive taxation.

For self-employed individuals (entrepreneurs) tax rate 15 % applies if their revenues do not exceed the amount of €49 790. If their revenues exceed €49 790, 19% and 25% tax rate apply.

Capital income is taxed at rate of 19%.

Dividends paid out of pre-2004 profits and profits derived from January 1, 2017 are taxed at 7%. Dividends received from non-cooperative states are subject to 35% tax.

Value-added tax (VAT): The standard VAT rate is 23%. On selected foods, medicines, restaurant services, books and newspapers and magazines reduced 19% VAT rate applies. Reduced 5% VAT rate applies on specific supplies related to state rental housing.

Tax period is calendar month or quarter.

HR/ LABOUR LAW

Employment law: Employment law in Slovakia is governed principally by Labour

Code, provisions of which are mostly of mandatory nature.

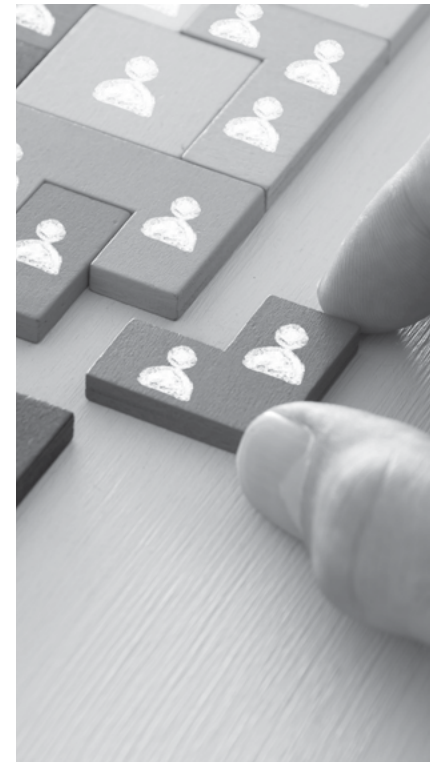
- 40 hours per week full time 38,75 hours at two-shift system, 37,5 at three-shift system or in continuous operations
- Overtime up to 400 hours per calendar year
- 14 public holidays
- Basic annual leave entitlement 4-5 weeks
- Probationary period general employees max. 3 months
- Strict employment termination reasons
- Minimum monthly salary of EUR 816 for full time (40 hours per week)
- Payroll contributions – employee rate 13,4%, employer rate 35,2%
- Income tax progressive rate of 19% and 25%

Employee vs. Contractor: There are many differences between the employment and civil contracts and the legal provisions that govern both relationships arising out of the dependent work.

Dependent work is specifically defined in Labour Code as the work performed in a relation of employer's subordination, in which the employee performs work personally for the employer, pursuant to the employer's instructions, in the employer's name, during working time set by the employer.

Employees and contractors are treated differently by the law. Unlike contractors, employees have a specific work time, place of work, are dependent on the employer, perform work personally and pursuant to the employer's instructions. Employees use the material and work environment of the employer. Employees bear disciplinary liability which can result in various sanctions, including termination of the employment. In civil contracts, a contractor may use

sub-contractors unless agreed otherwise and prevented by a nature of deliveries and acts independently from instructions of the other party. The employee is liable to the employer for the damage caused to employer by the culpable breach of duty in the performance of work tasks or in direct connection with it. Compensation for damage caused by the negligence of an individual employee cannot exceed an amount equal to four times average monthly earnings. In case of contractors (not employee), the liability for damages is not limited.

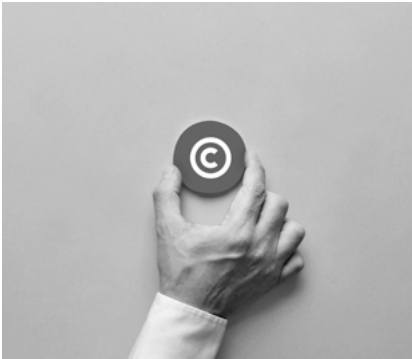


In employment relationship works are performed at risk and expense of the employer. In opposite, in civil contract relations performance of subject matter is at the expense and risk of the contractor.

Employment agreements are always remunerative, in civil contracts remuneration is not necessary, tax implications must be considered case by case.

In employment relations the rights and obligations may not be transferred to third parties while in civil contracts this depends on the agreed conditions.

Employers are responsible for calculating, deducting, filing, and paying personal income tax on the employee's behalf and insurance contributions, for contractors this depends on their legal status (self-employed).



IP protection & Copyright: The author of an intellectual work owns, with effect from the date of creation, its exclusive rights of the work. However, if a work was created by author while fulfilling obligations arising from employment ("employee work"), economic rights of author to employee work are exercised by the employer in his own name and on his own behalf, unless agreed otherwise.

This means that the employers have, without the author's permission and without payment of additional remuneration, the exclusive right to use employee created works and to grant third person an authorization to use such works, etc. When exercising economic rights of author to employee work by an

employer, the author must refrain from using economic rights to such work.

Tax Report and Filing: The employer is obliged to keep an employment record for each employee. This dossier is created upon beginning of the employment and it contains documents in connection with the commencement, existence, change and termination of employment and is to be kept by the employer for the entire period of the employment relationship.

Some documents must be kept by the employer for a period of 5 years – employment contracts, some for a period of 10 years – books of received and sent invoices, treasury documents, lease agreements, as well as pay slips and documents related to health insurance. It is possible to maintain an electronic employment record of the employee under certain conditions defined by law.

Public holiday: There are 14 public holidays per year. All are considered paid non-working dates. Employees who are actively scheduled to work on these days are entitled to an additional remuneration of 100%..

- **01.01.** the establishment of the Slovak Republic
- **06.01.** revelation of the God (Three Kings)
- **March/April** – Good Friday, Easter Monday
- **01.05.** Labour Day
- **08.05.** Victory day over fascism
- **05.07.** St. Cyril and Methodius
- **29.08.** Slovak National Uprising (WW2)
- **01.09.** Constitution Day
- **15.09.** Virgin Mary
- **01.11.** All Saints' Day
- **17.11.** Freedom and Democracy Day
- **24.-26.12.** Christmas

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The information provided in this guide cannot be exhaustive and we recommend anyone considering doing business in Slovakia should seek professional advice from our member firms before making any business or investment decision.

Contact our member firm in Slovakia, G Lehnert s.r.o., to discuss your requirements.



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