

NEWSFLASH SLOVAKIA

Taxation

Consolidation package approved amending the tax legislation

29 October 2024

To improve the state of public finances in Slovakia, a new and amended legislation in the so called "Consolidation package" has been approved. It has been published in the collection of laws of the Slovak Republic on 25 October 2024.

Act No. 278/2024 amends specific laws in connection with the further improvement of the state of public finances. These include:

- Amendment to Act No. 595/2003 on Income tax:

Corporate tax rate

The corporate tax rate will decrease from 15% to 10% for taxpayers who have a taxable income (or revenue) lower than EUR 60 thousand annually. A corporate tax rate of 24% will apply if the taxable income exceeds EUR 5 million annually. And, in turn, 21% will be applied for income in between these two thresholds. All income is taxed as applicable within the defined tax year.

This amendment will become effective from 1 January 2025.

Impact on investors: For information purposes.

Dividends

The 10% withholding tax (WHT) rate will decrease to 7% on domestic dividends paid to investors, including private individuals, local and foreign tax residents.

In case of non-resident investors – specifically for private individuals, the 7% WHT applies to residents of white-listed countries (countries which have concluded an agreement with the Slovak Republic on the exchange of tax-relevant information or hold a Convention on the avoidance of double taxation). For non-resident investors residing in countries not included in the White list, a WHT of 35% will be applied.

This change is applicable to dividends distributed out of profits generated within a taxable period beginning on or after 1 January 2025. Therefore, the 7% WHT will be applied from 2026.

This amendment will become effective from 1 January 2025.

Impact on investors: During the year 2024, dividend payments made to private individuals residing in treaty countries will be taxed with 7% WHT while, in 2025 by 10% and, from 2026, consequently, the tax will again be reduced to 7%.

- Amendment to Act no. 222/2004 on VAT

VAT

VAT will increase from 20% to 23%. Custody services will be subject to the increase of VAT. Two reduced tax rates, for specific goods and services, will apply: 19% (instead of 10% currently) and 5% (remains unchanged). At the same time, the list of goods and services to which reduced rates are applied will change as well.

The amendment will become effective from 1 January 2025.

Impact on investors: No direct effect on foreign investors, since invoiced custody services are charged free of VAT. Custody services for local investors are subject to VAT, therefore all fees except transaction fees will be charged with 23% VAT, with the first invoice period starting from January 2025.

- **New Act No. 279/2024 on Tax from Financial Transactions**

The new Financial Transaction Tax (FTT) impacts financial transactions in which funds are debited directly from taxpayer accounts, use of payment cards associated with transaction accounts and for the purpose of carrying out transactions, as well as the re-charge expense related to the execution of transactions. All of the above apply specifically to the activity taxpayers perform in the country.

A taxpayer is defined as a natural person, an entrepreneur, a legal entity, or an organizational unit of a foreign legal entity conducting business, all of whom are also clients of a payment service provider – e.g. a bank.

The basic tax rate is 0.4% of the total financial transaction, up to a maximum of EUR 40. For the withdrawal of funds in cash, the rate is 0.8% of the total transaction. EUR 2 will also be charged for each payment card issued.

The FTT will be deducted and transmitted by a payment service provider based in the Slovak Republic, which carries out financial transactions on the order or consent of the taxpayer their transaction accounts.

The new act will become effective from 1 January 2025. The first tax period will be April 2025.

Impact on investors: Due to the ambiguity of the many exceptions included in the Act on FTT, to which an applicable tax should or would not be applied, negotiations are currently underway at the level of the Slovak Banking Association and the Ministry of Finance of the Slovak Republic. The adoption of a further Amendment should remove these ambiguities and is expected to be published before the Act on FTT enters into force. Along with this Amendment, a methodological guidance to the application of FTT on securities and custody services will be issued. According to UniCredit's analysis, custody services transactions shall not be subject to the FTT, however we expect this to be confirmed by the upcoming Amendment and Methodical guidance on FTT.

Source: [Ročník 2024 | Zbierka zákonov SR \(zakonypreludi.sk\)](#)

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