



# Approved consolidation measures

Tax alert

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## Tax alert: Approved consolidation measures

Referring to the goal of improving public finances and decreasing deficit of the state budget, the National Council of the Slovak Republic has approved measures for the consolidation on 3 October 2024. In our previous Tax alert “Consolidation 2025” we informed you about the proposed changes, whereas below you could find the overview of the most significant changes which were finally approved.

As a result of the approved amendments several acts have been changed with effect from 1 January 2025, including the Slovak Income Tax Act No. 595/2003 Coll. (hereinafter “SITA”) and the Act No. 222/2004 Coll. on Value Added Tax (hereinafter “VAT Act”). Further, the introduction of the new **Financial Transactions Tax Act** should not be forgotten.

### VAT

- Standard VAT rate has increased from 20% to 23%.
- Change in reduced VAT rates from the original 5% and 10% to 5% and 19% including groups of goods and services to which reduced VAT rates will be applied.
- Reduced **VAT rate of 5%** will newly be applied on:
  - The goods which are listed in Annex No. 7 points 2 and 3 of the VAT Act except imported goods (e.g. selected basic foods (meat, milk, sour cream, potatoes, bakery products and others), medicines, pharmaceutical products, medical supplies, books and other printing products and others);
  - Services listed in Annex No. 7a point 2 of the VAT Act specifically accommodation services, books available online, services of fitness facilities, sports facility operation services, restaurant and catering services consisting of the provision of prepared or unprepared food intended for human consumption;
  - Goods and services which as a part of social economy activities are supplied by a registered social enterprise which uses 100% of the profit after tax to achieve its main goal;
  - A reduced VAT rate of 5% is still valid for rental housing supported by state under the conditions defined by the VAT Act.
- Reduced **VAT rate of 19%** will be applied on:
  - The goods listed in Annex No. 7 point 1 of the VAT Act except imported goods (e.g. electricity, other food which is not subject to VAT rate of 5%);
  - Services listed in Annex No. 7a point 1 of the VAT Act specifically, restaurant and catering services consisting of the provision of drinks except alcoholic drinks with an alcohol content of more than 0.5% by volume.
- The goods and services which are neither listed in Annexes No. 7 and No. 7a of the VAT Act, nor precisely defined in § 27 of the VAT Act, will be subject to a **VAT rate of 23%**.
- In addition, we would like to inform you that another amendment to the VAT Act is currently in the legislative process. If this amendment is approved by the Slovak Parliament, further changes of the VAT Act will be introduced, including for example the following:
  - Clarification of the definition of “investment property” (the aim is to clearly exclude stocks);
  - Expanding the cases in which will be an obligation to correct the deducted tax;
  - Adjustment/ modification of rules in the field of correction of deducted tax for investment property, including adjustment of formula stated in Annex No. 1 of the VAT Act.

The originally proposed amendment regarding the abolition of possibility for deduction of VAT from fuel purchases up to the amount of lump-sum expenses

(80/20), and introduction of obligation to declare the right for VAT deduction based on the real evidence of business and private trips, **has been removed** (based on the comments received from the professional public).

## Corporate income tax

- The following changes has been approved:
  - **Increase of corporate income tax rate** to 24% for taxpayers whose taxable income (revenues) exceeds in tax period 5 million EUR, and
  - **Reduction of corporate income tax rate** from 15% to 10% for taxpayers whose taxable income does not exceed 100,000 EUR (small and medium-sized enterprises).

The new tax rates will apply upon submission of tax return for the tax period beginning on 1 January 2025 at the earliest.

In the case of other taxpayers, 21% income tax rate remains applicable.

- Following the introduction of minimum level taxation (i.e. tax license), the range of persons which are not obliged to pay minimum tax has been extended by so called “regulated social enterprises”.

## Personal income tax

- The new rate for determination of the value of **non-monetary benefit** for the employee arising from usage of the company car for business and private trips has been introduced. If the company car is classified under the tax depreciation group 0 (car categories BEV or PHEV), the amount of 0.5% (instead of 1%) of the acquisition value of the motor vehicle, gradually reduced during 8 consecutive calendar years, will be applied for the determination of the non-monetary benefit for the employee. The new rate should apply from January 2025.
- Increase of the **threshold of taxable income for application of 15% income tax rate** for

entrepreneurs to 100, 000 EUR (currently 60,000 EUR).

- The withholding tax rate **from shares in profits (dividends)** paid to natural persons is reduced to 7% in case of dividends declared from accounting profit calculated for the tax period started on 1 January 2025 at the earliest (for 2024 the tax rate of 10% applies). A similar approach will be followed in case of distribution of settlement shares and liquidation surpluses.
- The following changes as regards **the tax bonus** for a dependent child will apply:
  - Loose of the entitlement to a child bonus after the child reaches the age of 18.
  - Limitation of the entitlement to a child bonus in case of ‘high-income groups’ of parents. After reaching a certain threshold of monthly income (3 632 EUR for the year of 2025), the entitlement to a child bonus will be zero.
  - Increase in limits of tax base for full child bonus entitlement, depending on the number of children, being as follows:

Number of dependent children	Percentage limit of the tax base
1	29%
2	36%
3	43%
4	50%
5	57%
6 and more	64%

- Limitation of possibility for claiming a child bonus for taxpayers – only if 90% of their taxable worldwide income will be achieved in the territory of the Slovak Republic.
- Referring to the abolition of the parental pension, a new option has been introduced for the natural persons to **assign a share of tax paid** in the amount of 2% to each of their

parents. Further, the possibility to donate 2% of the paid tax to non-profit organizations has remained. The minimum amount of assigned tax for one parent/ non-profit organization is set at the level of 3 EUR. The share of paid tax assigned to the parent will be transferred to the parent by the Social Insurance Authority or Social Security Department (for tax period of 2025 with the payment in 2026 for the first time).

## Common provisions for corporate and personal income tax

- In order to support the application of **the deduction of expenses (costs) for investments**, the investment period has been extended from the current 4 years (2022 to 2025) to 6 years (2022 to 2027). The extension of the investment period will apply to existing investment plans, as well as to new investment plans.
- The new method for proving and **determination of costs / expenses for electricity** consumed during the home charging of electric vehicles has been introduced. This will be determined as a multiple of average monthly price declared by the Statistical Office of the Slovak Republic and the consumption indicated in the car registration/ technical certificate or based on the additional data from the car manufacturer/ seller.
- The Annex No. 1 (tax depreciations groups) of SITA will change – bicycles and scooters with an auxiliary electric motor are transferred to depreciation group 0 (with depreciation period of 2 years). The trolleybuses and electric buses are transferred from depreciation group 2 (6 years) to depreciation group 1 (4 years).
- As part of **the amendment to the Social Insurance Act**, there is an increase in the maximum monthly assessment bases for paying social insurance contributions from the current 7-times to 11-times of the average monthly wage.

## Financial transactions tax

- From 1 January 2025, the new Financial Transactions Tax Act will enter into force, introducing a new financial transactions tax (hereinafter referred to as 'transaction tax' or 'tax').
- Taxpayers of transaction tax will be natural persons – entrepreneurs, legal entities and branch of foreign entities.
- Subject to transaction tax will be the financial transactions when the amount of funds is debited from the taxpayer's transaction account (bank transfers, withdrawals of funds), the use of a payment card issued to the transaction account, but also payments from taxpayer's accounts which are located outside the territory of the Slovak Republic but linked to their activities in the Slovak Republic.
- The taxpayers of transaction tax will be the payment service providers based in the Slovak Republic, or branches of a payment service provider located in the Slovak Republic (e.g. a bank), or directly the taxpayers themselves (e.g. if they make payments from their accounts located outside the territory of the Slovak Republic but linked to their activities in the Slovak Republic, or to which costs are recharged from another person that has made payments on their behalf in relation to their activity carried out on the territory of Slovak Republic).
- The tax rates will be as follows:
  - **0.40 %** of debited amount of funds from taxpayer's account in case of bank transfers, with a maximum tax at 40 EUR per transaction.
  - **0.80 %** of debited amount of funds from taxpayer's account in case of withdrawal in cash from ATMs or at a branch, without a limitation of maximum amount of tax for the transaction.

- **0.40 %** from the amount of recharged costs related to execution of financial transaction which relates to taxpayer's activity performed in the Slovak Republic.
- **2 EUR** for usage of company card issued to transaction account (annual fee, regardless of how many times the payment card was used during the year).
- Transaction tax will not be applied e.g. for payments of taxes and levies, payments between the taxpayer's own accounts within the same bank, payments at the postal office, and others.
- Social Insurance Agency and the public sector (e.g. municipalities, Higher Territorial Units i.e. VÚC) will not pay the transaction tax.
- Taxpayer that is a natural person and does not have established account on which he/ she carries out financial transactions related to his/ her business, is obliged to establish a transaction account by 31 March 2025.
- A tax period will be a calendar month. In case of usage of payment card issued for a transaction account the tax period will be calendar year in which the payment card was used. For the recharged costs, the tax period will be a calendar month in which the recharged costs were paid.
- First tax period will be April 2025. At the same time, it will be possible to pay the tax for the first three tax periods (April – June) at once, until 31 July 2025 at latest.
- The deadline for calculation and payment is set by end of the calendar month following the tax period. At the same time, the taxpayer is obliged to submit announcement on the tax amount to the Tax Administrator electronically, on the form which will be published by the Financial Directorate of the Slovak Republic.

- The proposed obligation for self-employed persons to enable non-cash payments from 1 July 2025 has been removed. However, this does not mean that this obligation will not be introduced in the future. The Government of the Slovak Republic announced several measures within the Action Plan to fight against the tax evasion, which should also address this issue.

## Special levy from regulated activity

- Introduction of a new levy and setting a special rate of 0.025 for producers of oil products and its chemical processing.
- The special levy rate for activities in the electronic communications industry and postal services sector will increase to 0.01576. This levy rate will be reduced to 0.00363 starting from the accounting period that will begin after 31 December 2039 for the first time.
- The levy rate for other regulated persons remains at the level of 0.00363.
- A person or a branch of a foreign person that has an authorization to perform activities in the field of pharmacy based on the permission issued by the State Institute for Drug Control (not only permission issued by the Ministry of Health of the Slovak Republic) will be considered a regulated person as well.
- The originally proposed increase in the levy rate for the energy sector (energy producers and distributors) has been removed.
- Interest income from government bonds should be excluded from the levy base determined before multiplying by the coefficient.

**If you are interested in more detailed information regarding respective changes, or assess their impact on your business, our Forvis Mazars tax team is here at your disposal.**

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