



## Payroll alert: Tax bonus after 1 July 2022

The amendment to the provisions of the Income Tax Act relating to the tax bonus will change the amounts of the tax bonus as of 1 July 2022, as well as the age thresholds and conditions for application.

### **Until 30 June 2022, the tax bonus is as follows:**

- EUR 47.14 for a child under the age of 6
- EUR 43.60 for a child aged 6 to 15
- EUR 23.57 for a child older than 15

### **Starting from 1 July 2022, the tax bonus is as follows:**

- EUR 70 for a child under the age of 15 (EUR 100 starting from 1 January 2023)
- EUR 40 for a child older than 15 (EUR 50 starting from 1 January 2023) (*applicable only if there is no catering allowance provided for the child*)

### **At the same time, however, the tax bonus cannot exceed:**

- 20% of the partial tax base for 1 child
- 27% of the partial tax base for 2 children

- 34% of the partial tax base for 3 children
- 41% of the partial tax base for 4 children
- 48% of the partial tax base for 5 children
- 55% of the partial tax base for 6 and more children

**Employee's partial tax base** = gross wage - contributions (13.4% of the gross wage).

In the transitional period from 1 July 2022 to 31 December 2022, the employer will compare the amount of the tax bonus according to the two above-mentioned calculations (i.e. old and new) and award the higher allowance.

### Model examples:

#### Example 1:

The employee's gross wage is EUR 850; the partial tax base is EUR 736.10.

Calculation of the tax bonus after 1 July 2022 for children up to 6 years of age (*note: post July 1, the tax threshold up to 6 years of age is abolished and only the threshold up to 15 years of age is introduced*):

- 1 child under 6 = 20% of 736.10 = 147.22 => the bonus will be 1x70 = EUR 70 (was EUR 47.17)
- 2 children under 6 = 27% of 736.10 = 198.75 => bonus will be 2x70 = EUR 140 (was EUR 94.28)
- 3 children under 6 = 34% of 736.10 = 250.27 => bonus will be 3x70 = EUR 210 (was EUR 141.42)
- 4 children under 6 = 41% of 736.10 = 301.8 => bonus will be 4x70 = EUR 280 (was EUR 188.56)
- 5 children under 6 = 48% of 736.10 = 353.33 => bonus will be 5x70 = EUR 350 (was EUR 235.70)
- 6 children under 6 = 55% of 736.10 = 404.86 => bonus will be EUR 404.86, since 404.86 is less than 6x70 = EUR 420 (was 282.84)

In the above model cases, the bonus after 1 July 2022 will be recalculated using the new method, as the amount of the tax bonus using the new method is more favourable than prior to 30 June 2022 (i.e. EUR 47.17 / child up to 6 years of age).

#### Example 2:

The employee's gross salary is EUR 850; the partial tax base is EUR 736.10.

Calculation of the tax bonus after 1 July 2022 for children aged 6 to 15 (*note that the 6-year age limit is abolished and a uniform limit of up to 15 years is introduced*):

- 1 child from 6 to 15 = 20% of 736.10 = 147.22 => bonus will be  $1 \times 70 = \text{EUR } 70$  (was EUR 43.60)
- 2 children from 6 to 15 = 27% of 736.10 = 198.75 => bonus will be  $2 \times 70 = \text{EUR } 140$  (was EUR 86.20)
- 3 children from 6 to 15 = 34% of 736.10 = 250.27 => bonus will be  $3 \times 70 = \text{EUR } 210$  (was EUR 130.80)
- 4 children from 6 to 15 = 41% of 736.10 = 301.8 => bonus will be  $4 \times 70 = \text{EUR } 280$  (was EUR 174.40)
- 5 children from 6 to 15 = 48% of 736.10 = 353.33 => bonus will be  $5 \times 70 = \text{EUR } 350$  (was EUR 218)
- 6 children from 6 to 15 = 55% of 736.10 = 404.86 => bonus will be EUR 404.86, since 404.86 is less than  $6 \times 70 = \text{EUR } 420$  (was EUR 261.60)

In the above model cases, the bonus after 1 July 2022 will be recalculated using the new method, as the amount of the tax bonus using the new method is more favourable than prior to 30 June 2022 (i.e. EUR 43.60 / child).

**Example 3:**

The employee's gross salary is EUR 850; the partial tax base is EUR 736.10.

Calculation of the tax bonus after 1 July 2022 for children aged 15 and over:

- 1 child older than 15 = 20% of 736.10 = EUR 147.22 => bonus will be  $1 \times 40 = \text{EUR } 40$  (was EUR 23.57)
- 2 children older than 15 = 27% of 736.10 = EUR 198.75 => bonus will be  $2 \times 40 = \text{EUR } 80$  (was EUR 47.14)
- 3 children older than 15 = 34% of 736.10 = EUR 250.27 => bonus will be  $3 \times 40 = \text{EUR } 120$  (was EUR 70.71)
- 4 children older than 15 = 41% of 736.10 = EUR 301.8 => bonus will be  $4 \times 40 = \text{EUR } 160$  (was EUR 94.28)
- 5 children older than 15 = 48% of 736.10 = EUR 353.33 => bonus will be  $5 \times 40 = \text{EUR } 200$  (was EUR 117.85)
- 6 children older than 15 = 55% of 736.10 = EUR 404.86 => bonus will be  $6 \times 40 = \text{EUR } 240$  (was EUR 141.42)

In the above model cases, the bonus after 1 July 2022 will be recalculated using the new method, as the amount of the tax bonus using the new method is more favourable than prior to 30 June 2022 (i.e. EUR 23.57 / child).

**Example 4:**

An employee has a gross wage of EUR 700 and has four children aged 1, 4, 10 and 11.

- The tax bonus until 30 June 2022 is  $2 \times \text{EUR } 47.14 + 2 \times \text{EUR } 43.60 = \text{EUR } 181.48$ .
- The tax bonus from 1 July 2022 is  $4 \times \text{EUR } 70 = \text{EUR } 280$ . At the same time, we have to calculate the partial tax base, which in this case is EUR 606.20. The employee has 4 children up to 15 years of age. This means that the tax bonus cannot exceed 41% of 606.20 = EUR 248.54. **The employee's tax bonus will be EUR 248.54.**

The tax bonus is rounded to the euro cents mathematically.

## Contact

Daniela Fajkošová, Payroll Accountant  
[daniela.fajkosova@mazars.sk](mailto:daniela.fajkosova@mazars.sk)

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