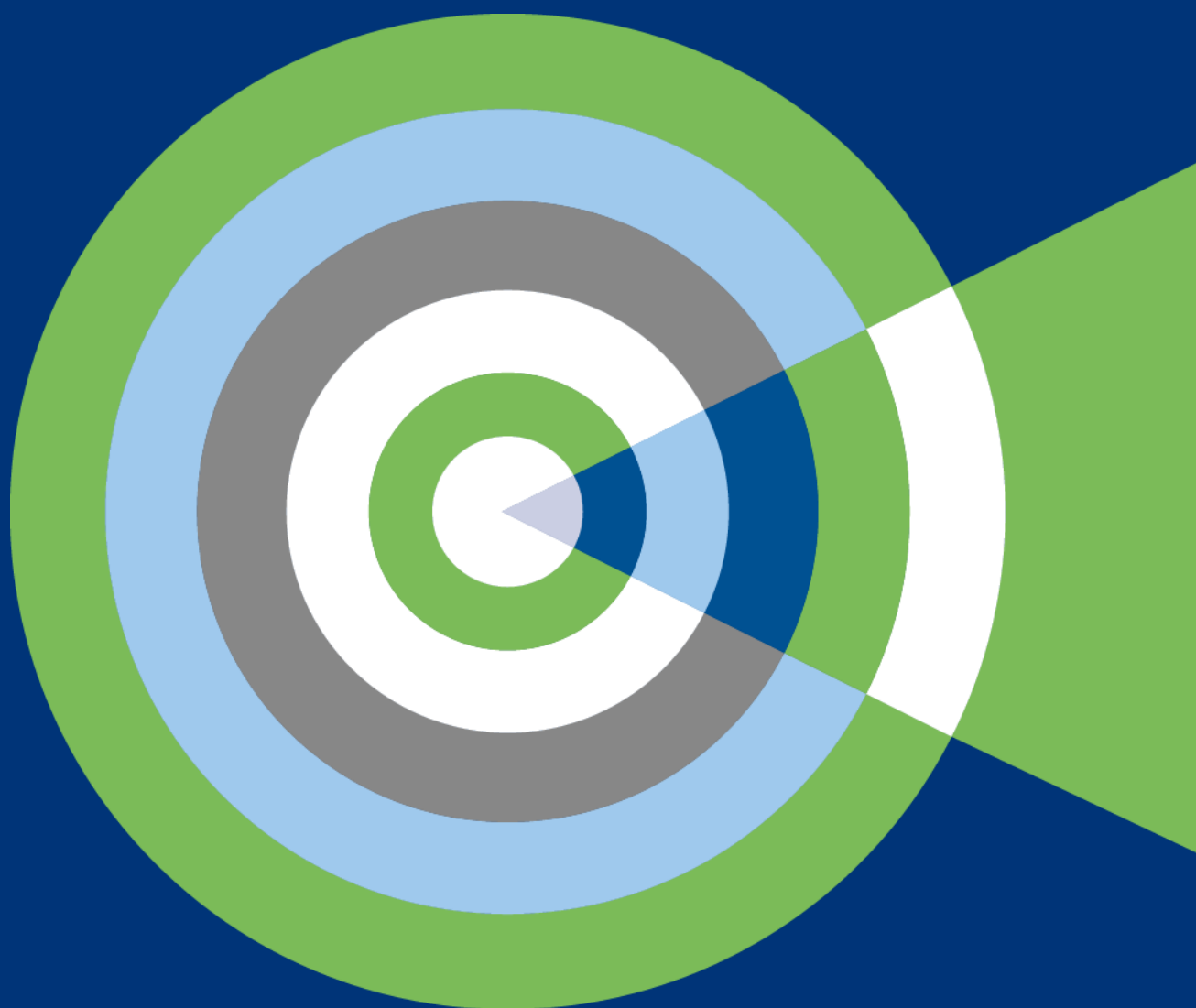


DOING BUSINESS

IN SLOVAKIA



The network
for doing
business

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1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 90 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Slovakia has been provided by the office of UHY representatives:

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Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at August 2015.

We are looking forward to help you doing business in Slovakia.

2 – BUSINESS ENVIRONMENT

BACKGROUND

The Slovak Republic (or Slovakia) was established after the peaceful partition of the former Czechoslovakia in January 1993.

Slovakia joined the European Union on 1 May 2004.

POLITICAL SYSTEM

Slovakia is a parliamentary democracy with a President as the constitutional head of state and one house of Parliament.

POPULATION

The population of Slovakia was 5.421 million in December 2014, 51,26 % women and 48,74 % men. Citizens live mostly in the cities of Bratislava (the capital), Banska Bystrica, Kosice, Nitra, Presov, Trnava, Trencin and Zilina.

Different ethnic groups in the population are: Slovaks 80,70 %, Hungarians 8,50 %, Romanies 2,00 % and Czechs 0,60 %, with Ruthenians, Ukrainians, Germans and Poles making up the remainder.

LOCATION

Slovakia is landlocked, therefore in terms of geography, its position determines its role as a crucial transit country linking different parts of a united Europe. The bordering countries are Poland (north), Ukraine (east), Hungary (south), Austria (south-west) and the Czech Republic (north-west).

Bratislava (capital of Slovakia), Vienna (capital of Austria) and Gyor (Hungarian city) are often called the 'golden triangle', and because of its favourable geographical position, there is potential for mutual co-operation.

AREA

The area of Slovakia is 49.035 square kilometres (approximately 18,900 square miles) and is referred to as the 'Heart of Europe'.

LANGUAGE

The official language is Slovak. Other languages commonly used are Hungarian, Ruthenian, Romany and various Ukrainian languages.

CURRENCY

As of 1 January 2009, the basic monetary unit is Euro (EUR).

IMPORT AND EXPORT

Slovakia Balance of Trade

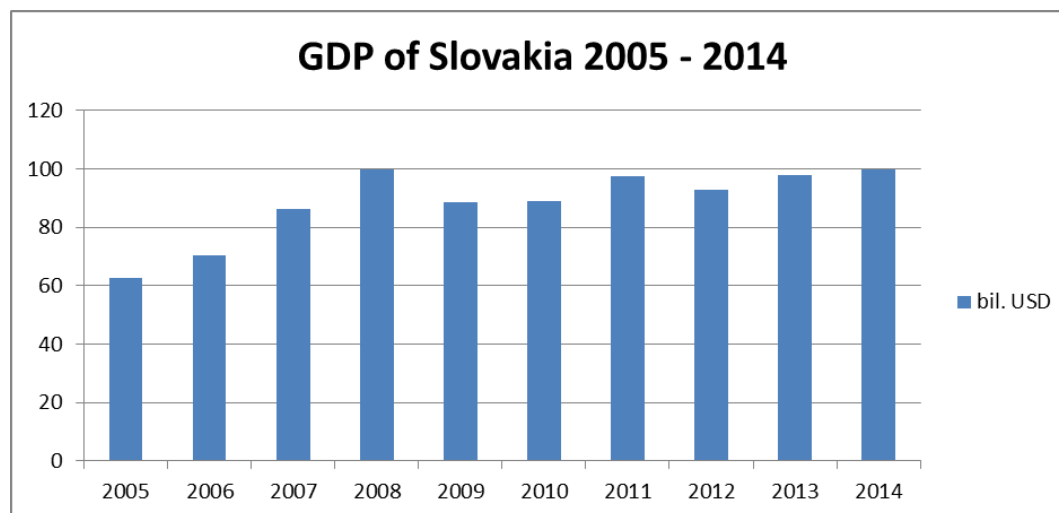
Slovakia recorded a trade surplus of 459 EUR Million in June of 2015. Balance of Trade in Slovakia averaged -35.22 EUR Million from 1993 until 2015, reaching an all-time high of 609 EUR Million in May of 2013 and a record low of -865 EUR Million in December of 2005. The biggest share of Slovakian exports are vehicles, machinery and electrical equipment, base metals and chemicals and minerals. Main export partners are German, Czech Republic, Poland, Austria, Hungary. The biggest share of Slovakian imports are machinery and transport equipment, intermediate manufactured goods, fuels and chemicals. Main import partners are Germany, Czech Republic, Russia, Korea, China.

SLOVAKIA GDP GROWTH RATE

The Gross Domestic Product (GDP) in Slovakia expanded 0.80 percent in the second quarter of 2015 over the previous quarter. GDP Growth Rate in Slovakia averaged 0.91 percent from 1997 until 2015, reaching an all-time high of 9 percent in the fourth quarter of 1998 and a record low of -7.60 percent in the first quarter of 2009.

TABLE

Gross domestic product – Slovak Republic (bill. USD)



Source: World Bank

INFLATION RATE

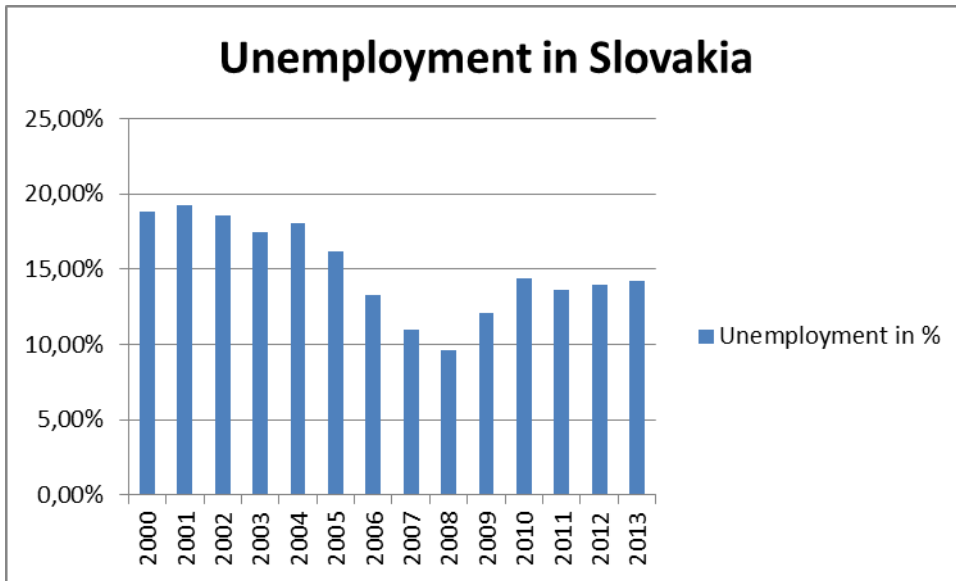
The inflation rate in Slovakia was recorded at -0.20 percent in July of 2015. Inflation Rate in Slovakia averaged 3.34 percent from 2002 until 2015, reaching an all-time high of 9.80 percent in November of 2003 and a record low of -0.50 percent in February of 2015.

In Slovakia, the inflation rate measures a broad rise or fall in prices that consumers pay for a standard basket of goods.

LABOUR FORCE AND UNEMPLOYMENT

Unemployment Rate in Slovakia decreased to 11.50 percent in July from 11.60 percent in June of 2015, in line with market expectations. Unemployment Rate in Slovakia averaged 13.96 percent from 1994 until 2015, reaching an all-time high of 19.70 percent in March of 2001 and a record low of 8.70 percent in December of 2008.

TABLE
Unemployment Rate in Slovakia

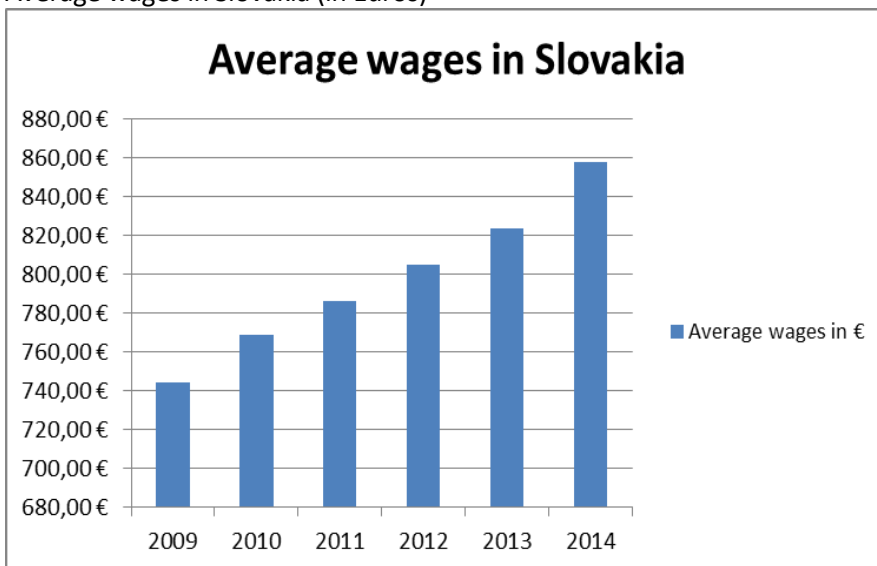


AVERAGE WAGES

Wages in Slovakia decreased to 974 EUR/ Month in June from 975 EUR/ Month in May of 2015. Wages in Slovakia averaged 681.44 EUR/ Month from 2000 until 2015, reaching an all-time high of 1,065 EUR/ Month in November of 2014 and a record low of 349 EUR/ Month in February of 2000.

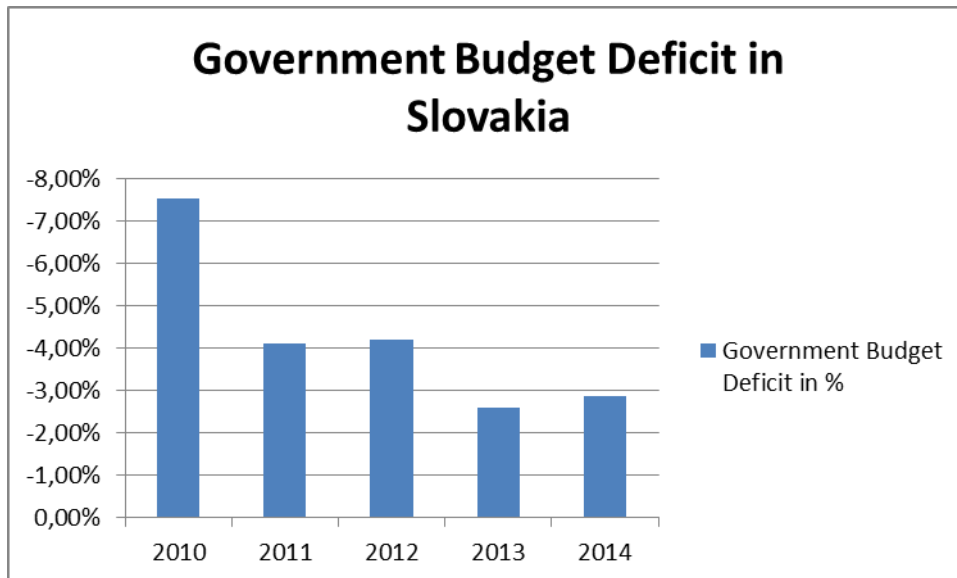
The highest average salary of the Republic in Slovakia is in the town of Bratislava. The wages in this region amounted to 1,294.00 EUR per month are 50.82 % higher than the Slovak average. The population in Slovakia declared an average salary in the amount of 858.00 EUR in 2014. The lowest wage is paid in the Presov region, an average of 771.00 EUR, 10.14 % less than average in Slovakia.

TABLE
Average wages in Slovakia (in Euros)



SLOVAKIA GOVERNMENT BUDGET

Slovakia recorded a Government Budget deficit equal to 2.93 percent of the country's Gross Domestic Product in 2014. Government Budget in Slovakia averaged -5.19 percent of GDP from 1995 until 2014, reaching an all-time high of -1.80 percent of GDP in 2007 and a record low of -12.30 percent of GDP in 2000.



STOCK EXCHANGE

The Bratislava Stock Exchange (BSSE) is the main market operator where securities are traded (currently only shares, bonds and investment certificates). The BSSE operates two markets – the listed securities market and the free market.

Trading rules and requirements for the issuers of securities differ between markets (e.g. on the listed securities market, specific notification duties have to be fulfilled). Stock exchange trading can be made only through a securities broker who is a BSSE member. For further information see: www.bsse.sk

UNFAIR COMPETITION

The Commercial Code governs competition rules in general. Unfair competition is prohibited. This is primarily understood as:

- Deceptive advertising
- Deceptive descriptions of goods and services
- Conduct contributing to mistaken identity
- Parasitic exploitation of a competitor's reputation, products or services
- Bribery
- Disparagement
- Violation of trade secrets
- Endangering consumers' health or the environment.

3 – FOREIGN INVESTMENT

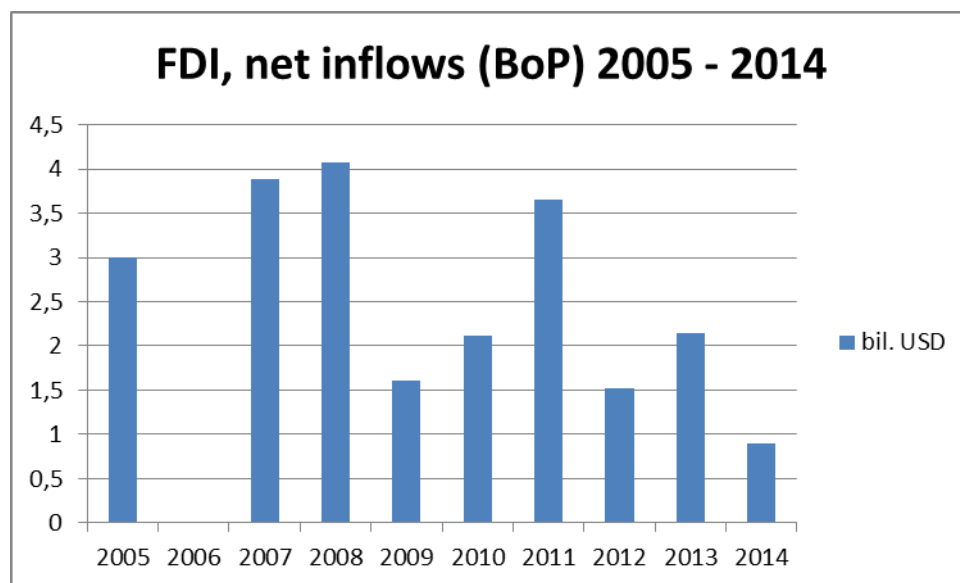
FOREIGN DIRECT INVESTMENT (FDI)

In Slovakia, there are several industries with a long tradition, such as engineering, chemical, electro technical engineering, wood-processing and food industry. In general, industry is currently undergoing a phase of rapid growth not only due to strong supply of foreign investors. Slovakia is an ideal investment destination because of its political economic stability strengthened by the common European currency Euro, competitive taxation system tax, and availability of highly skilled and educated workforce offering the highest labour productivity in the CEE region with favourable labour costs.

Foreign direct investment, net inflows, was last reported at 0.89 USD billion in 2014 (2.15 USD billion in 2013), according to World Bank.

TABLE

Foreign direct investment – Slovak Republic, net inflows (BoP, bill. USD)



Source: World Bank

Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments.

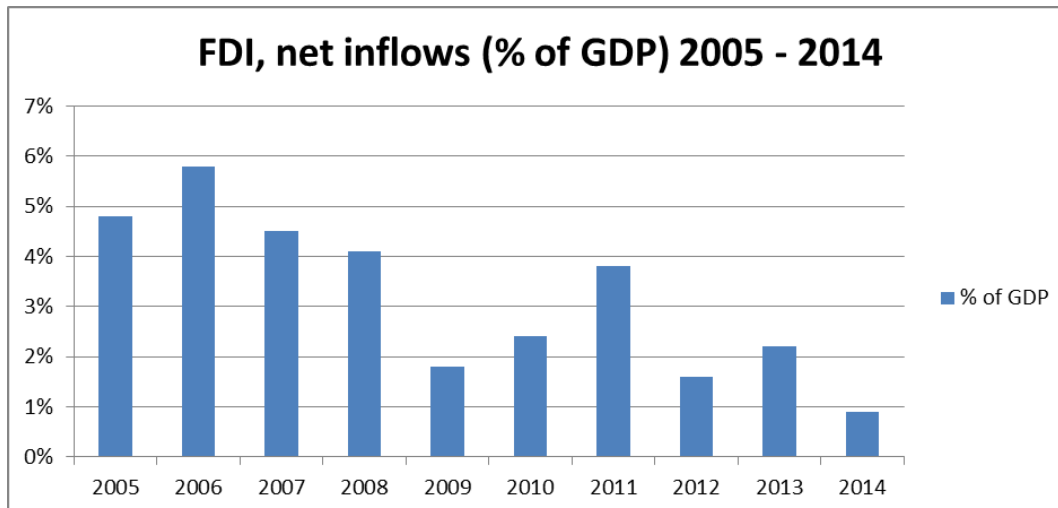
The most important investors are Netherlands, Germany, Austria, Italy, Czech Republic.

Influential foreign investors in Slovakia include:

Volkswagen, PSA Peugeot Citroën, Kia Motors, Samsung Electronics, Sony, Universal Media Corporation /Slovakia/, Henkel, SOITRON, Knauf Insulation, Kössler, Heineken, Whirlpool, Gabor, IBM, DELL, Johnson Controls, SWEDWOOD and Siemens.

TABLE

Foreign direct investment – Slovak Republic, net inflows (% of GDP)



Source: World Bank

Historically, FDI were the highest in 2005 - 2008. Subsequently, as a result of the crisis, FDI in 2009 turned over into red numbers as foreign investors started to collect retained earnings or closed their business premises in Slovakia. In subsequent years, the FDI balance turned positive again.

REASONS FOR INVESTING IN SLOVAKIA

Reasons for investing in the country include:

- Absence of tax on dividends and profit shares
- Favourable labour and production costs
- Availability of a highly skilled workforce
- Strategic location
- Satisfaction of established investors
- Integration with the world economy
- Governmental incentives
- Euro currency

4 – SETTING UP A BUSINESS

The Slovak Commercial Code provides various options for structuring business entities. The most popular choice for foreign investors is to set up an enterprise, or branch office of a foreign company.

All business entities must be registered in the Slovak Commercial Register. The legal forms available are:

- Enterprise or branch office of a foreign company (podnik alebo organizačná zložka podniku zahraničnej osoby)
- Joint-stock company (akciová spoločnosť, a.s.)
- Limited liability company (spoločnosť s ručením obmedzeným, s.r.o.)
- Limited partnership (komanditná spoločnosť, k.s.)
- General partnership (verejná obchodná spoločnosť, v.o.s.)
- Co-operative (družstvo).

There is no limit to the percentage interest a foreign investor may have in a Slovak legal entity, nor are there any legal requirements for local participation.

ENTERPRISE OR BRANCH OFFICE OF A FOREIGN ENTITY

While Slovak law does not limit the activities of enterprises or branch offices of foreign entities, it does require that these offices fully list their planned activities in their application for entry in the Commercial Register. Only then may they engage in the activities registered in the Commercial Register. The law under which the foreign legal entity was founded also applies to the internal dealings of enterprises and branches. This also applies if the foreign legal entity transfers its registered base from abroad to Slovakia.

Entities establishing an enterprise or branch must appoint a director (manager) to head the branch and register him/her in the Commercial Register. This person can be either a Slovak national or a foreigner.

Branch offices of foreign entities are treated as other legal bodies under Slovak legislation.

JOINT-STOCK COMPANY (A.S.)

Joint-stock companies (a.s.) may be founded by a single legal entity or by two or more individuals or legal entities (resident or non-resident).

A joint-stock company may be public or private. A public joint-stock company is a company that has issued all or part of its shares through a public offer for subscription shares, or has had its shares accepted by the Stock Exchange to be traded on the securities market.

The minimum joint-stock capital requirement is EUR 25,000.

A joint-stock company is liable with its entire property for any breach of its obligations. The shareholders are not liable for the obligations of the company.

Members of the Board of Directors who have breached their duties shall be jointly and severally liable to compensate damage caused to the company. The right of the company to receive compensation for damage caused by the Members of the Board can be claimed directly by the creditors of the company if their receivables cannot be settled from the company's assets.

The General Meeting of shareholders is the supreme body. The General Meeting is empowered, for example, to amend the Articles of Association, approve changes to the registered capital, issue debentures, elect and recall members of the Board of Directors (if not otherwise provided for) and the Supervisory Board, approve financial statements and profit distribution, and dissolve the company. If the company has only one shareholder, this person enjoys the rights and obligations of the General Meeting of shareholders.

The Board of Directors is the statutory body of the company. Members are elected for a maximum of five years. Members of the Board of Directors are elected by the General Meeting of shareholders or, if so stipulated by the company's Articles of Association, by the Supervisory Board. The Board of Directors act in the company's name according to guidelines approved by the General Meeting of shareholders and the Board is responsible for ensuring proper accounting and reporting procedures. The Board of Directors submits the year-end accounts and proposals for profit distribution or loss recovery to the General Meeting of Shareholders for approval.

Joint-stock companies are also required to have a Supervisory Board of at least three members elected for a maximum of five years. The Supervisory Board monitors the activities of the Board of Directors and the performance of the company.

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. However, this sum may not be lower than 10% of the net profit. The reserve fund shall be supplemented until it reaches the level stipulated in the company's Articles of Association but must be at least 20% of the registered capital.

SUMMARY

- Minimum capital of EUR 25,000
- Non-monetary contributions fully subscribed and at least 30% of monetary contributions paid up
- An annual or extraordinary audit is required if at least two of the following conditions have been met for the last two years (turnover, assets and the number of employees)
- A Supervisory Board must be established
- A Reserve fund is required on incorporation.

LIMITED LIABILITY COMPANY (S.R.O.)

An s.r.o. is the Slovak equivalent of a German GmbH- or a limited liability company. It may be founded by one or more (up to 50) individuals or legal entities (known as 'partners'). An individual or legal entity with a tax or duty debt can't found an s.r.o. A company with a sole partner cannot be the sole partner of another company. An individual cannot be the sole partner in more than three companies.

The registered capital must be at least EUR 5,000, with each partner making a minimum contribution of EUR 750.

The partners' liability does not extend beyond their unpaid contributions to the company's registered capital.

The size and method of establishing and supplementing the reserve fund must be laid out in a Memorandum of Association. However, if not established on the company's incorporation, the reserve fund must be established in the company's first profitable year 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; however, this sum may not be lower than 5% of net profit. The reserve fund must be supplemented until it reaches the level stipulated in the Memorandum of Association, which must be at least 10% of the registered capital.

A Supervisory Board may be established, but is not required, for an s.r.o.

SUMMARY

- A minimum capital of EUR 5,000 with a minimum paid-up contribution of EUR 750 per participant
- An individual or legal entity with a tax or duty debt can't found a company
- A company with a sole partner cannot be the sole partner of another company
- An individual cannot be the sole partner in more than three companies
- An annual or extraordinary audit is required if at least two of the following conditions have been met for the last two years (turnover, assets and the number of employees)
- A reserve fund must be established once the company becomes profitable
- No Supervisory Board is required.

LIMITED PARTNERSHIP (K.S.)

Limited partnerships may be founded by two or more individuals or legal entities (partners).

Limited partnerships must have both limited and general partners.

Under the Slovak Commercial Code, individuals and legal entities may become partners with general liability in only one entity at a time.

General partners are jointly and severally liable for the partnership's obligations up to the extent of their entire personal property. These partners are entitled to manage the partnership and act as statutory representatives.

A limited partner is liable for the partnership's obligations only to the extent of his/her unpaid contributions in the partnership (the contribution has to be at least EUR 250). However, should a limited partner conclude a contract on behalf of the company without being so empowered, he/she is liable for the obligations (debts) ensuing from this contract to the same extent as a general partner. Limited partners have the right to review the accounting books and receive a copy of the financial statements.

SUMMARY

- No minimum capital from general partners is required
- The limited partner's share has to be at least EUR 250

- At least one partner must bear general liability for the partnership's obligations
- No corporate bodies must be established
- No reserve fund is required.

GENERAL PARTNERSHIP (V.O.S.)

General partnerships may be founded by two or more individuals or legal entities (partners). Individuals and legal entities may bear general liability in one entity only.

All partners are jointly and severally liable for all the partnership's obligations up to the extent of their entire personal property.

Each partner may be involved in the management of the partnership, although the Partnership Agreement may authorise one or more partners to act on behalf of the partnership in accordance with the decisions of the majority of the partners.

Profits or losses are distributed equally unless the Partnership Agreement specifies otherwise.

SUMMARY

- No minimum capital or audit is required
- All partners are jointly and severally liable for the partnership's obligations

CO-OPERATIVE

A co-operative shall be a community of an open number of members established either to conduct business, or to satisfy any economic, social or other needs of its members.

A co-operative must have at least five members, or only two members who are legal entities.

In generally the members of the co-operative shall not bear liability for the obligations of the cooperative.

The registered capital of the co-operative shall consist of all the contributions of members. The reference capital shall not be less than EUR 1,250.

The supreme body of the co-operative is its members' meeting that meets at least once a year. Activities of the co-operative are managed by a Board, a statutory body. Activities of the co-operative are controlled by an audit committee.

The co-operative's profit is subject to corporate income tax.

5 – LABOUR

CONTRACTS OF EMPLOYMENT

All types of employment contract must be in writing and the subject of work must be described.

The contract of work must include:

- The type of work for which the employee was accepted and its brief description
- The place of work performance (the municipality and organisational part, or other specified place)
- The day the work starts
- Salary conditions, unless agreed otherwise in the collective agreement
- Working time
- Payment terms
- Duration of paid holiday
- Length of notice period.

TYPES OF WORK CONTRACT

- Full-time agreement
- Work performance agreement
- Agreement on temporary jobs for students
- Agreement on work activities.

REMUNERATION

The minimum salary is EUR 380.00 monthly or EUR 2.184 / per hour. The employer is obligated to submit to all his employees written detailed information about the wage calculation and all contribution fees for the employee's as well as the employer's part.

TRIAL PERIOD

Employees can have a trial period of a maximum of three months.

An executive employee who reports directly to the statutory body or a member of the statutory body and an executive employee who reports directly to such an executive employee can have the trial period of maximum six months.

WORKING TIME / OVERTIME

The maximum working time per week is 40 hours.

On average, employees may not work more than eight hours' overtime per week within an agreed period, which may not be longer than 12 months. The maximum overtime that the employee can be ordered to work is 150 hours per annum. However, the employer and the employee may agree on another 100 hours.

The employer may order overtime work only in cases of temporary and urgent increased need of work, or in the public interest. It can even intrude on time for 'undisturbed rest' between two shifts and/or, subject to conditions stipulated in the Labour Code, it can involve non-working days.

For overtime work, the extra payment should be at least 25% of the average salary, unless the employer allows the employees to use the overtime for extra vacation.

VACATION

Minimum annual paid holiday is four weeks. Each employee who reaches the age of 33 years is entitled to five weeks paid holiday.

BENEFITS IN KIND

Depending on the nature of the work and the availability of people with necessary skills, employers can offer additional benefits in kind to their employees. Where a company car is used for private purposes, 1% of its acquisition price is added to the gross salary of the employee for income tax purposes, as well as for the calculation of social and health insurance; this price / base is reduced by 12.5% per year during 7 consecutive years .

If a private car of an employee is used for company travel, the employee is eligible for a reimbursement of business travel expenses at the statutory amount (EUR 0.183 per kilometre) plus fuel costs.

Employers with the domicile in Slovakia are obliged to create a social fund and to increase this monthly by 0.6% of the salary. This money can be used only for specified purposes for employees.

Employee who works more than four hours a day has the right to receive warm food from the employer. Generally this obligation on the employer is met by provision of food tickets, in amount at least 3.15 €.

NOTICE PERIOD

The notice period is in general one month if the employment has existed less than one year. The notice period is two months, if the employment has existed for more than one year. Provided the employment has been terminated by notice given on grounds of organisational reasons or the employer's winding-up, the length of the notice period differs according to the length of employment due to the date of notice delivery (from one to three months).

Conditions under which an employer may terminate employment are expressly stipulated in the Labour Code. Employment can be terminated immediately without notice if both the employer and employee agree. Moreover, the employer can terminate the employment immediately if the employee conducts wilful crime or seriously breaches his obligations.

TERMINATION OF THE EMPLOYMENT CONTRACT

The employment relationship can be terminated as follows:

- By agreement, if the employer and employee agree upon termination of the employment relationship. That relationship shall then terminate on the agreed day. The employer and employee shall conclude such an agreement in writing. Upon the employee's request, or if the employment relationship were terminated for reasons of organisational change, the agreement has to contain the reasons for termination.

- By notice, where both the employer and the employee may terminate the employment relationship by giving notice. The notice has to be in writing and delivered, otherwise it is invalid. The Labour Code stipulates the periods of notice. The period of notice is the same for both the employer and employee and is at least two months, provided that the employment has existed more than one year
 - If the employment has been terminated by notice given on grounds of organisational reasons or the employer's winding-up of the business, the length of the notice period is:
 - 1 month, if the employment has existed less than one year
 - 2 months, if the employment has existed at least one year and less than five years
 - 3 months, if the employment has existed at least 5 years
- By immediate termination, where the ending of the employment relationship is possible only during the period stipulated by law and only under conditions stipulated by law
- By rescission during the period of probation, where both the employer and employee may terminate the employment relationship in writing for any reason or without giving the reasons. The written notification on termination of the employment relationship must be delivered to the other party generally at least three days before the day of the expected termination of the employment relationship
- By death of the employee
- The employment relationship concluded for a fixed period shall terminate upon expiry of the agreed period.

AGREEMENTS FOR WORK UNDERTAKEN OUTSIDE OF EMPLOYMENT

WORK PERFORMANCE AGREEMENT

The employer can agree on how the work is carried out if the expected scope of the work, for which the agreement is being concluded, does not exceed 350 hours in the calendar year. The expected scope of the work also includes work performed by the employee for the employer based on other agreements on the execution of work. This type of work contract can be closed at most for 12 months.

AGREEMENT ON TEMPORARY JOBS FOR STUDENTS

Work performed on the basis of such an agreement must not exceed, on average, one half of the regular weekly working time. This type of work contract can be closed at most for 12 months.

AGREEMENT ON WORK ACTIVITIES

Work activities may be performed for up to 10 hours per week on the basis of an agreement on work activities and can be closed at most for 12 months.

EMPLOYEES FROM ABROAD (FOREIGNERS) AND THE EUROPEAN UNION (EU)

Employees from the EU, EEA and Switzerland do not need work permits. Employees from all other countries must obtain a work permit and residence visa for employment purposes before commencing work.

SOCIAL SECURITY AND HEALTH INSURANCE

The amount of social insurance contribution, to be paid by employers and employees, equals a specified percentage of the gross monthly income of the employee up to a limit (i.e. a maximum computation base) which will vary according to the kind of insurance (e.g. retirement, disability, sick leave and guarantee insurance, etc.) and depend on the average monthly salary announced by the Slovak Statistical Office for the previous calendar year.

The monthly limit for social insurance (including sickness insurance, old age insurance, disability insurance, unemployment insurance, guarantee insurance and the reserve fund) and health insurance is EUR 4120 €. The limit changes on 1 January. Total contributions for the year 2015 are 13.4% for the employee and 35.2 % for the employer.

OVERVIEW OF HEALTH INSURANCE AND SOCIAL SECURITY CONTRIBUTIONS

EMPLOYEE

	Rate	Maximum monthly contribution
for 2015 (in Euros)		
Sickness	1.4%	57.68
Retirement	4%	164.80
Permanent disability	3%	123.6
Unemployment	1%	41.2
Health	4%	164.80
Guarantee insurance	–	–
Reserve fund	–	–
Total	13.4%	552.08

EMPLOYER

	Rate	Maximum monthly contribution
for 2015 (in Euros)		
Sickness	1.4%	57.68
Retirement	14%	576.80
Permanent disability	3%	123.60
Unemployment	1%	41.20
Health	10%	412.00
Guarantee insurance	0.25%	10.30
Reserve fund	4.75%	195.70
Total	34.4%	1,417.28

In addition to these contributions, the employer must also calculate make insurance contributions of 0.8% of employees' total salary costs per month, no maximal limits.

Health and social insurance for a company's executives or members of supervisory boards or boards of directors is paid partly by themselves and partly by the company. According to the amendment, these persons are considered as employees and not sole traders.

6 – TAXATION

The Slovak tax system comprises the following taxes:

DIRECT TAXES

- Personal Income tax
- Corporate Income tax
- Motor Vehicle tax
- Other direct taxes (Municipal taxes)¹
 - Real Estate tax

INDIRECT TAXES

- Value Added tax (VAT)
- Other indirect taxes
 - Excise duty on alcoholic beverages (beer, wine and alcohol)
 - Excise duty on tobacco products
 - Excise duty on mineral oil
 - Excise duty on electricity, coal and gas

The inheritance and gift tax were abolished with effect from 1 January 2004. Real estate transfer tax was abolished with effect from 1 January 2005.

PERSONAL INCOME TAX

RESIDENT/NON-RESIDENT STATUS

Individuals with a permanent residence in Slovakia are considered as tax residents of Slovakia. In addition, any individuals residing or physically presenting in Slovakia for at least 183 days in a calendar year are considered as Slovak tax residents². Tax residents are subject to tax in Slovakia on their worldwide income.

Individuals who spend less than 183 days in a calendar year in Slovakia and do not have a permanent residence in Slovakia are treated as tax non-residents and are taxed on their Slovak source income only.

TYPES OF INCOME:

- Income from dependent activity
- Income from business, other independent gainful activity, lease and use of works and artistic performances
- Income derived from capital
- Sundry income

¹ In this document only the most important one is being described

² Except individuals, who usually stay in the Slovak Republic exclusively for the purpose of studies or therapy, or who cross the borders on a daily basis for the purposes of his/her dependent activity

TAX BASE

Determination of tax base is based on summarization of all types of income decreased by related expenditures.

From income from dependent activity only the social and health contributions may be deducted.

Entrepreneurs may deduct from income from business and other independent gainful activity real expenditures or can apply lump-sum expenses equal to 40 % of the income up to a maximum EUR 5,040 per year.

TAX LOSS

Tax loss may be deducted equally during four consecutive tax periods, but only in case of entrepreneurs.

TAX ALLOWANCES

The tax allowances may be deducted only from income from dependent, business and other independent gainful activity.

The tax base may be reduced by following tax allowances:

- Yearly tax allowance for taxpayer up to EUR 3,803.33
- Yearly tax allowance per spouse sharing common household with a taxpayer up to EUR 3,803.33
- Voluntary contributions to old-age pension savings up to EUR 988.80 per year
- Contributions to supplementary pension savings up to EUR 180 per year

Furthermore, the taxpayer may reduce his/her personal income tax liability by tax bonus for each dependent child in the amount of EUR 21.41 per month.

PERSONAL INCOME TAX RATE

- 19 % of that part of the tax base, not exceeding EUR 35,022
- 25 % of that part of the tax base, which exceeds EUR 35,022

TAX PERIOD

Tax period is a calendar year.

TAX RETURN

In general, tax returns have to be filled to the tax authority within 3 calendar months following the last date of the tax period.

Extension of the term for another 3 calendar months is possible by announcing it to the tax authority. In case of foreign sources of income, the term may be extended to 6 calendar months.

PAYMENT OF PERSONAL INCOME TAX

The personal income tax is due on the last day of the term for filing the tax return or within the extended term.

ADVANCES TO PERSONAL INCOME TAX

Employees from income from dependent activity do not pay advance payments to personal income tax (personal income tax is deducted from wage and paid directly by employer).

Entrepreneurs must pay advance payments to personal income tax as follows:

- Quarterly – in case last known tax liability exceeded EUR 2,500, but not EUR 16,600 (in the amount of 1/4 of the last known tax liability)
- Monthly – in case last known tax liability exceeded EUR 16,600 (in the amount of 1/12 from last known liability)

CORPORATE INCOME TAX

ENTITIES LIABLE TO CORPORATE INCOME TAX

Taxable party with unlimited tax liability is any legal entity, which has its registered seat or its place of actual management in Slovakia. Such legal entities are generally regarded as tax residents and are liable to pay Slovak corporate income tax on their worldwide income, whereas tax non-resident legal entities are generally subject to corporate income tax on Slovakia-sourced income only.

Income that is not subject to corporate income tax:

- Dividends from profit generated after 1st January 2004
- Income obtained through inheritance or donations
- Payments related to liquidation surpluses and settlement amounts
- Income earned as a result of the acquisition of new shares and holding interests

TAX BASE

Determination of tax base is based on the accounting result³ adjusted by the tax deductible and non-deductible items.

TAX DEDUCTIBLE AND NON-DEDUCTIBLE ITEMS

As a general rule, expenses spent on obtaining, ensuring and maintaining taxable income booked in the records of the taxpayer are tax deductible, unless they are specifically listed as tax non-deductible items.

Examples of tax non-deductible items

- Gifts
- Fines and penalties
- Accounting depreciation costs that exceed tax depreciation costs
- Individual and corporate income tax and taxes paid on behalf of another taxpayer
- Expenses on generating tax-free income

TAX DEPRECIATIONS

Tax depreciations are divided into six depreciation groups as follows:

- 4 years (e.g. PC and other electronic office equipment, motor vehicles)
- 6 years (e.g. Furniture, central heating radiators and boilers, generators)

³ Permanent establishments are not obliged to keep accounts and therefore, tax base is calculated as a difference between revenues and expenditures

- 8 years (e.g. Technological equipment, electric motors, generators, transformers)
- 12 years (e.g. Mounted buildings from concrete and metal, air conditionings)
- 20 years (e.g. Industrial buildings, business centres)
- 40 years (e.g. Residential and administrative buildings)

TAX LOSS

As of 01.01.2014 tax loss may be deducted from tax base equally during four consecutive tax periods⁴.

CORPORATE INCOME TAX RATE

- 22 % from tax base decreased by tax loss

TAX LICENSE (MINIMUM TAX TO BE PAID)

Tax license represents minimum corporate income tax that has to be paid to the tax authority, even the company is in loss.

Amount of the tax license:

- EUR 480 – in case of a non-VAT payer, with turnover below EUR 500,000
- EUR 960 – in case of a VAT payer, with turnover below EUR 500,000
- EUR 2,880 – with turnover above EUR 500,000

TAX PERIOD

- Calendar year, or
- Fiscal year that differs from a calendar year (12 consecutive calendar months)

TAX RETURN

In general, tax returns have to be filled to the Tax authority within 3 calendar months following the last date of the tax period.

Extension of the term for another 3 calendar months is possible by announcing it to tax authority. In case of foreign sources of income, the term may be extended to 6 calendar months.

PAYMENT OF CORPORATE INCOME TAX

The corporate income tax as well as the tax license is due on the last day of the term for filing the tax return or within the extended term.

ADVANCES TO CORPORATE INCOME TAX

Companies must pay advance payments to corporate income tax as follows:

- Quarterly – in case last known tax liability exceeded EUR 2,500, but not EUR 16,600 (in the amount of 1/4 of the last known tax liability)
- Monthly – in case last known tax liability exceeded EUR 16,600 (in the amount of 1/12 from last known liability)

⁴ In case of losses for years 2010 – 2013, these have to be accumulated at first and as summation may be deducted equally during four consecutive tax periods

TAX TREATIES

The Slovak tax system has ratified about 65 treaties for avoidance of double taxation. A summary of selected treaties and taxation of dividends, interests and royalties generated from sources in the Slovak republic are set out in the table below.

TAX TREATY AGREEMENTS

	DIVIDENDS (*) %	INTERESTS %	ROYALTIES %
1. Australia	15	10	10
2. Austria	10	0	0/5
3. Belgium	5/15	0/10	5
4. Brazil	15	0/10/15	15/25
5. Bulgaria	10	0/10	10
6. Canada	5/15	0/10	0/10
7. China	10	0/10	10
8. Croatia	5/10	10	10
9. Cyprus	10	0/10	0/5
10. Czech Republic	5/15	0	0/10
11. Denmark	15	0	0/5
12. Estonia	10	0/10	10
13. Finland	5/15	0	0/1/5/10
14. France	10	0	0/5
15. Germany	5/15	0	5
16. Greece	19	0/10	0/10
17. Hungary	5/15	0	10
18. India	15/25	0/15	19
19. Ireland	0/10	0	0/10
20. Island	5/10	0	10
21. Italy	15	0	0/5
22. Japan	10/15	0/10	0/10
23. Latvia	10	0/10	10
24. Lithuania	10	0/10	10
25. Luxembourg	5/15	0	0/10
26. Malta	5	0	5
27. Netherlands	0/10	0	5
28. Norway	5/15	0	0/5
29. Poland	0/5	0/5	5
30. Portugal	10/15	10	10
31. Romania	10	0/10	10/15
32. Russian Federation	10	0	10
33. Slovenia	5/15	10	10
34. South Africa	5/15	0	10
35. Spain	5/15	0	0/5
36. Sweden	0/10	0	0/5
37. Switzerland	0/15	0/5	0/10
38. Turkey	5/10	0/10	10
39. Ukraine	10	10	10

40. United Kingdom	5/15	0	0/10
41. USA	5/15	0	0/10
42. Non-treaty Countries	0	35	35

MOTOR VEHICLE TAX

The motor vehicle tax is imposed on vehicles registered in Slovakia that are used for business purposes only. This includes private vehicles used for business purposes as well.

Tax base is determined as a combination of vehicle weight and number of axles for lorry and trailers. For personal cars the tax depends on the engine volume in cubic centimetres.

Motor vehicle tax is due annually, within one month following the end of calendar year.

In case estimated motor vehicle tax for calendar year exceeds EUR 700, taxpayer is obliged to pay advance payments to motor vehicle tax.

REAL ESTATE TAX

Real estate tax is a municipal tax generally paid by owners of lands, buildings and flats registered in the Slovak cadastral register and is determined by the size, location and the type of lands, buildings and flats.

The real estate tax on buildings and flats is computed as the number of square meters constructed, multiplied by the respective tax rate. The base tax rate is EUR 0.033 per square meter but the municipal authority may increase or decrease the rate and determine different rates for various types of buildings and flats.

The tax base of the land is the product of the area of the land and its official value per square meter. The base tax rate is 0.25% of the tax base, but the municipal authority may increase or decrease the rate and determine different rates for various types of buildings.

VALUE ADDED TAX (VAT)

VAT RATE

- 20 % applies to all taxable supplies of a VAT payer, and
- 10 % applies for specific goods (e.g. pharmaceutical and sanitary goods, books)

VAT SUBJECT

VAT is charged on:

- Supply of goods and services in Slovakia
- Import of goods and acquisition of services from third countries by any entity
- Acquisition of goods from other EU member states (intra-community acquisitions)
- Acquisition of selected services ('reverse charge') from other EU member states

REGISTRATION FOR VAT

DOMESTIC ENTITY

- Taxable entity that has its seat, place of business or permanent establishment in Slovakia is obliged to register for VAT if cumulative turnover within the previous maximum of twelve consecutive calendar months exceeded EUR 49,790
- Voluntary registration for VAT before exceeding the turnover is possible

FOREIGN ENTITY

- A foreign entity is obliged to register for VAT before performing economic activity in Slovakia

DISTANCE SALE

- In case a total value of supplied goods in Slovakia exceeds EUR 35,000 in a calendar year, foreign entity is obliged to register for VAT

SPECIFIC VAT REGISTRATION

- An entity which is not registered for VAT purposes but acquires goods from another EU-member state at a value exceeding EUR 14,000 in a calendar year
- An entity which is not registered for VAT purposes but receives/provides selected services from/to another EU-member state

Difference between registration for VAT and specific VAT registration is in deduction of VAT on input. Whereas a VAT payer has a full right to deduct VAT on input, specific VAT payer has no right to deduct VAT.

GROUP REGISTRATION

- Group companies are entitled to register for VAT as individuals or to register as a one VAT entity. Registration of a group of companies takes effect as of the first day of the calendar year.

VAT QUARANTEE

In case of “problematic subjects” and in case of subjects that in time of filing an application performs business start-up activities only, the taxable person may be required to lodge a tax guarantee for a period of 12 months at disposal of the tax authority in the amount of the tax guarantee required (from EUR 1,000 to EUR 500,000).

VAT RETURN

The VAT-payer is obliged to file a VAT return and pay the VAT duty within 25 days following the last date of the tax period.

The tax period is usually one calendar month.

If during previous 12 months the VAT-payer’s turnover did not reach EUR 100,000 a taxpayer may choose a calendar quarter period.

VAT CONTROL STATEMENT

VAT control statement represents detailed specification of data stated in a VAT return.

Term for submitting of the VAT control statement is identical with the term of submitting of the VAT return.

RECAPITULATIVE STATEMENT

A recapitulative statement includes intra-EU supplies of goods and services and must be filed within 25 days after the end of the calendar month. Given that the VAT payer does not realise intra-EU deliveries of goods amounting to more than EUR 50,000 within a year’s quarter, the recapitulative statement might be filed on a quarterly basis.

VAT REFUND

A foreign subjects that did not supply goods or provide services in relevant period from which they should pay VAT in Slovakia are not allowed to deduct VAT on input through the VAT return, but the VAT refund method may be applied.

A foreign subjects with a seat in another member state might apply the refund of Slovak VAT only through the tax authority of his home country. However, foreign businesses from third countries should keep on filing their VAT refund requests at the Tax office Bratislava I.

VAT REFUND REQUEST

VAT refund request for previous calendar year should be filed by 30th September of the following year (requests from foreign entities of third countries should be filed by 30th June of the following year).

VAT refund request for shorter period (at least three calendar months) may be submitted only in case aggregate VAT for this period exceeds EUR 400.

Minimum VAT that may be requested represents EUR 50.

EXCISE DUTIES

Excise duty is levied on mineral oils, on alcoholic beverages (beer, wine and alcohol) and tobacco products, as well as electricity, coal and natural gas.

Taxable persons are all legal entities and natural persons who produce these excisable products in the Slovak Republic or who are eligible to dispose of these products under the duty suspension regime. Excise duties are stipulated as a set amount per unit of measure for each group of products, except cigarettes where the tax rate is calculated in a different way.

INTRASTAT

Slovak VAT-payers performing intra-community transactions (sending/receiving goods to/from other EU member states) are obliged to report these transactions in case:

- Total amount of goods sent for a calendar year exceeds EUR 200,000
- Total amount of goods received for a calendar year exceeds EUR 400,000

7 – ACCOUNTING & REPORTING

Fixed accounting regulations and disclosure requirements are applicable to companies performing business activities in Slovakia prescribed by the Slovak Ministry of Finance in the form of a law (Accounting Act), measure or regulation.

ACCOUNTING PRINCIPLES AND REQUIREMENTS

Slovak accounting standards are governed by the Act on Accounting which regulates general accounting principles, maintaining and closing the books, asset and liability valuation, profit and loss calculation, financial statements formats and auditing requirements.

Statutory consolidation procedures have been abolished and all consolidated financial statements should be prepared exclusively according to International Financial Reporting Standards (IFRS). All banks, insurance companies, security traders and certain other companies are obliged to prepare their individual financial statements according to IFRS.

From 1 January 2011, the obligation to prepare consolidated financial statements and a consolidated annual report shall not apply to a parent accounting entity if the preparation of solely individual financial statements of the parent accounting entity has no substantial impact on the view of the financial situation, costs, revenues and profit/loss for the consolidated group.

ACCOUNTING SYSTEMS

- Double-entry bookkeeping – obligatory for all accounting entities
- Single-entry bookkeeping – option for personal and specific legal entities after meeting specific conditions

ACCOUNTING PERIOD

- Calendar year, or
- Fiscal year that differs from a calendar year (12 consecutive calendar months)

ACCOUNTING UNITS

An accounting unit is treated as “Micro”, “Small” or “Large” if two of the three criteria during two consecutive years from table below are met:

	“MICRO” ACCOUNTING UNIT	“SMALL” ACCOUNTING UNIT	“LARGE” ACCOUNTING UNIT
Total assets (NETTO)	Below EUR 350,000	Below EUR 4,000,000	Above EUR 4,000,000
Net turnover	Below EUR 700,000	Below EUR 8,000,000	Above EUR 8,000,000
Employees (Average)	Below 10	Below 50	Over 50

FINANCIAL STATEMENTS

Year-end financial statements consist of a balance sheet, income statement and notes to the financial statements and in case of audited companies must include a cash flow statement too. The notes must contain information to assess the entity's assets, liabilities,

financial position and results. These include the accounting principles, valuation methods and depreciation rates used in the period. The balance sheet and income statement must be prepared on pre-printed forms and the notes and the cash flow are specified in detail by the Ministry of Finance. Consolidated financial statements must be audited. Consolidation methods are prescribed by the Ministry of Finance and are identical with IFRS.

Year-end financial statements for “Micro” accounting units are significantly simplified and shortened.

AUDIT

Accounting units, which fall under the obligation to have their financial statements audited are:

- All companies and cooperatives with securities being traded on a regulated market
- All accounting units, which prepare financial statements according to §17a (IFRS)
- All banks operating in Slovakia as well as foundations
- Business entities, which are obliged to create initial capital (e.g. limited liability companies, joint stock companies, cooperatives), but only if they meet any of the two following conditions in the year for which the financial statements are audited and as well in the preceding one:
 - The total value of the entity's assets exceeded EUR 1,000,000 i.e. of the gross assets, without the deduction of depreciation expenses, accumulated depreciation etc.
 - The entity's net turnover exceeded EUR 2,000,000. For this purpose, net turnover means revenues from the sale of products and goods and from the provision of services
 - The average number of employees exceeded 30. The average number of employees should be calculated as the average at the end of the particular quarter of the calendar year.

The audit of the financial statements must be performed by the end of the year following the year for which the financial statements or annual report were prepared.

PUBLICATION OF DATA

Year-end financial statements have to be filled to the tax authority within 6 calendar months following the last date of the accounting period.

The year-end financial statements are published in register of year-end closings automatically by submitting them to tax authority.

In case of approval of the year-end financial statements after their submitting to tax authority, the accounting unit is obliged to announce it within 5 working days following the date of their approval.

The compulsory audited entities must publish an audited annual report including financial statement information (at least an excerpt), an audit opinion, a summary description of operations and activities during the period, and the forecast of the entity.

8 – UHY REPRESENTATION IN SLOVAKIA



AUDITOR SK S.R.O. SLOVAK REPUBLIC



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Number of partners: 2
Total staff: 17

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Liaison contact: Georg Stöger
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ABOUT US

AUDITOR is a consulting company with an international focus that has provided its complex services for 15 years throughout the Slovak Republic.

OTHER IN-COUNTRY OFFICE LOCATIONS AND CONTACTS

Piestany

BRIEF DESCRIPTION OF FIRM

AUDITOR SK s.r.o. (Ltd.) currently provides a wide range of accounting, tax and business advisory services, mostly to limited companies, individuals and multinational organisations from all around the world. The team deals with daily financial and business problems of foreign investors in Slovakia. Additionally, we have support from our sister companies in the Czech Republic with 80 staff and in Austria with 20 staff.

SERVICE AREAS

Audit
Accountancy, bookkeeping and outsourcing services
Company secretarial services
Corporate and personal tax
General business advice and strategic planning
VAT consultancy
Consultancy with mergers and acquisitions

PRINCIPAL OPERATING SECTORS

Accounting
Car manufacturing and components
Construction
Distributors
Food & beverages manufacturing
Leisure
Machinery

LANGUAGES

Slovak, Czech, English, German.



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SLOVAK REPUBLIC**

UHY

CURRENT PRINCIPAL CLIENTS

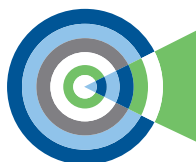
Confidentiality precludes disclosure in this document.

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

Austria, Canada, France, Germany, Hungary, Ireland, Israel, Spain, UK.

BRIEF HISTORY OF FIRM

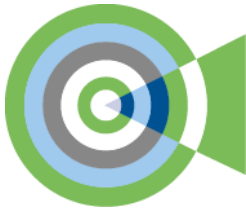
The company was founded in 1999 as a subsidiary of Auditor s.r.o. in the Czech Republic by two already experienced partners: Stöger & Zallmann from Austria. Auditor SK s.r.o. joined UHY in 2000. The firm now has three partners in two offices – one in Piestany.



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USEFUL WEB ADDRESSES

Bank of Slovakia	www.nbs.sk
Statistical Office of the Slovak Republic	www.statistics.sk
Ministry of Finance of the Slovak Republic	www.finance.gov.sk
Ministry of Foreign Affairs of the Slovak Republic	www.foreign.gov.sk
Foreign Investment	www.sario.sk
Tax Directorate of the Slovak Republic	www.financnasprava.sk
Business register	www.orssr.sk
Government of the Slovak Republic	www.government.gov.sk
Parliament of the Slovak Republic	www.nrsr.sk
President of the Slovak Republic	www.prezident.sk
The Guide to Slovakia	www.slovakia.org
	www.slovensko.com



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