SUMMARY OF APPROVED CHANGES
CONSOLIDATION PACKAGE

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National Council of the Slovak Republic has recently approved major amendments to laws with regard to consolidation of public finances.

Most important changes resulting from the amendments of various tax law which come into force on 1 January 2025 are presented below:

TAX ON FINANCIAL TRANSACTIONS

The law introduces a new tax – financial transaction tax, which should come to effect from 1 January 2025, which should apply to legal persons and entrepreneurs:

Taxpayers will be, in particular, banks and payment service providers based in Slovakia or organisational units of foreign financial institutions. In specific cases, the taxpayer may become also the business itself.

The tax will apply on financial transactions where funds are debited from the taxpayer's account, the use of a payment card to perform a financial transaction, and recharged costs related to performing a financial transaction.

The tax rates will be as follows:

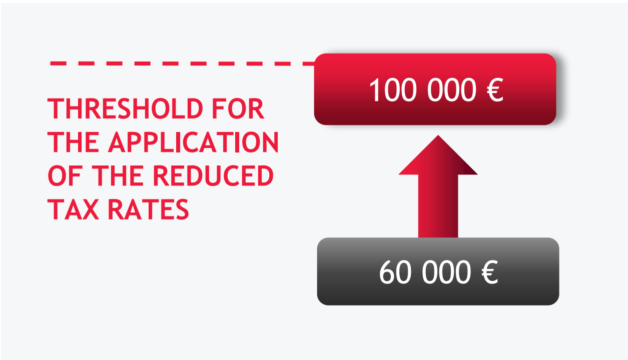
- **0,4% for debit transactions with a maximum limited EUR 40 per debit transaction;**
- **0,8% for cash withdrawal transaction with no maximum limit on withdrawals;**
- **Debit/credit card use: EUR 2 per calendar year for each card;**
- **0,4% of recharged costs from another person who has made payments on behalf of the taxpayer related to financial transactions.**

The tax will not apply to payments of taxes and levy payments, transfers between the taxpayer's own accounts within the same bank, payments related to the purchase of government bonds, or postal payments.

Additionally, there is an obligation to keep a business account by 31 March 2025

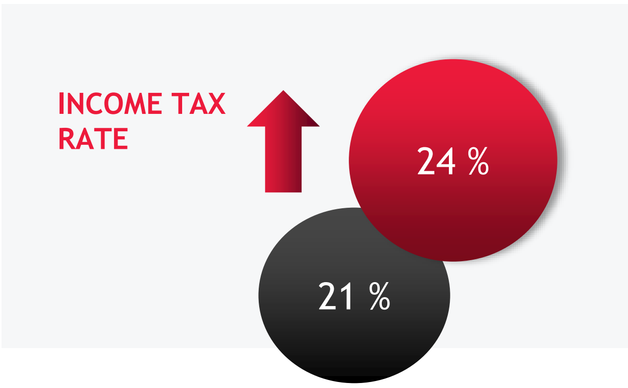
INCOME TAX

The amendment to the Income Tax Act introduced various changes to the applicable rates for small businesses and self-employed persons as well for high-income individuals and businesses.



The threshold for the application of the reduced tax rates for the individual entrepreneurs and businesses will be increased **from EUR 60,000 to EUR 100,000.**

The income tax rate for these business will be **reduced from 15% to 10%** (for the individual entrepreneurs it remains 15%).



At the same time, the **income tax rate will be increased from the current 21% to 24%** for taxpayers whose taxable income (Revenues less of any exempt our out-of-scope income such as qualifying transfer of shares and dividend income) **exceeds EUR 5,000,000.**

The above changes will be applied for the first time for tax returns covering the tax period beginning on 1 January 2025 at the earliest.

Dividends

The tax rate on dividends paid to the individuals is **reduced from the current 10% and returns to the original 7%.** The reduced rate will be effective for dividends distributed out of profits generated for taxation period beginning 1 January 2025 at earliest.

Calculation of tax bonus for a dependent child

- The tax bonus for a **child under the age of 15 is reduced from EUR 140 to EUR 100**;
- The tax bonus for a **child over the age of 15 and up to the age of 18 is reduced from EUR 140 to EUR 50;**
- The tax bonus for **kids above 18 will be cancelled.**

In addition, the amount of the child tax bonus will be progressively decreased following the taxable income of the taxpayer (since the amount of 1.5 times the amount of the average salary 2 years a go, ie since the amount of EUR 2,480 in 2025), while after exceeding certain threshold (EUR 3,632 in 2025) it will be nil.

Another amendment will regulate the child tax bonus for the Slovak tax residents receiving foreign source income. Such individual will be entitled for the Slovak tax bonus only if his/her income from the Slovak sources exceeds 90% of total taxable income. In practice, the Slovak tax residents working abroad/for non-Slovak employers will likely lose the entitlement for the Slovak child bonus.

These changes will apply from 1 January 2025.

Assignation of tax

An additional 2%+2% of tax to parents as compensation for the currently paid parental pension was introduced. The assignation of tax to parents will be possible for the first time for the tax period of 2025.

The 2% of the amount of tax paid to non-profit sector remains unaffected.

ELECTRIC VEHICLES

The legislation regulates the method of the determination of the taxable benefit in the case of electric and plug-in vehicles provided by employers to employees for personal as well as business use to be 0,5% from its acquisition value (a decrease by 1/8 remains applicable).

Regulation regarding the calculation of the fuel overconsumption for electric and plug-in vehicles is also being introduced. Besides this, there is in the legislative process also the amendment of the Travel Allowances Act which also deals with the determination of the travel allowances related to the electric and plug-in vehicles and introduces „an automat“ for the determination/increase of the basic per diems applicable during the business trips.

OTHER CHANGES

A special levy on refineries is introduced, the special levy on telecommunication companies is increased, however the increase in the levy on energy companies is dropped.

Increase of maximal assessment base for social contributions of employees

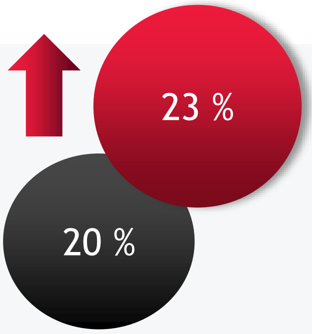
The maximum assessment base for social security is increased from current 7-times to 11-times of the average monthly wage in the national economy of the Slovak Republic.

This assessment base and its limitation applies to the calculation of the social security contributions of the the employer, the employee, the self-employed person and the voluntarily insured person.

VAT

Effective from 1 January 2025, VAT rates are adjusted as follows:

STANDARD VAT RATE



- **The standard VAT rate of 20% is increased to 23%.**
- **New reduced VAT rates are introduced - 19% and 5%.**

There are changes in the groups of goods and services to which reduced VAT rates apply as well. The 19% reduced VAT rate will be imposed, among others, on electricity and wider variety of food.

The 5% reduced VAT rate will apply to printed materials, books including electronic ones, a various food items previously subject to10% VAT rate, pharmaceuticals, services related to entrance fee to sports events and fitness center services, accommodation services as well as restaurant and catering services.

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