

OVERVIEW OF CHANGES EFFECTIVE AS OF 01/01/2019

Dear readers,

we would like to inform you on the most important changes in Slovak legislation regarding payrolls in 2019, especially in the area of taxation, social and health insurance and labour law.

We hope that this overview will help you navigate more quickly through the changes, however, should you have any questions or concerns, please do not hesitate to contact us.

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Want to know more?



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SUBSISTENCE MINIMUM

€ 205.07 / month – subsistence minimum for an adult natural person from 1 July 2018 to 30 June 2019

€ 143.06 – subsistence minimum for another adult natural person being evaluated jointly.

€ 93.61 – subsistence minimum for a child.

MINIMUM WAGE 2019

- € 520 per month for an employee remunerated with a monthly salary,
- € 2.989 € per each hour worked by an employee.

In the event that an employee is remunerated with hourly wage with an established weekly working time below 40 hours per week, the minimum wage shall be as follows:

- € 3.0854 per each hour worked by an employee at 38.75 hours/week,
- € 3.1883 per each hour worked by an employee at 37.50 hours/week.

Minimum wage rates from 1 January 2019

Work difficulty level	MW coefficient	Rates for employees remunerated monthly	40h/w	38.75h/w	37.5h/w
1.	1.0	€ 520.00	€ 2.9890	€ 3.0855	€ 3.1883
2.	1.2	€ 624.00	€ 3.5868	€ 3.7026	€ 3.8260
3.	1.4	€ 728.00	€ 4.1846	€ 4.3197	€ 4.4637
4.	1.6	€ 832.00	€ 4.7824	€ 4.9368	€ 5.1013
5.	1.8	€ 936.00	€ 5.3802	€ 5.5539	€ 5.7390
6.	2.0	€ 1040.00	€ 5.9780	€ 6.1710	€ 6.3766

Examples of job positions falling under the individual work difficulty levels:

Work difficulty level	Type of job
1.	cleaner, maid, warehouse worker
2.	cashier, kitchen staff
3.	nurse, chef, accountant
4.	senior accountant, driving instructor
5.	doctor, production manager
6.	CEO, senior doctor

WAGE PARAMETERS DERIVED FROM THE MINIMUM WAGE

Several parameters used in the payroll department are derived from the minimum wage. These wage parameters are mostly determined as a proportional part or a specific percentage of an hourly minimum wage in EUR as stipulated in the Government Decree. These include in particular the following:

	Validity	Rate	Amount
Wage allowance rate for overtime work	2019	25%	0.74725
Wage allowance rate for work on a Saturday	from 01/01/2019 until 30/04/2019	25%	0.74725
	from 01/05/2019 until 31/12/2019	50%	1.4945
Wage allowance rate for work on a Sunday	from 01/01/2019 until 30/04/2019	50%	1.4945
	from 01/05/2019 until 31/12/2019	100%	2.9890
Wage allowance rate for night work	from 01/01/2019 until 30/04/2019	30%	0.8967
	from 01/05/2019 until 31/12/2019	40%	1.1956
Wage allowance rate for night risky work	from 01/01/2019 until 30/04/2019	35%	1.04615
	from 01/05/2019 until 31/12/2019	50%	1.4945
Wage allowance rate for work under difficult conditions	2019	20%	0.5978
Inactive part of a standby duty	2019	20%	0.5978

Active part of a standby duty	2019	100%	2.9890
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THE THIRTEENTH SALARY:

- is exempt from income tax up to the amount of EUR 500
- is exempt from health insurance contributions up to the amount of EUR 500
- is not exempt from social insurance contributions

The following conditions must be met for the thirteenth salary to be exempt from health insurance contributions:

- the thirteenth salary must be paid along with salary **for the month of May** (paid in June)
- the thirteenth salary must be equal to or higher than the employee's **average monthly salary** in accordance with Section 134 of the Labour Code, and
- the employment relationship between the employee and the employer must last at least **24 consecutive months** on 30 April.

THE FOURTEENTH SALARY:

- is exempt from income tax up to the amount of EUR 500
- is exempt from health insurance contributions up to the amount of EUR 500
- is exempt from social insurance contributions up to the amount of EUR 500

The following conditions must be met for the thirteenth salary to be exempt from income tax and health insurance contributions:

- the fourteenth salary must be paid along with salary **for the month of November** (paid in December),
- the fourteenth salary must be equal to or higher than the **employee's average monthly salary** in accordance with Section 134 of the Labour Code,
- the employment relationship between the employee and the employer must last at least **48 consecutive months** on 31 October, and
- the employee **received the thirteenth salary** along with salary for the month of May of the relevant year (paid in June) equal to or higher than the employee's average monthly income.

The Labour Code imposes the obligation on employers to specify the basic wage component when publishing a job advertisement. When concluding an employment contract, the employer is not allowed to agree with the employee on a basic wage component that is lower than the basic wage component published in the job advertisement.

TABLE OF CONTRIBUTIONS FROM 1 JANUARY 2019

		Health Insurance	Sickness insurance	Pension insurance		Unemployment insurance	Guarantee insurance	Accident insurance	Reserve fund	Total
				Retirement ins.	Disability ins.					
EMPLOYEE		Health Insurance	Sickness insurance	Retirement ins.	Disability ins.	Unemployment insurance	Guarantee insurance	Accident insurance	Reserve fund	Total
	Premium rate	4 %	1,40%	4 %	3% *	1% **				
	Max. base (in EUR)	no limit	6 678,00	6 678,00	6 678,00	6 678,00				
	Premium (in EUR)		93,49	267,12	200,34	66,78				627,73
EMPLOYER		Health Insurance	Sickness insurance	Retirement ins.	Disability ins.	Unemployment insurance	Guarantee insurance	Accident insurance	Reserve fund	Total
	Premium rate	10%	1,40%	14%	3% *	1% **	0,25% ***	0,8% [§]	4,75%	
	Max. base (in EUR)	no limit	6 678,00	6 678,00	6 678,00	6 678,00	6 678,00	neobmedzený	6 678,00	
	Premium (in EUR)		93,49	934,92	200,34	66,78	16,69		317,20	1 629,42

DEDUCTIBLE ITEM – HEALTH INSURANCE

A deductible item is maximum EUR 380 per month. If an employee's income is higher than EUR 380 per month, the deductible item shall be reduced by the amount determined as two times the difference between the income and EUR 380. If the employee's income is higher than EUR 570, the deductible item shall be zero.

From January 2018, the deductible item shall be applicable only to employees. The deductible item for employers is no longer applicable.

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 university) from part-time work agreements. The exemption from the payment of contributions shall continue to be applied with an employer in writing through a Notice and honourable declaration attached to a student part-time work agreement. In the case where a student has entered into several student part-time work agreements, he/she can claim an exemption on only one agreement.

In the event that students exceed the limit amount, they shall pay pension insurance contributions from the difference between the income received and this amount. 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 is exempt from payment of contributions from 1 July 2018.

Pensioners are eligible for the same exemption from contributions as students at high schools or universities when working on the basis of a part-time work agreement. Besides pensioners, the exemption from social security contributions can also be claimed by pensioners having taken early retirement, disabled pensioners, those who receive disability pension or retirement pension after reaching the age of retirement or those receiving a disability retirement pension.

HEALTH INSURANCE FROM DIVIDENDS

For dividends for 2011 to 2016 inclusive that are paid in 2019, the maximum assessment base shall be EUR 57,240 (60-times the average wage in 2017, 60 x 954).

For natural persons who are taxpayers with unlimited tax liability (tax residents of the Slovak Republic), dividends from resources on the territory of the Slovak Republic for 2017 and onwards are taxed at source by withholding tax under Section 43.

- 7% on dividends if the taxpayer is resident of the Slovak Republic or a contractual country
- 35% on income under Section 43, par. 2 and 3 (including dividends) if the taxpayer is resident of a non-contractual country

EMPLOYEE'S SICK BENEFIT

- The employer pays income compensation during the first 10 days of sickness absence. From the 1st to the 3rd day it is 25 % and from the 4th to the 10th day it is 55 % of the employee's daily assessment base.
- The highest possible daily assessment base for the calculation of the sickness benefit is EUR 62.7288.
- The calculation: $2 \times 954 = 1908 \dots \times 12 = 22896 \dots$ divided by 365 = 62.7288 ... rounded up to 4 decimal places.
- The highest possible daily assessment base for the calculation of income compensation due to sickness absence is EUR 62.7287. The calculation is the same as above, however, the result is rounded down to 4 decimal places.

MATERNITY BENEFIT

For those on maternity leave in 2019, the maximum maternity benefit is received from an assessment base or gross income in the amount of two times the average wage, i.e. EUR 1,908.

For maternity benefits that will start to be paid in 2019, the maximum tax assessment base is EUR 62.7288.

Calculation: 2×954 (average wage in 2017) $\times 12$ divided by 365 = 1908×12 divided by 365 = EUR 62.7288

Therefore, the maximum maternity benefit in 2019 can reach the following amounts:

- EUR 1458.50 in 31-day months (75% from 62.7288 x 31 days),
- EUR 1411.40 in 30-day months (75% from 62.7288 x 30 days).

TAX ON INCOME

Tax rate

- 19% of the tax base up to the amount of 176.8-times the subsistence minimum in force inclusive, i.e. **up to EUR 36,256.38**.
- 25% of the tax base exceeding 176.8-times the subsistence minimum in force, i.e. exceeding EUR 36,256.38.

For the calculation of advance payments for tax on income from dependent activities, the tax base limit for the 19% rate shall be **EUR 3021.36**.

Withholding tax

- 7% of dividends, if the taxpayer is resident of Slovakia or a contractual country
- 19% of income under Section 43, par. 2 and 3 (with the exception of dividends), if the taxpayer is resident of Slovakia or a contractual country
- 35% of income under Section 43, par. 2 and 3 (including dividends) if the taxpayer is resident of a non-contractual country

Non-taxable allowance per taxpayer

The non-taxable allowance per taxpayer (per month) for the calculation of advance payment for tax on income is **EUR 328.12**.

In the annual account statement/tax return for the year 2018:

1. If the taxpayer reaches the tax base of up to EUR 20,507 (100-times the subsistence minimum), the non-taxable allowance for 2017 shall be **EUR 3,937.35**.
2. If the taxpayer reaches the tax base higher than EUR 20,507, the non-taxable allowance shall be calculated as follows:
 - $9,064.094 - (\text{tax base divided by } 4)$

- where $9,064.094 = 44.2$ -times the subsistence minimum
 - the result shall be rounded up to eurocents.
3. If the taxpayer reaches the tax base higher than or equal to EUR 36,256.37, the non-taxable allowance shall be EUR 0.

Tax bonus

- € 22.17 per child per month (€ 266.04 per child per year),
- The income limit for the entitlement is 6-times the minimum wage, i.e. € 3,120 (6 x € 520),
- The income limit for the entitlement of an employee is half the minimum wage, i.e. € 260 (€ 520 divided by 2).

Please note that as of 1 April 2019, the tax bonus shall increase to EUR 44.34 per month per child of up to 6 years of age. The last increased tax bonus shall be applied for the calendar month in which the child reaches the age of 6.

Supplementary pension saving contributions (the third pillar)

€ 180 – from January 2014, a new annual non-taxable allowance for supplementary pension saving was introduced. A taxpayer can claim the non-taxable allowance in the amount of the demonstrably paid contributions for the tax period of 2018. In this way, he/she can save a maximum of € 34.20 (or € 45 at 25% tax) on taxes.

This right 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 if it was amended and the 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.

Non-taxable amount – medical spa

The tax base can be reduced by the amount of provably paid expenses on services provided by a natural medical spa or spa treatment facilities, the maximum amount being EUR 50.

The taxpayer can further claim the amount of up to EUR 50 of expenses provably made for their spouse and EUR 50 for each dependent child, if these persons have jointly received medical spa care. Only one of these taxpayers can exercise the right for this allowance.

Employee bonus

No employee should be entitled for employee bonus for 2019.

Tax bonus on interest paid on mortgage was established in 2018.

Conditions to be met by the taxpayer:

- the age from 18 to 35 on the day of submitting the application for mortgage

- average monthly income calculated from income stated in the tax return is not higher than 1.3 times the average monthly salary of an employee in the Slovak economy in the calendar year preceding the calendar year in which the mortgage agreement was concluded.
- The amount of the tax bonus is equal to 50% of interests paid in the relevant year, the limit amount being EUR 400 per year. The amount of interests must be calculated from the mortgage received, the maximum amount per one property being EUR 50,000.

RECREATIONAL CONTRIBUTION

It is obligatory for employers with more 49 employees.

The contribution equals 55% of provably paid expenses, the maximum amount being EUR 275 for 2019 for full-time employment. For part-time employment, the maximum amount is reduced proportionally.

Employees working on the basis of an employment contract who have worked in the company for at least 24 months are eligible for the recreational contribution for stays of at least 2 nights.

The period that is decisive in the determining of the existence of obligation to pay recreational contribution in terms of the number of employees is the preceding calendar year.

The Labour Code imposes on employers the obligation to contribute to the recreation of an employee, but also of the employee's family. Eligible expenses for recreation that the employer is obliged to reimburse to the employee include proven expenses for the spouse, child or any other person living in a common household with the employee that participated in the recreation together with the employee.

BOARD ALLOWANCE SINCE 1 JUNE 2018

Domestic business trips

- € 4.80 for 5 to 12 hours on a business trip
- € 7.10 for 12 to 18 hours on a business trip
- € 10.90 for over 18 hours on a business trip

Minimum value of luncheon voucher

The minimum value of the luncheon voucher shall be calculated as 75% of the board allowance for 5 to 12 hours on a domestic business trip, i.e. € 3.60.

The employer's contribution for board is 55% of the price of the meal, since 1 June 2018 it is maximum EUR 2.64 (55% of EUR 4.80).

TRAVEL ALLOWANCES

From 1 January 2009, with no changes for 2019, the amount of basic compensation per each kilometre of drive is as follows:

- EUR 0.050 single track vehicles and three-wheelers,
- EUR 0.183 personal road motor vehicles

REGISTRATION AT THE LABOUR OFFICE

€ 205.07 per month – the amount that can be earned by a registered job seeker. The period of work on the basis of an agreement during 2019 **without being deregistered is a maximum of 40 calendar days**.

INCOME LIMIT FOR EMPLOYING THE LONG-TERM UNEMPLOYED

- **€ 611.04** – the limit of income to which the contribution exemption applies, for employment or public service employment that commences in 2018 and continues in 2019, during 12 calendar months it is 67 % from € 912.
- **€ 639.18** – the limit amount shall be applicable for employment that will arise in 2019 (67% of € 954). The maximum amount of income achieved for an employee with a contribution exemption applies also to reduced working time.

LIABILITY ORDER DEDUCTIONS

Excluded amounts for the purpose of calculating liability order deductions and deductions pursuant to the Civil Procedure Code until 30 June 2019

Basic excluded amounts:

- **€ 205.07** – for a mandatory person (100 % of the subsistence allowance of a natural person of adult age)
- **€ 51.26** – for a dependant person (25 % of the subsistence allowance of a natural person of adult age)

Basic excluded amounts for a pensioner:

- **€ 205.07** – for a mandatory person (100 % of the subsistence allowance of a natural person of adult age)
- **€ 102.53** – for a dependant person (50 % of the subsistence allowance of a natural person of adult age)

For infringement penalties:

- **€ 102.53** – for a mandatory person (50 % of the subsistence allowance of a natural person of adult age)

- € 51.26 – for a dependant person (25 % of the subsistence allowance of a natural person of adult age)

For deduction of an infant maintenance allowance:

- € 86.12 – for a mandatory person (70 % of the amount for a mandatory person)
- € 35.88 – for a dependant person (70% of the amount for a dependant person)

The limit amount above which no exemptions are made: EUR 307.60 (150% of the subsistence allowance of a natural person of adult age)

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