

Corporate Income Tax

- Standard (flat) 19%
- Investment and mutual funds..... 19%
- Pension funds 19%
- Dividends^A 0%

Tax depreciation periods

Depreciation is a tax deductible expense and is calculated for tax purposes at statutory rates. Both straight-line and accelerated methods of depreciation are allowed. Companies may have different depreciation rates for accounting and tax purposes. Intangible assets are depreciated in accordance with the accounting regulations. It is possible to interrupt the tax depreciation of tangible fixed assets.

Straight-line method

Category	Useful life Depreciation	Annual
1 IT equipment, cars and some mechanical tools.....	4	1/4
2 Construction & agriculture machinery, TV receivers.....	6	1/6
3 Special technical & air condition equipment, TV cable.....	12	1/12
4 Pipelines, buildings, electric & telecom. network.....	20	1/20

Accelerated method

Category	Coefficient for the first year	Coefficient for subsequent years	Coefficient for increased residual value
1.....	4	5	4
2.....	6	7	6
3.....	12	13	12
4.....	20	21	20

In the case of the accelerated tax depreciation the allowed depreciation costs are calculated as follows:

First year: acquisition price/coefficient for the first year,
Subsequent years: 2 x residual value/coefficient for the subsequent years decreased by the number representing the period during which the asset has been depreciated.

Loss carry forward

- Tax losses declared for post-2009 taxable periods can be carried forward for up to seven years (otherwise up to five years).
- A company wound up without liquidation (e.g. on a merger or demerger), is allowed to transfer the right to carry forward its tax losses to its legal successor(s) to set off against subsequent taxable profits subject to certain anti-avoidance provisions.

- Different rules may apply to pre-2004 losses, or to losses of companies benefiting from various tax incentive schemes.

Withholding taxes on income to non-residents

For example:

- Dividends A 0%
- Interest B 19%
- Royalties C..... 19%

Withholding tax rates may be reduced by double taxation treaties (see the list overleaf). Withholding tax normally becomes payable when the income is paid or credited to the recipient.

Vat

With effect from 1 January 2011 a standard VAT rate changed temporarily from 19% to 20%. A reduced VAT rate of 10% applies to medicines, certain other medical and pharmaceutical products and certain books and brochures. The new EU VAT rules (so called "VAT package") have been implemented into the Slovak VAT legislation and entered into force as of 1 January 2010. VAT grouping for group companies is allowed with effect from 1 January 2010 if certain conditions are met.

Personal Income Tax

- Standard (flat) 19%

Taxable income includes employment income including benefits in kind and directors' remuneration, business and rental income, income from capital and other income. Certain exemptions may apply.

Tax allowances

- Personal tax allowance max. EUR 3,559.30 a year (no tax allowance if tax base exceeds EUR 32,775.18)
- Spouse tax allowance max. EUR 3,559.30 a year (no tax allowance if tax base exceeds EUR 47,012.36) or if spouse's income exceeds EUR 3,559.30).
- Tax allowance for obligatory social security and health care insurance contributions.
- 40% lump sum deduction from entrepreneurial income and rental income (with certain exceptions if actual costs are not claimed)
- Tax allowances are deducted from the tax base.

Tax bonus

Tax bonus EUR 20.02 per eligible dependent child per month can be deducted from the tax liability under certain conditions.

Social security

Effective for 2011	Max. monthly comp. base in EUR	Employee (in %)	Employer (in %)
Retirement insurance	2,978.00	4.0	14.0
Disability insurance	2,978.00	3.0	3.0
Sick leave insurance	1,116.75	1.4	1.4
Unemployment insurance	2,978.00	1.0	1.0
Contribution into the Reserve fund of the SIC	2,978.00	0.0	4.75
Guaranty insurance	1,116.75	0.0	0.25
Injury insurance	no limit	0.0	0.8
Health care insurance	2,233.50	4.0	10.0
TOTAL in %		13.4	35.2

The health care insurance contributions paid monthly are regarded only as prepayments and are settled on annual basis, maximum annual base for health care insurance amounts to EUR 26,802. EU Social Security Regulations apply in Slovakia.

Local taxes act

The Local Taxes Act enables local municipalities to administer and collect a number of specified taxes, for example property tax. The local municipalities must impose an obligatory levy for municipal waste and minor construction waste. The higher territorial units are entitled to levy the motor vehicle tax.

Investment Incentives

Under the Act on Investment Aid, investors can apply for the following investment incentives:

- Cash grant for the procurement of fixed assets
- Corporate tax relief
- Cash grants for new jobs
- Transfer of real property at the price lower than the market value.

The legislation is aimed to boost investment in the regions with high unemployment rates and particularly supports

investments in technological and strategic centers. It also supports investments in the tourism sector. Conditions on provision of investment aid vary depending on type of the investment, location and other parameters of the project.

Investment incentives granted by the Slovak Government are considered state aid and should therefore be fully compatible with the European Union State Aid regulations.

It should be stressed that:

- The investment incentive amount is determined on the basis of a percentage of the eligible investment expenditure, which may include investments into land, buildings and tangible and intangible assets.
- The current Investment Incentive Act will be amended significantly. It is anticipated that the amendment will enter into force as of 1 August 2011. The amendment will one side relax some conditions (e.g. minimum investment amount), on the other side the total amount of state aid to be granted will be lower in comparison to the current regime;
- Under the amendment the total amount of state aid will depend on the unemployment rate of the region in which the investment project would be carried out. The unemployment rate in the region which also be decisive

A) A distribution of profit after tax in the form of dividends is in general not subject to withholding tax unless the distributed profit was derived prior to 1 January 2004, when rate of 19% would apply. Dividends paid after 1 April 2004 from a Slovak subsidiary to its EU Parent Company are in any event not subject to withholding tax, although these dividends may relate to the distribution of profits earned before 1 January 2004. The receiving (EU parent) company needs to possess a direct shareholding of at least 25% at the time of distribution. Dividends paid to a non EU parent in respect of profits derived prior to 1 January 2004 are subject to withholding tax at 19%, unless a double taxation treaty applies.

B) Interest paid by a Slovak resident company or Slovak permanent establishment to any associated company resident in another EU member state is not subject to withholding tax in the Slovak Republic provided that certain conditions are met (e.g. uninterrupted direct share holding of at least 25% for at least 24 months).

C) Royalties paid by a Slovak resident company or Slovak permanent establishment to any associated company resident in another EU member state is not subject to withholding tax in the Slovak Republic from 1 May 2006 provided that certain conditions are met (e.g. uninterrupted direct share holding of at least 25% for at least 24 months).

for the question whether the investment project can qualify for cash grants and/or corporate tax relief. The corporate tax relief will be extended to a 10 year period instead of the current five years;

- It is crucial that one cannot start an investment project before receipt of a provisional approval to be issued by the Slovak Ministry of Economy.
- There is no automatic entitlement to (tax) incentives or other grants under this legislation in Slovakia:
- all incentives need to be agreed with the Slovak Government and have to be formally applied for and approved by the Government; and
- all incentives are subject to limits set by the EU state aid law and in specific cases must be notified to the European Commission.

Different conditions are applicable to investments in the manufacturing industry, technology and strategic investment centers and the tourism sector. For example, an investor in the manufacturing industry, submitting the investment project before enactment of the amendment, can qualify only if he invests at least TEUR 26,555 in a region where the unemployment rate is lower than the average unemployment rate in Slovakia. If the unemployment rate in the respective region is higher than the average unemployment rate in Slovakia, at least TEUR 13,278 should be invested.

The planned amendment of the Act on Investment Incentives lowers the minimum investment requirement to MEUR 14 in a region where the unemployment rate is lower than the average unemployment rate in Slovakia, to 7 MEUR where the unemployment rate is higher than the Slovak average and to 3,5 MEUR in case the investment will take place in a region where the unemployment rate is higher than 150% of the average Slovak unemployment rate.

A similar mechanism will apply for the statutory equity contribution and the share of new modern technology.

As of 2009, also the legal framework for providing state aid for research and development (R&D) applies in Slovakia. The aid will be provided to projects which deal with fundamental, industrial and experimental research. The main purpose of the respective act is to set the rules and procedures for the provision of incentives in this area in order to motivate entrepreneurs to base their development more widely on the results of R&D, i.e. the activities with a higher added value. The incentives are provided in the form of cash grants and as a corporate income tax relief. Tax relief is granted as of 1 January 2010.

Further, investors may apply for subsidies under the EU Structural Fund programs; however, only a few specific schemes are applicable as most funds are destined for local, regional and central authorities in order to improve infrastructure, education etc.

Double Tax treaty network

The following treaties are in force:
Australia / Austria / Belarus / Belgium / Bosnia and Herzegovina / Brazil / Bulgaria / Canada / China / Croatia / Cyprus / Czech Republic / Denmark / Estonia / Finland / France / Germany / Greece / Hungary / Iceland / India / Indonesia / Ireland / Israel / Italy / Japan / Kazakhstan / Korea (Rep.) / Latvia / Libya / Lithuania / Luxembourg / Macedonia / Malta / Mexico / Moldova / Mongolia / Montenegro / Netherlands / Nigeria / Norway / Poland / Portugal / Romania / Russia / Serbia / Singapore / Slovenia / South Africa / Spain / Sri Lanka / Syria / Sweden / Switzerland / Tunisia / Turkey / Turkmenistan / Ukraine / United Kingdom / United States / Uzbekistan / Vietnam (Egypt – still to be signed or ratified or published).

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Tax Card 2011

with effect from 1 January 2011

Slovak Republic

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