



Slovakia

Introduction

Liability to Slovak tax is determined by a person's residence status for taxation purposes and the source of the person's income. Income tax is levied at a flat rate of 19 percent on an individual's taxable income for the year, which is calculated by subtracting allowable deductions from the total taxable income.

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Key messages

Extended business travelers can be taxed on employment income relating to their Slovak workdays.

Income tax

Liability for income tax

A person's liability for Slovak tax is determined by residence status. A person can be a resident or a nonresident for Slovak tax purposes.

A resident of Slovakia generally refers to an individual with permanent residence in Slovakia or who spends more than 183 days in Slovakia during a calendar year. A nonresident of Slovakia is generally anyone not qualifying as a tax resident, including persons exceeding the 183-day threshold by commuting to work from abroad.

The general rule is that a person who is a resident of Slovakia is taxable on the person's worldwide income. Nonresidents are generally taxable on income derived from sources in Slovakia. Provided that the extended business travelers do not transfer their center of vital interests to Slovakia, they are likely to be considered nonresident of Slovakia for tax purposes due to the double tax treaty tiebreaker rules.

Definition of source

Employment income is generally treated as Slovak-sourced compensation where the individual performs the services while physically located in Slovakia.

Tax trigger points

Slovak legislation provides for unilateral exemption of employment income for services performed in the territory of the Slovak Republic by a nonresident if it is paid by an employer having its registered office or residence abroad, provided that the time period related to the performance of the work does not exceed 183 days during any 12 consecutive months and provided that no permanent establishment of the employer exists in Slovakia. This unilateral exemption contains conditions similar to those determining taxing rights under the double tax treaties. Neither the unilateral nor the treaty exemption will apply if the Slovak entity is the traveler's economic employer, in which case the income would be taxable as of the first day of presence in Slovakia.

Types of taxable income

For extended business travelers, the types of income that are generally taxed are employment income, including fringe benefits and Slovak-sourced income, and gains from taxable Slovak assets (such as real estate).

Tax rates

Net taxable income is taxed at a flat rate of 19 percent.

Social security

Liability for social security

Extended business travelers employed by an entity located in an EEA member state or Switzerland, in most cases, can remain subject to their home country social security scheme. They can obtain an exemption from paying social security in Slovakia, regardless of their citizenship. This exemption is based on the EEA/Swiss rules with respect to posting and/or simultaneous employment.

Other extended business travelers, in some cases, may stay in their home countries' social security systems and obtain exemptions from paying Slovak social security based on the provisions of social security treaties signed between their home countries and Slovakia.

If no continued home country social security coverage and no subsequent exemption from social security contributions are available, an extended business traveler may be subject to Slovak employee social security.

Compliance obligations

Employee compliance obligations

Tax returns are due by March 31 following the tax year-end, which is December 31. An extension of a maximum of three months can be applied for (or six months if the extended business traveler qualifies as a Slovak tax-resident and includes foreign-sourced income).

Filing of tax returns is not required, and tax is thus zero if taxable income is less than certain annually updated thresholds (approximately 1,800 euros (EUR) for 2011).

Extended business travelers who envisage exceeding 183 days of stay in Slovakia may also be subject to a monthly tax prepayment obligation on their taxable income.

Employer reporting and withholding requirements

If employees of a foreign employer spend over 183 days during any 12 consecutive months in Slovakia or if the employer creates a permanent establishment in Slovakia, the foreign employer may qualify as a taxpayer who assumes the employer reporting and withholding obligations. This, however, would not be required if the activities in Slovakia compromise a provision of services.

Other

Work permit/visa requirements

A visa requirement exists only in relation to certain countries. The type of visa required will depend on the purpose of the individual's entry into Slovakia.

A work permit and residence permit may also be required, depending on the duration of the envisaged stay in Slovakia.

Double taxation treaties

In addition to Slovakia's domestic arrangements that provide relief from international double taxation, Slovakia has entered into double taxation treaties with more than 50 countries to prevent double taxation and allow cooperation between Slovakia and foreign tax authorities in enforcing their respective tax laws.

Permanent establishment implications

There is the potential that a permanent establishment could be created as a result of extended business travel.

Indirect taxes

Value-added tax (VAT) registration of the foreign employer of the business traveler is usually not required as the obligation to charge VAT on the taxable supplies is transferred to the service recipient. However, if the

services are provided from the fixed establishment or if the recipient is not a taxable person, the VAT registration requirement may apply.

Transfer pricing

Slovak transfer pricing regulations are aligned with the OECD regulations.

Local data privacy requirements

Slovakia has data privacy laws.

Exchange control

Slovakia, in general, does not restrict the flow of Slovak or foreign currency into or out of the country. Travelers entering or leaving the EU and carrying any sum equal to or exceeding EUR10,000, however, are obliged to make a declaration to the customs authorities.

Certain reporting obligations also are imposed to control tax evasion and money laundering.

Nondeductible costs for assignees

Deductions in Slovakia are rather limited, the employee's social security contributions being the most significant deduction from the tax base.

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