



Tax alert: Lex consolidation and other amendments

The National Council of the Slovak Republic approved several acts that also change the tax legislation. Please find below further details with respect to the most significant changes.

Please note that these acts have not been signed by the president yet.

Lex consolidation

With the aim to improve the actual position of public finances and to decrease the deficit of the state budget it has been approved the Act which amends some other acts in relation to the improving the quality of public finances (so called “Lex consolidation”), including the Slovak Income Tax Act No. 595/2003 Coll. (hereinafter as „SITA“).

Amendments of the SITA

The approved amendments introduce not only **new provisions of the SITA**, but also **cancel some provisions** that were adopted during the summer of 2023, and which were supposed to

become effective from 1 January 2024. These are as follows:

- **It would not be possible to apply announced exemption** from taxation of income from the sale of securities that are not accepted for trading on the regulated

market, or similar foreign regulated markets, from the transfer of a participation interest (share) in a limited liability company and from the repayment (return) of units (share certificates) after three years since their acquisition.

- **The taxation of income from the sale of virtual currency (cryptocurrency) by physical persons** remains under the current taxation regime without any changes (i.e. without application of 7% special tax rate after one year since its acquisition, or exemption from the tax of the difference between total aggregate income and costs up to the limit of 2,400 EUR in the case of exchange of virtual currency).
- Selected types of income from capital assets (interest income or other revenues from provided loans and credits and interest income from paid up contributions of the partners in the unlimited partnership) **will be not possible to decrease by expenses provably incurred** in relation to the acquisition of financial assets that were used to generate this income.

Amendments of the SITA with the proposed effectiveness from 31 December 2023, or from 1 January 2024 respectively, concern following areas:

Withholding tax on dividends

With effect from 1 January 2024, the withholding tax rate for taxation of **shares of the profit of business company or cooperative** paid to natural person, who participate on their registered capital, or is a member of statutory or regulatory body of the business company or cooperative, will increase from **7% to 10%**. The increased tax rate will apply in case of dividends for the tax period beginning from 1 January 2024 at earliest.

The new withholding tax rate will be applicable also in the case of:

- **Share on liquidation balance** (surplus) of business company or cooperative, if the business company or cooperative enters into the liquidation on 01 January 2024 at the earliest, or if the court decides on the liquidation of the company on 01 January 2024 at the earliest,
- **The compensatory share**, the amount of which was determined based on regular individual financial statements for the accounting period beginning on 1 January 2024 at the earliest.

Minimum tax for legal entities

Minimum tax will be applicable for taxpayers, legal entities, of which tax liability reported in the tax return will be lower than the established amount of the minimum tax. The taxpayer will be obliged to pay the minimum tax even if a tax loss is reported.

The amount of minimum tax (after considering some tax allowances and tax paid abroad) will range from **340 EUR to 3,840 EUR**, depending on the amount of taxable income achieved for the relevant tax period:

Income (in EUR)	Minimum tax
≤ 50 000	340 EUR
≤ 250 000	960 EUR
≤ 500 000	1 920 EUR
> 500 000	3 840 EUR

The minimum tax will be reduced by half in case of taxpayer, whose average registered number of employees, who are individuals with disabilities, is at least 20% of the total average registered number of employees in the respective the tax period. At the same time, it is allowed to credit the minimum tax paid (or the positive difference between the minimum tax and the tax calculated in the tax return) within three consecutive tax periods, however only in the amount that exceeds the minimum tax. The amendment also defines taxpayers that are not obliged to pay the minimum tax (e.g. a taxpayer who is required to submit a tax return for the first time, who operates a protected

workshop or a protected workplace, who enters liquidation or has declared bankruptcy, who is not established for business purposes, etc.)

Minimum tax for legal entities will be payable for the first time for the tax period beginning on 1 January 2024 at the earliest.

Increased threshold for micro-taxpayers and application of a reduced 15% tax rate

A new marginal value of taxable income decisive for the determination of a taxpayer as a micro-taxpayer or for the application of the 15% tax rate has been introduced. The current threshold of 49,790 EUR has increased to **60,000 EUR**.

The changed amount will be applicable for the first time for the tax period beginning on 1 January 2024 at the earliest.

Amendments of other laws

To improve the position of public finances, some other laws are being amended as well:

Special levy in regulated industries

As a result of the amendment, the scope of regulated persons subject to a special levy was expanded, namely to all entities that carry out their activities in the territory of Slovakia in the area carried out on the basis of permission issued or granted by the National Bank of Slovakia in accordance with the special regulations, or issued by the relevant regulatory authority in another EU Member State or a State that is party to a EEC Agreement (i.e. including banks that were subject to the so-called bank levy in the past).

At the same time, a higher levy rate (in the amount of 0,025) has been introduced specifically for a regulated person that carries out activities in banking field and which will gradually decrease until 31 December 2027.

Entities that become regulated persons under the legislation effective after 31 December

2023, will have the first levy period in January 2024.

Value Added Tax Act

With effect from 1 January 2024, the application of the reduced 10% VAT rate for restaurant and catering services will no longer be applicable for serving alcoholic beverages in which the alcohol content exceeds 0.5% of its volume.

Health Insurance Act

Starting from 1 January 2024, but temporarily until 31 December 2027, the rate for health insurance contributions is being increased as follows:

- For the employer from 10% to 11%; if the employer employs persons with disabilities, the insurance premium rate has increased from 5% to 5.5% of the assessment base;
- For the self-employed person (“SZČO”) from 14% to 15%; in the case of SZČO with disability from 7% to 7.5% of the assessment base; and
- For the self-payer from 14% to 15% of the assessment base.

Act on retirement pension savings

With effect from 1 January 2024, there is a permanent reduction in the percentage of mandatory contributions for retirement pension savings from current 5.5% to 4% of the assessment base.

Act on top-up tax

With reference to our previous [newsletter](#) in which we have informed you about the amendments to the Slovak Income Tax Act and the draft Act on top-up tax, we would like to inform you that the National Council of the Slovak republic approved the Act on the top-up tax ensuring a minimum level of taxation for

multinational enterprise groups and large-scale domestic groups located in Slovakia (so-called Pillar II).

The obligation to pay the top-up tax will have the **constituent entities** of a multinational enterprise group or of a large-scale domestic group located in Slovakia, if the consolidated revenues of such a group in the consolidated financial statements of the ultimate parent entity are EUR 750 million or more in at least two of the four fiscal years immediately preceding the tested fiscal year or the **joint ventures** and joint ventures affiliates established in Slovakia, if the effective taxation of income of qualified entities located in Slovakia **is lower than 15%**.

The Act on top-up tax will become effective on 31 December 2023.

Help with repayment of housing loans

In relation to the increase in interest rates on housing loans, the National Council of the Slovak Republic has approved the amendment that modifies and extends the current provisions of the SITA related to tax bonus on paid interests for natural persons ("bonus"), whereas:

- Conditions originally stipulated in the SITA will apply for contracts on housing loans concluded until 31 December 2023 at the latest.
- With respect to the contracts on housing loans concluded as of 1 January 2024 and

later on, the maximum value of tax bonus increases from 400 EUR to 1 200 EUR per year, while the increase is also applied in the coefficient (from 1.3 to 1.6) that multiplies the average monthly salary of the employee for the purpose of calculation of the threshold for bonus entitlement. At the same time, the existing limitation of the amount of the granted housing loan based on one housing loan agreement in the amount of 50 000 EUR is cancelled.

Furthermore, a new one-time bonus from the increased instalment of the housing loan due to the increased interest rate is introduced. It is applicable for the tax period of 2023 either via the personal income tax return or the annual tax reconciliation.

This one-time bonus is set as a 75% from the difference between the lower average interest instalment paid in 2022 and a higher interest instalment paid in 2023, up to the amount of 1 800 EUR for a year. In order to deduct this new bonus, the value of average monthly income calculated from taxpayer's total annual income should not be higher than 1.6-times the average monthly salary of the employee determined by the Statistical office of the Slovak Republic for 2022, and, at the same time, the property cannot be subject to the lease.

For 2023 tax period, the taxpayer can choose whether he/she will apply the tax bonus according to the conditions applicable until 31 December 2023 or the new one-time bonus.

If you would like to discuss the above changes in more detail, or assess their impact on your business, we are at your disposal.

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