



MERGERS AND ACQUISITIONS

Slovakia

Taxation of Cross-Border
Mergers and Acquisitions

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TAX

Slovakia

Introduction

This overview of the Slovak business environment, structures for mergers and acquisitions (M&A), and related tax issues only covers the statutory framework for acquisitions in Slovakia. It does not consider any specific contractual arrangements that may affect these acquisitions. The comments reflect the state of the Slovak legislation as of 1 January 2010 and proposed changes, where applicable.

Recent Developments

The Slovak tax and business environment for combinations has changed fundamentally since 2007. One of the most significant changes was the adoption of the Euro (EUR) on 1 January 2009 as the Slovak national currency. This brought several advantages, particularly the elimination of foreign exchange rate differences in transactions between European Union (EU) entities. The sharp reduction in worldwide M&A activity in 2009 as a result of the global financial crisis led, inter alia, to a decline of foreign investment in Slovakia. Another fundamental change is a recently approved amendment to the Income Tax Act, which became effective on 1 January 2010.

Other recent changes in Slovak tax legislation that directly affect M&A include:

- the decision not to re-introduce thin-capitalization rules that would have been effective as of 1 January 2010;
- fundamental changes in the tax treatment of assets, receivables, liabilities, etc., in business combinations stipulated in the latest amendment of this Slovak Income Tax Act (SITA); and
- obligation to maintain transfer pricing documentation.

Asset Purchase or Share Purchase

There is a significant difference between the tax treatments of asset deals and share deals. The key tax aspects of both types of transaction are summarized in this chapter.

Purchase of Assets

Assets can be purchased as individual assets, as a business, or as part of a business. In a pure asset deal the buyer, in principle, does not assume the liabilities of the company from which the assets are acquired.

On the sale of a business or part of a business, the seller is obliged to transfer to the buyer all assets, rights and other property related to the operation of the business, and the buyer is required to assume all obligations related to the operation of the business and to pay the purchase price. Thus the business or a part of a business is transferred as a going concern, but legal obligations (including tax payable) are not transferred with the business, or part of a business.

The transfer of business from the seller to the buyer also includes employment relations and obligations, and industrial property rights.

The Slovak Commercial Code applies the same principles to a sale of part of a business as to the sale of a whole business, but such a part of a business must be categorized as an independent branch unit prior to the sale. Consequently, it should maintain its own books and have records of assets and liabilities relating to that part of the business.

Purchase Price

The purchase price for assets is generally considered as the acquisition value for tax depreciation purposes. The acquired assets may, in general, be depreciated for tax purposes (up to the acquisition price) with the exception of certain items listed by the tax law, such as land. For the seller a tax loss on certain assets sold is not considered as a tax deductible item, such as a loss on the sale of land does not qualify as a tax deductible cost.

When acquiring a business or part of a business it is essential that the sale-purchase agreement stipulates the acquisition price for each individual asset to avoid problems with determining the acquisition price for the respective assets acquired with the business.

Goodwill

Goodwill, positive or negative, does not arise in the purchase of individual assets, but may arise in the purchase of a business or part of a business. With effect from 1 January 2010 the assets acquired on the sale/purchase of a business or part of a business should be valued for tax purposes at their fair values according to accounting regulations. Depreciation of goodwill or release of negative goodwill arising should be included in the tax base, as a cost or income respectively, can be depreciated over a maximum of seven tax periods starting with the period in which the goodwill arose (that is, in the year of the purchase of business) at one seventh of the value each year. When the purchaser is wound up with or without liquidation, or is declared bankrupt, the goodwill or negative goodwill has to be included immediately in the tax base of the company.

Depreciation

The accounting depreciation does not have to be the same as the tax depreciation of assets, with the exception of depreciation of intangible and low value assets, which has to follow the accounting rules.

Tax Attributes

Assets are depreciated in four tax depreciation groups in Slovakia over a period of 4, 6, 12, or 20 years. It is also possible, to a limited extent, to split an asset in its components and to depreciate the components separately, and to stop tax-depreciating tangible assets for any period.

Value-Added Tax (VAT)

VAT is levied at the rate of 19 percent on most goods and services (a reduced 10-percent rate is levied on certain medical products, pharmaceuticals, and books). A taxpayer who has acquired individual assets can (with certain exceptions specified by the law) usually claim back the VAT paid on their acquisition if the assets are used to produce taxable supplies.

A legal entity or individual who has acquired a business or part of a business from a Slovak VAT-registered entity becomes a Slovak VAT-registered taxpayer automatically from the date on which the business or its part was acquired. The successor company of a VAT-registered company that is wound up without liquidation also becomes a VAT-registered taxpayer automatically from the date on which it became the legal successor. These taxpayers have an obligation to notify the tax authorities of the event that made them VAT-registered taxpayers within 10 days.

Transfer Taxes

Under the Slovak tax legislation a purchase of assets is not subject to a stamp duty. Foreign investors are only obliged to pay administrative fees related to the purchase.

Purchase of Shares

Under the Slovak income tax legislation, capital gains on a sale of shares in a Slovak company should generally be considered liable to 19-percent Slovak income tax.

If a Slovak company sells shares, it is always liable to tax in Slovakia on the transaction. There is no participation exemption in Slovakia. A loss from the sale of shares is generally not deductible.

If a foreign entity that is not a Slovak tax-resident and has no permanent establishment (PE) in Slovakia sells shares in a Slovak company to a foreign person not having a PE in Slovakia and not regarded as a Slovak tax-resident, the transaction is outside the scope of the Slovak Income Tax Act. If a foreign person not having a PE or tax-residency in Slovakia sells shares in a Slovak company to, for example, a Slovak tax-resident, the transaction is generally subject to 19-percent tax in Slovakia, unless an international tax treaty stipulates otherwise.

Tax Indemnities and Warranties

In a share acquisition, the purchaser is taking over the target company together with all related liabilities, including contingent liabilities. In this case, the purchaser may require more extensive indemnities and warranties than in the case of an asset acquisition. From the tax perspective it is advisable to seek tax warranties and indemnities covering a period of at least six years after the end of the year in which the share-purchase agreement (SPA) was signed, and at least eight years if the target company carried forward a tax loss.

Tax Losses

Tax losses declared after 31 December 2009 may be carried forward over a period of seven years. Previous tax losses can be carried forward over a period of five years. There are no restrictions in the tax loss carry-forward rules relating to a change of shareholders of a company, or a change of its business. As a general rule, a legal successor may carry forward tax losses declared by a company that was dissolved without liquidation only if the purpose of the restructuring was not solely tax avoidance.

Pre-Sale Dividend

A pre-sale dividend can only be paid if the conditions stipulated by the Commercial Code are met. Dividends paid out of profits derived from 1 January 2004 are not subject to any tax in Slovakia, so it may be beneficial to pay a non-taxable pre-sale dividend to reduce the capital gain on the sale of shares, which is generally taxable.

Transfer Taxes

Under Slovak tax law a purchase of shares is not subject to a stamp duty, apart from minor administrative fees payable to the Commercial register when the change of the shareholders is registered.

Tax Clearances

Income tax returns must generally be filed within three months of the end of the taxable period. With effect from 1 January 2010 an automatic extension of this deadline is available to corporate taxpayers if they notify the tax authorities that they intend to extend their deadline for the submission of the income tax return by up to three months or, if they have foreign-source income, by up to six months. The first tax return for which the filing deadline can be automatically extended was the corporate income tax return for the year 2009. This automatic extension of filing deadline is not available to companies in liquidation or bankruptcy whose filing deadlines may only be extended with the approval of the tax authority.

Choice of Acquisition Vehicle

In the Slovak Republic several potential acquisition vehicles are available to foreign investors. Each vehicle has a different tax impact on the foreign investor.

Local Holding Company

Slovakia has, as yet, no participation exemption rules for capital gains. Despite the fact that Slovakia does not tax dividends, it is, therefore, not advisable to introduce a Slovak holding company to the group structure, because capital gains from the sale of shares in the companies held by a Slovak holding company may be subject to tax in Slovakia – there is no mechanism for avoiding this tax.

Foreign Parent Company

A foreign parent company can be set up in a jurisdiction, preferably within the European Union and/or a country with a beneficial tax treaty with Slovakia, which provides for the participation exemption for dividends and capital gains.

Non-Resident Intermediate Holding Company

It is also possible to use a non-resident intermediate holding company that holds the shares in the Slovak company. However, if it is intended to apply the EU Interest & Royalties Directive or certain double taxation avoidance treaties (DTTs), the principle of beneficial owner of interests and royalties must be taken into account when deciding what transactions will flow through the intermediate holding company.

Local Branch

A foreign company may register a branch (*organizacna zlozka*) in the Slovak Republic, which may carry out business activities on behalf of the foreign company in the Slovak Republic from the day of registration of such a branch with the Slovak commercial register. The manager of the branch office is entitled to act on behalf of the branch office in all legal matters related to the business activity of the branch office. A branch will in general qualify as a PE in Slovakia, with certain exceptions.

Joint Ventures

Joint ventures are common in Slovakia. They are registered normally as limited liability companies, but in certain cases a European economic interest grouping (EEIG) can be considered.

Choice of Acquisition Funding

A foreign investor must decide how the company established in Slovakia is capitalized. It could be funded by:

- equity financing or an increase of registered capital or other capital funds;
- debt financing through granting a loan either directly by a shareholder, or by a related or unrelated third party; or
- a combination of equity and debt financing.

Hybrids are not often used in Slovakia and their tax treatment is uncertain.

Debt

Thin-capitalization rules were abolished by the amendment to the Slovak Income Tax Act approved in October 2009. This means the thin-capitalization rules which should have applied from 1 January 2010 will not become effective. Transfer pricing rules, however, continue to apply to debt financing.

Deductibility of Interest

Interest on loans used to acquire assets is generally tax deductible unless it is capitalized, in which case it will increase the depreciation value of the assets. Interest on loans used to acquire shares is in principle not deductible if it is deemed not to have incurred to generate, assure, or maintain taxable income. However, debt push-down schemes may result in tax deductible interest costs, if properly structured. If the interest is not set on arm's length terms, the tax authorities may challenge its deductibility.

Withholding Tax (WHT) on Debt and Methods to Reduce or Eliminate

Interest income is subject to 19-percent tax in Slovakia. If the Slovak company or Slovak PE pays interest to a foreign recipient, such payment would be subject to 19-percent WHT apart from situations where the EU Interest & Royalties Directive applies or a DTT reduces the WHT rate. Slovakia has a wide network of DTTs that includes most European countries under which WHT on interest is reduced to 0 percent.

Checklist for Debt Funding

- Check if the EU Interest & Royalties Directive may apply for the interest payments that will be made.
- Check from which country is it most beneficial to provide the loan in view of the availability and the provisions of DTTs if the EU Interest & Royalties Directive cannot apply to avoid or reduce WHT on interest.
- Consider where the loan agreement should be signed to avoid unnecessary stamp duties. The agreement can be signed in Slovakia, for example, where there are no stamp duties on loans.
- Determine an arm's-length interest rate.
- Prepare transfer pricing documentation that also covers also the loan transaction.
- Consider if the loan will be repaid, capitalized into equity or waived – waiver of a loan is generally taxable income for the borrower, but structures can be designed to eliminate the taxation.

Equity

Legal Aspects

According to the provisions of the Commercial Code, registered capital represents the sum of the financial contributions and the contributions in-kind of all members of the company. The Commercial Code also

defines the contribution of the member as the sum of the financial contributions and other contributions. The member/shareholder is obliged to contribute his/her respective contributions to the company and is entitled to participate in the economic results of the company.

Limited liability companies and joint stock companies have an obligation to create registered capital. This should amount to at least EUR 5,000 for a limited liability company and at least EUR 25,000 for a joint-stock company. Partnerships may have, but are not obliged to have, registered capital.

The registered capital can be increased by monetary contributions (cash contributions), non-monetary contributions (contributions in-kind), or both, from shareholders or other persons.

Contributions to, or increases in, the registered capital must be approved by a general meeting of the company and registered with the commercial register. Cash contributions to a limited liability company must be paid within five years and to a joint stock company within one year.

Non-monetary contributions must be paid up before the registration of the increase in the registered capital with the commercial register. A contribution in-kind normally requires an expert valuation.

In joint stock companies the increase of the registered capital is effective as of the day of its registration with the commercial register. In limited liability companies, the increase of the registered capital is effective as of the day of the resolution on the increase at the general meeting, unless provided otherwise by this resolution.

Tax Aspects

Corporate Income Tax

An increase in the registered capital via a cash contribution is not generally considered as income and is not, therefore, subject to corporate income tax.

The recipient of an in-kind contribution of business would have the option to apply one of two regimes for the valuation of the acquired assets for tax purposes:

- use the fair values resulting from the revaluation of assets and liabilities pursuant to the accounting regulations, and pay tax on any step-up in value (Regime 1); or
- use the original prices determined at the contributor; that is, take over the tax values

determined by the contributor in this case the step-up in accounting value is not taxed (Regime 2).

In the case of contribution in-kind of individual assets the recipient should be able to value the acquired assets for tax purposes at their contribution value while any potential step-up in the tax value is taxed (Regime 1), or take over the original tax values of assets at the contributor without taxing the potential step-up (Regime 2).

A number of tax base adjustments are needed for the contributor and the recipient of the in-kind contribution of business or a part of business, depending on the selected tax regime, such as the treatment of reserves and provisions, and the computation of tax depreciation charges. Under certain conditions the taxation of the potential step-up in the tax value of the assets may be spread over a period of up to seven years.

Value-Added Tax

A contribution in-kind under the current legislation is treated in the same way as a sale of assets or a sale of business, as appropriate.

Contributions can be made to other capital funds. It is not necessary to register the increase of other capital funds with the commercial register, but the general meeting of the company must approve the increase.

A contribution of this kind can be a relatively quick way to increase capital, but legal uncertainties can arise in a number of areas, including the procedure for repaying such funds to shareholders.

Hybrids

Hybrids are not often used in Slovakia and their tax treatment is uncertain.

Discounted Securities

Discounted securities are not used in Slovakia.

Deferred Settlement

In certain circumstances, especially if agreed between related parties, deferred settlement may be reclassified into a loan on which interest should be due.

Other Considerations

Concerns of the Seller

If grants were received by the seller of assets for the original acquisition of the same assets, they may have to be refunded to the relevant institution, and the sale of assets may not be possible.

It may not be possible, under the Commercial Code, for the seller in a share deal to pay a pre-deal dividend. In which case the seller may require a higher price for the shares.

A sale of a substantial portion of assets may trigger taxation of any revaluation differences arising on a merger, demerger, sale, or contribution of a business.

Company Law and Accounting

The Slovak Commercial Code (Act No. 513/1991, as amended) is the main legislation governing business activities in the Slovak Republic. The Commercial Code recognizes seven basic legal forms for carrying out business activities:

- Joint-stock companies
- Limited liability companies
- General commercial partnerships
- Limited partnerships
- Co-operatives
- Branch office of a foreign company
- Individual (self-employed person)

The most common types of company in the Slovak Republic are the joint-stock company and the limited liability company.

Joint-Stock Company

- The joint-stock company (akciová spoločnosť or a.s.) exists independently of its shareholders, who are not liable for the debts and obligations of the company.
- The company may be a private or a public joint-stock company, depending on the method of subscription for its shares.
- Share capital may not be less than EUR 25,000 and is divided into a fixed number of transferable shares of fixed nominal value. The shares may be in the form of registered shares or bearer shares.
- Preferential shares stipulating the right of a shareholder for preferential payment of dividends may be issued, but the aggregate of their nominal value cannot exceed 50 percent of the nominal value of the share capital.

- The company is not allowed to acquire its own shares, but may redeem shares under certain conditions.
- A company must create a legal reserve fund at the time of its incorporation of at least 10 percent of its registered capital and must replenish it annually by an amount prescribed by the articles of association, which may not be lower than 10 percent of the net profits reported in the annual financial statements, until it shall have attained the limit prescribed in the articles of association, which, however, shall not be lower than 20 percent of the registered capital.
- The company must establish a supervisory board and a board of directors. Members are appointed for terms not exceeding five years. Members of the board of directors cannot be members of the supervisory board. If the company has more than 50 full-time employees, the employees have the right to elect one-third of the supervisory board members.
- The annual financial statements must be audited by an authorized auditor and must be published.

Limited Liability Company

- A limited liability company (spoločnosť s ručením obmedzeným or s.r.o.) is the most common legal form for a company in Slovakia.
- The company exists independently of its shareholders, who are liable for obligations of the company only up to the amount of their unpaid contributions to the registered capital of the company (limited liability).
- A list of shareholders must be registered in the commercial register.
- The company must have a registered capital of at least EUR 5,000.
- Each shareholder holds his/her ownership interest (share), which is determined as a ratio between his/her contribution to the company's share capital and the company's aggregate registered capital, unless the articles of association stipulate otherwise.
- The number of shareholders may not exceed 50. Each shareholder must contribute at least EUR 750 to the registered capital and at least 30 percent of each contribution must be paid up before the application for the company's registration with the

commercial register is filed. The aggregate value of the paid-up contributions may not be less than EUR 2,500. If the company was established by one shareholder, the entire registered capital must be contributed by the shareholder before its registration with the commercial register.

- The company creates a legal reserve fund at the time and for the amount specified in the memorandum of association. Unless the reserve fund is established on incorporation, the company must establish it using net profits reported in the annual financial statements for the year in which the first profit is booked. The reserve fund shall achieve no less than 5 percent of the net profit, but no more than 10 percent of the registered capital.
- A supervisory board is only created if required by the articles of association.
- The general meeting appoints one or more executives (managing directors), who constitute a statutory body of the company.
- A company with a sole shareholder may not be the only founder or only shareholder of another limited liability company. A natural person may be the only shareholder in three limited liability companies at most.

General Partnership

- A partnership (verejná obchodná spoločnosť or v.o.s.) is a legal entity formed by two or more partners who are jointly and severally liable for the partnership's obligations.
- The partnership must include the designation ver. obch. spol. or v.o.s. in its name, unless it includes the surname of at least one of its partners, in which case a spol. is sufficient.
- Each partner is entitled to act on behalf of the partnership unless agreed otherwise.
- A natural person or legal entity may be a partner with unlimited liability in only one partnership.

Limited Partnership

- A limited partnership (komanditná spoločnosť or k.s.) is similar to a general partnership apart from the condition that all but one partner may have limited liability for the obligations of the entity.
- There are two types of partners in this partnership:

- Limited partners, who are liable for the obligations of the entity up to the amount of unpaid contributions to the registered capital of the entity recorded in the commercial register.
- General partners, who have unlimited liability for the limited partnership's obligations.
- If the business name includes the name of a limited partner, he/she shall have unlimited liability for the partnership's obligations.
- Only a general partner is entitled to manage the partnership.

Co-operative

- A co-operative (druzstvo) must have at least five members (except in the case of two legal entities, where two or more members are allowed). A co-operative may carry out not only business activities, but also other activities for the economic or social benefit of its members.
- The members are not liable for the debts and obligations of the co-operative.
- The co-operative must have a registered capital of at least EUR 1,250.
- An indivisible fund of at least 10 percent of the registered capital must be created at the time of the co-operative's incorporation and replenished annually up to one half of the registered capital of the co-operative.

Branch Office of a Foreign Company

- A foreign company may register a branch office (organizacna zlozka) in the Slovak Republic.
- The branch office of a foreign company may carry out business activity on behalf of the foreign company in the territory of the Slovak Republic as of the day of registration of such branch office with the Slovak commercial register.
- The manager of the branch office, appointed by the foreign company, is entitled to act on behalf of the branch office in all legal matters related to the business activity of the branch office.

Self-Employed Individual

Foreign individuals are entitled to carry out their business activities in the territory of the Slovak Republic on registration with the Slovak commercial register. Individuals residing in European Union or Organization

for Economic Cooperation and Development (OECD) countries are, however, entitled to carry out their business activities in the Slovak Republic even without such registration. This regulation came into effect on the date of the accession of the Slovak Republic to the European Union (1 May 2004).

European Economic Interest Grouping

With reference to the Council Regulation (EEC) Nr. 2137/1985 of 25 July 1985 on the European Economic Interest Grouping, a European grouping (EEIG) can be created in certain circumstances.

Societas Europaea

According to the Council Regulation (EC) Nr. 2157/2001 of 8 October 2001 on the statute of a European company, a European public limited-liability company (SE) can be created in certain circumstances.

European Cooperative Society

According to the Council Regulation (EC) Nr. 1435/2003 of 22 July 2003 on the statute for a European Cooperative Society, a European cooperative (ECS) can be created in certain circumstances.

Group Relief/Consolidation

Corporate income tax grouping is not available in Slovakia, but VAT grouping became available from 1 January 2010.

Transfer Pricing

Slovakia's transfer pricing rules broadly comply with OECD Transfer Pricing Guidelines for multinational enterprises and tax administrations.

Under Slovak tax law, if the agreed price in a transaction is different from the fair market price, will reduce the taxable base, and the difference cannot be satisfactorily explained, a fair market price will be substituted for tax purposes. This will always be the case if the same legal persons or individuals directly or indirectly participate in the management, control, or capital of the parties involved in the transaction.

Related parties are defined as economically or personally connected natural persons or legal entities. Economic connection is defined as a participation of more than 25-percent direct or indirect in the share capital or voting rights. Personal connection is defined as a participation in the management or control of the other person.

Moreover, if two or more entities enter into a business relationship for the purpose of reducing a taxable base

or increasing a tax loss, these entities will be deemed to be related parties.

The tax authorities are allowed, under the local tax legislation, to make transfer-pricing adjustments, if prices charged between related parties differ from arm's length prices in comparable business transactions, such that this results in a reduction in the Slovak entity's tax base (or an increase in its tax loss).

As noted earlier in the chapter, strictly speaking, transfer pricing rules do not currently apply between Slovak entities, but it should be noted that the tax authorities believe that they have other mechanisms to challenge non-arm's length transactions between Slovak taxpayers.

It should also be noted that with effect from 1 January 2009 formal transfer pricing documentation requirements were introduced.

Dual Residency

Dual tax residency is not possible under Slovak tax legislation. All taxpayers are regarded as either Slovak or foreign tax residents.

Foreign Investments of a Local Target Company

Any dividends received as distributions of profits derived from 1 January 2004 are not subject to tax in Slovakia. Interest income and royalty income are included in the taxable base of the Slovak company and taxed at the rate of 19 percent.

Comparison of Asset and Share Purchases

Advantages of Asset Purchases

- No assets other than those specifically identified by the purchaser would be transferred.
- No employment or contractual relationships would need to be taken over from the seller, unless so desired by purchaser or unless employees are associated with specific assets.

- The purchaser could offer employment to the people it needs under its own salary and working conditions.
- The purchase price may be depreciated for tax purposes.
- Historic tax liabilities of the seller are not inherited.

Disadvantages of Asset Purchases

- Possible need to renegotiate supply, employment, and technology agreements.
- The consideration paid for the selected assets will need to be arm's-length, if between related parties (subject to the comments on transfer pricing between Slovak entities).
- A transaction must not be entered into with the intention of prejudicing the seller's creditors, because there is a risk that the seller's liabilities to the prejudiced creditors will de facto follow the assets, and the prejudiced creditors have the right to contest the transaction if there is such an intention.

Advantages of Share Purchases

- Lower capital outlay (purchase net assets only).
- May benefit from tax losses of the target company (subject to limitations).
- May gain benefit of existing supply or technology contracts.
- The purchaser may benefit from all permits, licenses, and authorizations, unless stipulated otherwise.

Disadvantages of Share Purchases

- The purchaser automatically acquires any liabilities of the target company (including tax liabilities).
- Liable for any claims or previous liabilities of the target.
- No deduction for the purchase price.

Withholding Tax Rate Chart

The rate information and footnotes contained in this table are from the 2009 IBFD/KPMG Global Corporate Tax Handbook.

Country	Dividends		Interest ¹ (%)	Royalties (%)
	Individuals, Companies (%)	Qualifying Companies ² (%)		
Australia	15	15	10	10
Austria	10	10	0	0/5 ³
Belarus	15	10	10	5/10 ⁴
Belgium	15	5	0/10 ⁵	5
Bosnia and Herzegovina ⁶	15	5	0	10
Brazil	15	15	-/10/15 ⁷	15/25 ⁸
Bulgaria	10	10	10	10
Canada	15	5 ⁹	10	10
China (People's Rep.)	10	10	10	10
Croatia	10	5	10	10
Cyprus	10	10	10	0/5 ³
Czech Republic	15	5 ⁹	0	10
Denmark	15	15	0	0/5 ³
Estonia	10	10	10	10
Finland	15	5	0	0/1/5/10 ¹⁰
France	10	10	0	0/5 ³
Germany	15	5	0	5
Greece	11	11	10	0/10 ³
Hungary	15	5	0	10
Iceland	10	5	0	10
India	25	15	15	30
Indonesia	10	10	10	10/15 ⁴
Ireland	10	0	0	0/10 ³
Israel	10	5	2/5/10 ¹²	5
Italy	15	15	0	0/5 ³
Japan	15	10	10	0/10 ³
Korea (Rep.)	10	5	10	0/10 ⁴
Latvia	10	10	10	10
Lithuania	10	10	10	10
Luxembourg	15	5	0	0/10 ³
Macedonia ⁶	15	5	0	10
Malta	5	5	0	5
Mexico	0	0	10	10
Moldova	15	5	10	10
Mongolia ¹³	0/- ¹³	0	0/- ¹³	0
Montenegro ¹⁴	15	5	10	10
Netherlands	10	0	0	5
Nigeria	15	12.5 ⁹	15	15
Norway	15	5	0	0/5 ³
Poland	10	5 ¹⁵	10	5
Portugal	15	10	10	10
Romania	10	10	10	10/15 ¹⁶
Russia	10	10	0	10
Serbia ¹⁴	15	5	10	10
Singapore	10	5 ⁹	0	10
Slovenia	15	5	10	10
South Africa	15	5	0	10
Spain	15	5	0	0/5 ¹⁷
Sri Lanka	15	15	10	0/10 ⁴
Sweden	10	0	0	0/5 ⁴
Switzerland	15	5	10	0/10 ³
Tunisia	15	10	12	5/15 ³
Turkey	10	5	10	10

Country	Dividends		Interest ¹ (%)	Royalties (%)
	Individuals, Companies (%)	Qualifying Companies ² (%)		
Turkmenistan	10	10	10	10
Ukraine	10	10	10	10
United Kingdom	15	5	0	0/10 ³
United States	15	5 ⁹	0	0/10 ³
Uzbekistan	10	10	10	10
Vietnam	10	5 ¹⁸	0/10 ¹⁹	5/10/15 ²⁰

Notes

- Many treaties provide for an exemption for certain types of interest, such as interest paid to the state, local authorities, the central bank, export credit institutions, or in relation to sales on credit. Such exemptions are not considered in this column.
- Unless otherwise indicated, the reduced treaty rates given in this column apply if the holding is at least 25 percent of the capital or of the voting rights, as the case may be.
- The higher rate applies to industrial royalties.
- The lower rate applies to copyright royalties, including films, etc.
- The lower rate applies, inter alia, to interest on bank loans and deposits.
- The treaty concluded between the former Czechoslovakia and the former Yugoslavia.
- The domestic rate applies to interest paid by public bodies (under the treaty such interest is taxable only in the source state and there is no reduction). The 10-percent rate applies in respect of loans granted by banks for at least 10 years, subject to conditions.
- The higher rate applies to trademarks.
- A holding of at least 10 percent is required.
- Copyright royalties are exempt, the 1-percent rate applies to royalties paid for the financial lease of equipment; the 5-percent rate applies to royalties paid for the use of computer software and operational leases of equipment; the 10-percent rate applies to industrial royalties in general.
- The domestic rate applies; there is no reduction under the treaty.
- The 2-percent rate applies to interest from government bonds; the 5-percent rate applies if the recipient is a financial institution.
- The CMEA treaties. The domestic rate applies to individuals; there is no reduction under the treaty.
- The treaty concluded between the Slovak Republic and the former Serbia and Montenegro.
- A holding of at least 20 percent is required.
- The lower rate applies to industrial royalties.
- The lower rate applies to copyright royalties, excluding films, etc.
- If the beneficial owner is a company that holds directly at least 70 percent of the voting power of the company paying the dividends.
- Ten percent if the recipient is the beneficial owner, 0 percent for interest arising in a contracting state and paid to the government of the other contracting state.
- 5 percent for royalties paid as consideration for the use of, or the right to use, any patent, design or model, plan, secret formula or process, or for information concerning industrial or scientific experience, or for the use of, or the right to use industrial, commercial or scientific equipment; 10 percent for royalties paid as consideration for the use of, or the right to use, a trade mark or for information concerning commercial experience; and 15 percent in all other cases.

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