



SUMMARY OF AMENDMENTS EFFECTIVE AS OF 1 JANUARY 2018

Dear readers,

please find enclosed the most important amendments to Slovak legislation regarding payrolls, in particular, in the area of taxation, social security and health insurance and labour law.

We hope this summary will help you familiarise yourselves with the amendments. Please do not hesitate to contact us if you have any questions or uncertainties.

Payroll & HR Team, Mazars

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 **MAZARS**

LIVING WAGE

€ 199.48 /month – living wage for a single natural person of adult age from 1 July 2017 to 30 June 2018

€ 139.16 – living wage for another natural person of adult age being evaluated jointly .

€ 91.06 – living wage for a child.

MINIMUM WAGE 2018

- € 480 per month for an employee receiving a monthly wage,
- € 2.759 per each hour worked by an employee.

For an employee receiving an hourly wage with a specified weekly working time of less than 40 hours, the minimum wage is as follows:

- € 2.8480 per each hour worked by an employee at 38.75 hours/week,
- € 2.9429 per each hour worked by an employee at 37.50 hours/week.

Minimum wage rates from 1 January 2018

Work difficulty level	MW Coefficient	Rates for a monthly paid employee	40h/w	38.75h/w	37.5h/w
1.	1.0	€ 480.00	€ 2.7590	€ 2.8480	€ 2.9429
2.	1.2	€ 576.00	€ 3.3108	€ 3.4176	€ 3.5315
3.	1.4	€ 672.00	€ 3.8626	€ 3.9872	€ 4.1201
4.	1.6	€ 768.00	€ 4.4144	€ 4.5568	€ 4.7087
5.	1.8	€ 864.00	€ 4.9662	€ 5.1264	€ 5.2973
6.	2.0	€ 960.00	€ 5,5180	€ 5.6960	€ 5.8859

Examples of job positions for each work difficulty level:

Work difficulty level	Job
1.	cleaner, chambermaid, warehouse operator
2.	cashier, kitchen staff
3.	nurse, chef, accountant
4.	senior accountant, driving instructor
5.	physician, production manager
6.	general manager, head physician

WAGE PARAMETERS DERIVED FROM THE MINIMUM WAGE

Several parameters used in the payroll department are derived from the amount of the minimum wage. The amounts of these payroll parameters are most frequently determined as a proportional part or a specific percentage of an hourly minimum wage in euros as defined in the government regulation. These include in particular the following:

- **Compensation for the time of an inactive part of a standby duty outside the workplace** (§ 96 sec. 5 Labour Code), which is **at least in the amount of 20 % of the minimum wage in euros per hour, i.e. as of 1 January 2018 increases from € 0.500 to € 0.5518.**
- **Actual or expected average hourly income of an employee which is in the amount of at least the minimum hourly wage for the particular work difficulty level** and for the particular specified weekly working time at the workplace, i.e. as of **1 January 2018 in the amount of at least € 2.759 (for the first work difficulty level and a weekly working time of 40 hours).**
- **Wage allowance rate for overtime work** (§ 121 Labour Code) provided to an employee **in the amount of at least 25 % of an employee's average income, i.e. as of 1 January 2018 increases from € 0.6250 to € 0.6898.**
- **Wage allowance rate for work during public holidays** (§ 122 Labour Code) provided to an employee **in the amount of at least 50 % of an employee's average income, i.e. as of 1 January 2018 increases from € 1.2500 to € 1.3795.**

The amendment to the Labour Code effective from 1 May 2018 proposes to increase this allowance to at least 100 % of an employee's average income, i.e. € 2.7590.

- **Wage allowance rate for night work** (§ 123 Labour Code) provided to an employee **in the amount of at least 20 % of the minimum hourly wage, i.e. starting as of 1 January 2018 increases from € 0.500 to € 0.5518.**

The increase of night work allowances is performed in two stages. **From 1 May of this year, in the case of a risk-free employment, the night work allowance will be increased from the current 20 % to 30 % of the minimum hourly wage and from 1 May of the next year to the final 40 % of the minimum hourly wage.**

Ordinary and risky work will also be differentiated. Two time periods will be defined. The first one in terms of effectiveness shall be on 1 May 2018 and the second one will be on 1 May 2019. In the case of risky work there will be an increase from 20 % to 35 % from 1 May of this year and an increase to 50 % of the minimum hourly wage from 1 May of the next year.

In the event that an employer uses mostly night work, it is possible to agree on a lower night work allowance in a collective agreement or work agreement, **but not less than 25 % of the minimum hourly wage from May of this year and at least 35 % of the minimum hourly wage from May of the next year.** Such an exemption applies only to employees who do not perform risky work. It will be allowed to agree on such a lower allowance in a work agreement only if no trade unions are present with an employer and if an employer had fewer than 20 employees in the previous year.

- **Wage compensation rate for work in unfavourable conditions** (§ 124 Labour Code), i.e. **at least in the amount of 20 % of the minimum hourly wage, irrespective of the length of the specified weekly working time at the workplace, i.e. starting as of 1 January 2018 increases from € 0.500 to € 0.5518.**

WEEKEND WORK ALLOWANCE

In addition to increasing allowances for night work and work during public holidays, the amendment to the **Labour Code also includes a new weekend work allowance**. From 1 May of this year, **the allowance for work on a Saturday will be at 25 % of the minimum hourly wage and from the next year it will be at 50 % of the minimum hourly wage**. If there is regular work on a Saturday at an employer, it shall be allowed to agree on a lower allowance for work on a Saturday in the collective agreement or work agreement, **from May of this year in the amount of at least 20 % of the minimum hourly wage and from May of the next year in the amount of at least 45 % of the minimum hourly wage**. It will be allowed to agree on such a lower allowance in a work agreement only if no trade unions are present with an employer and if an employer had less than 20 employees in the previous year. **From 1 May of this year, the allowance for work on a Sunday will be at 50 % of the minimum hourly wage and from May of the next year it will be at 100 % of the minimum hourly wage**. If there is a regular work on a Sunday at an employer, **it will be allowed to agree on a lower allowance for work on a Sunday** in a collective agreement or work agreement, **from May of this year in the amount of at least 40 % of the minimum hourly wage and from May of the next year in the amount of at least 90 % of the minimum hourly wage**. It will be allowed to agree on such a lower allowance in a work agreement only if no trade unions are present with an employer and if an employer had less than 20 employees in the previous year.

(Note: managing employees are not entitled to a wage allowance for weekend work)

THE ACT AMENDMENT ALSO INCLUDES AN ALLOWANCE FOR THE 13TH AND 14TH SALARY

Conditions of entitlement to contribution allowances for the 13th and 14th salary:

- **The maximum amount of the 13th and 14th salary to be exempt from insurance contributions is € 500 gross and it is a voluntary allowance.**
- In the salary for May paid in June 2018, the 13th salary shall be exempt from health insurance contributions.
- In the salary for November paid in December 2018, the 14th salary shall be exempt from health insurance contributions and from income tax. In the next year also from social security contributions.
- The 13th salary can be paid to an employee who has been working in the company continuously for at least 2 years, as of April of the particular year and his/her taxable income during the last 12 months was not lower than during the 12 months before that.
- The 14th salary can be paid to an employee who has been working in the company continuously for at least 4 years, as of October of the particular year. However, it can be paid out only if] the 13th salary was also paid and his/her taxable income during the last 12 months was not lower than during the 12 months before that.

The amendment to the Labour Code also imposes the obligation on an employer to specify the basic wage component amount when publishing a job offer. When concluding a work agreement, an employer is not allowed to agree with an employee on a basic wage component in the amount lower than the basic wage component published in a job offer.

PREMIUM PAYMENT TABLE FROM 1 JANUARY 2018

		Zdravotné poistenie	Nemocenské poistenie	Dôchodkové poistenie		Poistenie v nezamestnanosti	Garančné poistenie	Úrazové poistenie	Rezervný fond	Spolu
		Zdravotné poistenie	Nemocenské poistenie	Starobné	Invaldité	Poistenie v nezamestnanosti	Garančné poistenie	Úrazové poistenie	Rezervný fond	Spolu
ZAMESTNANEC	Sadza poistného	4%	1,40%	4%	3% *	1% **				
	Maximálny VZ ²⁾ (v EUR)	neobmedzený	6 384,00	6 384,00	6 384,00	6 384,00				
	Suma poistného (v EUR)		89,37	255,39	191,52	63,84				600,09
ZAMESTNÁVATEĽ	Sadza poistného	10%	1,40%	14%	3% *	1% **	0,25% ***	0,8% ⁶⁾	4,75%	
	Maximálny VZ ²⁾ (v EUR)	neobmedzený	6 384,00	6 384,00	6 384,00	6 384,00	6 384,00	neobmedzený	6 384,00	
	Suma poistného (v EUR)		89,37	893,76	191,52	63,84	15,96		303,24	1 557,69

		Health insurance	Sickness insurance	Pension insurance	Disability insurance	Unemployment insurance	Guarantee insurance	Injury insurance	Reserve fund	Total
Employee	Premium rate	4 %	1.4 %	4 %	3 %	1 %				
	Maximum assessment base (in EUR)	unlimited	6,384.00	6,384.00	6,384.00	6,384.00				
	Premium amount (in EUR)		89.37	255.39	191.52	63.84				600.09
Employer	Premium rate	10 %	1.4 %	14 %	3 %	1 %	0.25 %	0.8 %	4.75 %	
	Maximum assessment base (in EUR)	unlimited	6,384.00	6,384.00	6,384.00	6,384.00	6,384.00	unlimited	6,384.00	
	Premium amount (in EUR)		89.37	893.76	191.52	63.84	15.96		303.24	1,557.69

The maximum assessment base for dividends for the years 2011 to 2016 inclusive, paid in 2018, is € 54,720 (60-times the average wage from 2016, 60 x 912).

DEDUCTIBLE ITEM – HEALTH INSURANCE

From 1 January 2015 a deductible item was introduced in health insurance.

From 1 January 2018 the deductible item for employers is cancelled. The deductible item remains applicable only for employees and its amount and principle is not amended.

The employee's deductible item amount

The deductible item is in the calculation of health insurance contribution advance payment for a particular month determined as follows:

1. The deductible item is (ideally) € 380.
2. The deductible item is **reduced**, if an employee has not been in full employment during the entire month or if he had an unpaid leave or an absence. The deductible item is reduced **proportionally according to the number of calendar days**.
3. In case **an employee's income from the employment** for a particular month **is lower** than € 380 or the amount reduced under paragraph 2, the deductible item **is in the amount of this income**.
4. If the **total income** of an employee from an employer (employment + other eventual income from the same employer) is **higher than € 380**, the deductible item determined by a procedure under paragraphs 1 to 3 is **reduced**.

It is reduced by the amount determined as **two times the difference between the employee's total income and the amount of € 380**.

For example, if the deductible item determined by a procedure under paragraphs 1 to 3 is € 380 € and the employee's total income from an employer is € 450, the deductible item is reduced by the amount $2 \times € 70$ i.e. by € 140 and shall be only in the amount of € 240.

*Note: **The employment type** of an employee **does not affect** the deductible item amount.*

*Rounding: The deductible item **is rounded up to euro cents**.*

EXEMPTION FROM CONTRIBUTIONS ON STUDENT WORK AGREEMENTS

€ 200 – this is the income level under which students do not pay contributions (regardless of whether they are at high school or college) from student work agreements. The exemption from the payment of contributions shall further be applied with an employer in writing through a Notice and honourable declaration to a student work agreement. In the case where a student has several student work agreements, he/she can claim an exemption on only one agreement.

In the case where students exceed the limit amount, they shall pay pension insurance contributions from the difference between the income received and this amount. The pension insurance is paid at 4 % when applying the exemption only on income above € 200 and disability insurance at 3 % when applying the exemption only on income above € 200.

How much does an employer pay for a student?

- Pension insurance: 14 % (when applying the exemption only on income above € 200)
- Disability insurance: 3 % (when applying the exemption only on income above € 200)
- Guarantee insurance: 0.25 % (from the entire income)
- Injury insurance: 0.8 % (from the entire income)
- Reserve fund: 4.75 % (when applying the exemption only on income above € 200)

EXEMPTION FROM CONTRIBUTIONS FOR PENSIONERS

€ 200 – the income of pensioners from agreements under € 200 per month to be exempt from payment of contributions from 1 July 2018.

The pensioners shall therefore have the same exemption from contributions as students at high schools or colleges when working on an agreement. Besides pensioners, the exemption from social security contributions can also be claimed also by pensioners having taken early retirement, disabled pensioners, those who receive a disability pension or retirement pension after reaching the age of retirement or those receiving a disability retirement pension.

HEALTH INSURANCE FROM DIVIDENDS

When paying the dividends for 2011 to 2016 inclusive in 2018, the advances and premium are paid from the maximum amount of € 54,720.

For a natural person – taxpayer with unlimited tax liability (tax resident of the Slovak Republic), dividends from resources on the territory of the Slovak Republic for the years 2017 and following are taxed at source by withholding tax under § 43. The applicable tax rate is 7 %.

The natural person – taxpayer with unlimited tax liability (tax resident of the Slovak Republic) shall tax the dividend received from resources outside the territory of the Slovak Republic in the tax return. The applicable tax rate is 7 %.

For dividends received from a non-contractual country, the tax rate of 35 % shall apply.

EMPLOYEE'S SICK BENEFIT

- The employer pays the income compensation during the first 10 days of sickness absence. From the 1st to 3rd day it is 25 % and from the 4th to 10th day it is 55 % of an employee's daily assessment base.
- **€ 59.9671 – is the highest daily assessment base for the calculation of income compensation for sickness absence** (2 x € 912 x 12 months / 365 days, rounded down to 4 decimal places).
- The Social Insurance Agency (SIA) pays the sick benefit from the 11th day of sickness absence in the amount of 55 % of an employee's daily assessment base.
- **€ 59.9672 – is the highest daily assessment base for the calculation of sick-benefit from the SIA** (2 x € 912 x 12 months / 365 days, rounded up to 4 decimal places).
- If the insured person becomes temporarily unable to work in 2018, the maximum amount of his sick-benefit per day shall be € 32.98196000. For a 30-day calendar month the SIA shall pay to the insured persons the sick benefits in a maximum amount of € 989.50 and for a 31-day calendar month the amount of € 1,022.50.

MATERNITY BENEFIT

- Maternity benefit from May 2017 is already at 75 % of the daily assessment base or probable daily base.
- The maximum daily maternity benefit in the following year will reach € 44.97540000. This means that the maternity benefit shall be **paid by the Social Insurance Agency in the maximum amount of € 1,349.30 per month (for a 30-day month) or in the amount of € 1,394.30 per month (for a 31-day month).**

THE 10-DAY PAID PATERNITY LEAVE

Current situation

Fathers are entitled to a 28-week maternity leave during the first three years of a child's age. However, they cannot take it during the period when a child's mother is on maternity leave.

Situation after amendments

During the first month following the birth of a child, its father shall be allowed to take a so-called paternity leave for a period of two weeks, i.e. 10 business days. This measure applies annually to approximately 32 thousand fathers. In this way they will be able to help the mother during difficult days – after their arrival from the maternity hospital. However, it will be important that, according to the proposal that is still in negotiation, the father will have to live with the child and his/her mother in a common household, but the parents will not have to be married.

INCOME TAX

Tax rate

- **19 % of the tax base** to the amount of 176.8-times the amount of the effective living wage (€ 199.48) including, i.e. to € 35,268.06,
- **25 % of the tax base** exceeding 176.8-times the amount of the effective living wage (€ 199.48), i.e. of the amount above € 35,268.06,
- the tax base limit for the calculation of an advance payment for tax on income from dependent activities for the tax rate 19 % is the amount of € 2,939.01,
- the tax rate for withholding tax (§ 43) is 19 % regardless of the income amount.
- **7 % withholding tax on dividends, if the taxpayer is a resident of the Slovak Republic or of a contractual country.**

Personal tax-free allowance

- **€ 319.17 per month,**
- in the case where the taxpayer reaches in 2018 the tax base of up to 100-times the effective living wage, i.e. € 19,948, **the personal annual tax-free allowance is € 3,830.02,**
- in the case where a taxpayer reaches in 2018 the tax base higher than 100-times the effective living wage, i.e. more than € 19,948, the personal annual tax-free allowance shall be calculated as follows: € 8,817.016 – (tax base / 4), where € 8,817.016 is 44.2-times the living wage and the result is rounded up to euro cents,
- in the case where a taxpayer reaches in 2018 the tax base higher than € 35,268.06, the taxpayer is not entitled to the tax-free allowance or the personal tax-free allowance is € 0.

Tax bonus

- € 21.56 per child and month (€ 258.72 per child and year),
- the income limit for the entitlement is 6-times the minimum wage, i.e. € 2,880 (6 x € 480),
- the income limit for the entitlement of an employee is half the minimum wage, i.e. € 240 (€ 480 / 2).

Supplementary pension saving contributions (3rd pillar)

€ 180 – from January 2014, a new annual tax-free allowance for supplementary pension saving was introduced. A taxpayer can claim the tax-free allowance in the amount of the demonstrably paid contributions for the tax period of 2017. In this way he/she can save a maximum of € 34.20 (or € 45 for 25 % tax) on taxes.

This can only be exercised if the participation agreement, on the basis of which a saver paid supplementary pension saving contributions, was concluded after 31 December 2013 or was amended and amendments included the benefit schedule cancellation. The second condition is that a taxpayer has not concluded another participation agreement that does not meet the conditions stipulated by the Supplementary Pension Saving Act.

From 2018, a new personal tax-free allowance for demonstrably paid expenditures related to spa care and associated services in natural healing spas and spa treatment facilities, is introduced.

This includes expenditures on meals, accommodation and spa treatments not covered by health insurance. The deductible item is applied in an annual account/tax return is an annual maximum amount of € 50 from demonstrably paid expenditures.

From 2018 a tax bonus on interest paid on housing loans is introduced.

Conditions to be fulfilled by a taxpayer:

- as of the date of submitting an application for a housing loan the age of at least 18 years and at the same time not more than 35 years
- the average monthly income calculated from the income provided in the tax return is a maximum amount of 1.3-times an employee's average monthly wage in the Slovak economy for the calendar year preceding the calendar year in which the housing loan agreement was concluded.
- The tax bonus amount is determined as 50 % of the paid interest in the particular year, but not more than € 400 per year. The interest amount must be calculated from the housing loan provided, but not more than from the amount of € 50,000 per one property.

The term for issuing the tax payment confirmation under § 50 – the employer is obliged to issue the confirmation no later than on 15 April, being effective already for the annual account for 2017.

MEAL ALLOWANCE AMOUNT FROM 1 DECEMBER 2016

Domestic business trips

- € 4.50 for the time period of 5 to 12 hours of a business trip
- € 6.70 for the time period of 12 to 18 hours of a business trip
- € 10.30 for the time period of above 18 hours of a business trip

The minimum amount of a meal voucher

The minimum amount of a meal voucher is calculated as 75 % of the meal allowance for the time period of 5 to 12 hours for domestic business trip, i.e. € 3.38.

REGISTRATION AT THE OFFICE OF LABOUR

€ 199.48 per month – the amount that can be earned by a registered job seeker. The period of work on an agreement during 2018 **without being deregistered is a maximum of 40 calendar days.**

INCOME LIMIT FOR EMPLOYING THE LONG-TERM UNEMPLOYED

- € 591.61 – the limit of income to which the contribution exemption applies, for employment or public service employment that commences in 2017 and continues in 2018, during the 12 calendar months, is the amount of 67 % from € 883.
- € 611.04 € – the limit amount shall be applicable for employments that will arise in 2018 (67 % of € 912). The maximum amount of income achieved for an employee with a contribution exemption applies also for a shorter working time.

LIABILITY ORDER DIRECT DEDUCTIONS

Excluded amounts for the purpose of calculating liability order direct deductions and deductions pursuant to the Civil Procedure Code until 30 June 2018

Basic excluded amounts:

- € 199.48 – for a mandatory person (100 % of the living wage of a natural person of adult age)
- € 49.87 – for a dependent person (25 % of the living wage of a natural person of adult age)

Basic excluded amounts for a pensioner:

- € 199.48 – for a mandatory person (100 % of the living wage of a natural person of adult age)
- € 99.74 – for a dependent person (50 % of the living wage of a natural person of adult age)

For infringement penalties:

- € 99.74 – for a mandatory person (50 % of the living wage of a natural person of adult age)
- € 49.87 – for a dependent person (25 % of the living wage of a natural person of adult age)

For deduction of an infant maintenance allowance:

- € 83.78 – for a mandatory person (70 % of the basic excluded amount for a mandatory person)
- € 34.91 – for a dependent person (70 % of the basic excluded amount for a dependent person)