

Act 595/2003

INCOME TAX ACT

as amended by the Act 43/2004 Coll., Act 177/2004 Coll., Act 191/2004 Coll., Act 391/2004 Coll., Act 538/2004 Coll., Act 539/2004 Coll., and by the Act 659/2004 Coll.

The National Assembly of the Slovak Republic passed this Act as follows:

TITLE ONE FUNDAMENTAL PROVISIONS

Section 1 Scope of the Act

(1) This Act shall regulate:

- a) personal and corporate income tax (hereinafter referred to only as „tax“),
- b) method of payment and collection of the tax.

(2) Any international treaties, which were approved, ratified, and promulgated in the manner prescribed by the law (hereinafter referred to only as „international treaty“), shall prevail over this Act.

Section 2 Definitions

For the purposes of this Act:

- a) the term “taxable party” shall mean individuals and legal entities,
- b) the term “object of the tax” shall mean any income (proceeds) from the activities of the taxable party, and also any income (proceeds) from the disposal of the property owned by the taxable party, other than the taxable income, which is addressed separately in Section 12 subsection 2,
- c) the term “income” shall mean income both in cash and in kind (even if obtained through an exchange), which has been attributed the value, which is usual in the place and the time of performance or consumption, taking into account its type and quality, and, where appropriate, its condition and grade of depreciation, unless this Act provides otherwise,

d) the term “taxable party with unlimited tax liability” shall mean:

1. any individual, who is permanently resident in the territory of the Slovak Republic, or who usually stays in the territory of the Slovak Republic; any individual shall be deemed usually staying in the territory of the Slovak Republic if notwithstanding not having his/her permanent residence in its territory he/she stays in the Slovak Republic for not less than 183 days in the relevant calendar year, either continuously or spasmodically. Each day or part day of such a stay shall count towards its duration,
2. any legal entity, which has its registered office or its place of actual administration in the territory of the Slovak Republic; the place of actual administration shall be the place, in which management and business decisions are taken by statutory and supervisory bodies of the legal entity, even if the address of the place of actual administration is not registered in the Companies Register,

e) the term “taxable party with limited tax liability” shall mean:

1. any individual, who is not included in paragraph d) indent one above,
2. any individual, who is included in paragraph d) indent one above, but who usually stays in the territory of the Slovak Republic exclusively for the purpose of studies or therapy, or who crosses the borders of the Slovak Republic on a daily basis or in the agreed upon intervals exclusively for the purposes of performance of his/her dependent activity, the source of which is located in the territory of the Slovak Republic,
3. any legal entity, which is not included in paragraph d) indent two above,

f) the term “object of the tax with respect to a taxable party with unlimited tax liability” shall mean any income (proceeds) originating from sources located both in the territory of the Slovak Republic and abroad,

g) the term “object of the tax with respect to a taxable party with limited tax liability” shall mean any income (proceeds) originating from sources located in the territory of the Slovak Republic (Section 16 below),

h) the term “taxable income” shall mean any income, which constitutes the object of the tax, and which is not exempt from taxation pursuant to this Act or an international treaty,

i) the term “tax expense” shall mean any documented expense (cost), which has been incurred by the taxable party in order to generate, assure, and

maintain the income, and which has been posted in the books of accounts¹⁾ of the taxable party or registered in the registers of the taxable party referred to in Section 6 subsection 11 below, unless this Act provides otherwise,

j) the term “tax base” shall mean the amount, by which the taxable income exceed the tax expenses (Section 19 below), taking into account the substantial and chronological correlation between the taxable income and the tax expenses in the relevant tax period, unless this Act provides otherwise,

k) the term “tax loss” shall mean the amount, by which the tax expenses exceed the taxable income, taking into account the substantial and chronological correlation between the taxable income and the tax expenses in the relevant tax period,

l) the term “tax period” shall mean the calendar year, unless this Act provides otherwise,

m) the term “business assets” shall mean a totality of assets, such as objects, receivables, and other rights and values, which may be expressed in terms of money, and which are owned by individuals earning income under Section 6 below, which assets are used to generate, assure, or maintain their income referred to in Section 6 below, and which have been posted by such individuals into their books of accounts¹⁾ or into their registers referred to in Section 6 subsection 11 below,

n) the term “related party” shall mean a close party²⁾ or another party, which is economically, personally, or otherwise interrelated with the first party,

o) the term “economic or personal interrelation” shall mean a situation, in which one party participates in the ownership, control, or administration of another party, or shall mean a relation between parties, which are under the control or administration of the same party, or in which the same party has direct or indirect equity interest, while the participation in the:

1. ownership or control shall mean any direct, indirect, or indirect derivative holding of more than 25% of the registered capital or the voting rights. The indirect holding shall be calculated by multiplying the percentages of direct holdings divided by one hundred, and by multiplying the result so obtained by one hundred. The indirect derivative holding shall be calculated by summing up the indirect holdings. The indirect derivative holding shall only be used to calculate the participation of a single party in the

ownership or control of another party, where such a single party participates in the ownership or control of several parties, each of which holds a participation in the ownership or control of the same third party; if the indirect derivative holding exceeds 50%, then all the parties, which were included in the calculation thereof, shall be regarded as economically interrelated regardless of their actual interests,

2. administration shall mean the relationship of the members of the statutory bodies or supervisory bodies of a partnership, company, or cooperatives, towards such a partnership, company, or cooperative,

p) the term “other interrelation” shall mean a relationship established exclusively for the purpose of reduction of the tax base or increase of the tax loss,

r) the term “non-resident related party” shall mean a situation, in which a resident individual or legal entity is interrelated with a non-resident individual or legal entity as provided in paragraph n) above; the above shall apply also to the relation between a taxable party with unlimited tax liability and its permanent establishments abroad, and to the relationship between a taxable party with limited tax liability and its permanent establishment in the territory of the Slovak Republic,

s) the term “financial leasing” shall mean acquisition of tangible assets under a leasing agreement with a purchase option, whereby:

1. according to the leasing agreement the ownership title to the leased item should pass, without undue delay after the expiration of the term of leasing, from the lessor to the lessee against the payment of a purchase price, which is not higher than the net book value, which the leased tangible asset would have if depreciated on a straight-line basis, and
2. the term of the leasing is not shorter than 60% of the useful life defined in Section 26 subsection 1 below, and not shorter than three years. If the leasing agreement is assigned to a new lessee without changing its terms and conditions, the criterion above shall apply to the leasing agreement as such,

t) the term “taxable party of a member State of the European Union” shall mean an individual or a legal entity, which is liable to the tax in the territory of such a member State of the European Union with respect to the income earned from sources in the territory of such a member State of the European Union, and also from sources outside such a member State of the European

¹⁾ Act 431/2002 Coll. (Accountancy Act)

²⁾ Section 116 a 117 of the Civil Code.

Union, and which in the territory of the Slovak Republic is not a taxable party with unlimited tax liability,
u) the term “specific-purpose savings” shall mean savings on a bank account, or payment of life insurance premiums, or investment of funds through companies providing investment services or services in the area of collective investments authorized to provide such services pursuant to special legislation, with the aim to assure that the taxable party will be in receipt of income after achieving the age of 55.

TITLE TWO PERSONAL INCOME TAX

Section 3 Object of the Tax

- (1) The following income shall be liable to the personal income tax:
- a) income from dependent activity (Section 5),
 - b) income from business, other independent gainful activity, and tenancy (Section 6),
 - c) income derived from capital (Section 7),
 - d) sundry income (Section 8).
- (2) The following income shall not be liable to the personal income tax:
- a) indemnity received by beneficiary pursuant to special legislation,³⁾ income earned as a result of release,⁴⁾ donation,⁵⁾ or inheritance³⁾ of real estate, apartment, non-resident premises, or their parts (hereinafter referred to only as „real estate“) or movable property, rights, or other assets, other

³⁾ e.g. Act 119/1990 Coll. (Court Rehabilitation Act, as later amended), Act 403/1990 Coll. (Alleviating the Consequences of Certain Property Injustices Act, as later amended), Act 87/1991 Coll. (Off-Court Rehabilitation Act, as later amended), Act 229/1991 Coll. (Regulating Title to Land and other Agricultural Property Act, as later amended), Act of the Slovak National Council 319/1991 Coll. (Alleviating Certain Property and Other Injustices and on the Scope of Powers of the Slovak Public Administration Authorities in the Area of Out-of-Court Rehabilitation Act, as later amended), Act 42/1992 Coll. (Regulating Property Relations and Settlement of Property Claims in Cooperatives Act, as later amended), Act 105/2002 Coll. (Act on Provision of Non-Recurring Allowances to Members of Czechoslovak Overseas and Allied Armies, and to Members of Domestic Resistance during the Period 1939 – 1945, as later amended), Act 462/2002 Coll. (Act on Provision of Non-Recurring Allowances to Political Prisoners, as amended by the Act 665/2002 Coll.)

⁴⁾ e.g. Sections 628 through 630 of the Civil Code.

⁵⁾ e.g. Sections 460 through 487 of the Civil Code.

- than any income derived therefrom and other than gifts donated in connection with the performance of the activity referred to in Sections 5 or 6 below,
- b) loan and credit,
 - c) shares of profits after taxation, which are paid by partnerships, companies and cooperatives or similar non-resident legal entities, settlement shares, shares in liquidation balances of partnerships, companies and cooperatives, and shares of profits after taxation, which are paid to silent partners, other than shares of profits attributable to partners of general commercial partnerships and to general partners of limited partnerships, and other than shares in the liquidation balances attributable to partners of general commercial partnerships and to general partners of limited partnerships upon liquidation of the partnership, and other than settlement shares attributable to partners of general commercial partnerships and to general partners of limited partnerships upon termination of participation of the partner in the partnership,
 - d) shares of proceeds and property to be distributed among members of land communities,
 - e) output value-added tax⁶⁾ deducted by VAT taxable persons,
 - f) income earned as a result of acquisition of new shares,⁷⁾ and equity interests,^{7a)} and also any income earned from an exchange of shares upon winding-up of the taxable party without its liquidation, including those cases, in which a merger, consolidation, or split of a partnership or a company involves property owned by a partnership or a company having its registered office in any of the European Union member States.

Section 4 Tax Base

- (1) The term “tax base” shall mean the aggregate of the partial tax bases determined with respect to the individual types of income referred to in Sections 5 through 8 below.
- (2) The tax bases determined with respect to the individual types of income referred to in Sections 6 through 8 below shall be reduced by any tax losses. The tax loss (or a part thereof), which cannot be used in the tax period, in

⁶⁾ Act of the National Assembly of the Slovak Republic 289/1995 Coll. (Value-Added Tax Act, as later amended).

⁷⁾ Section 208 of the Commercial Code.

^{7a)} Sections 144 and 223 of the Commercial Code.

which a tax base was booked, may be deducted from the aggregate partial tax bases determined with respect to the individual types of income referred to in Sections 6 through 8 below in the future tax periods, as provided in Section 30 below.

(3) Any income from dependent activity (Section 5 below) earned by the taxable party up to January 31 after the last day of the tax period, to which the income relates, shall be included in the tax base for such a tax period.

(4) Any expenses incurred in the acquisition of inventories and other expenses, which are strictly necessary, and which have been incurred in connection with the launching of a business in the calendar year preceding the one, in which a taxable party earning income referred to in Section 6 below launches the business, shall be included in the tax base starting from the tax period, in which the business is launched. If a taxable party earning income referred to in Section 6 below pursues the business⁸⁾ of a deceased benefactor, any inventories acquired as inheritance from the deceased benefactor shall be taken into consideration, as long as such inventories were included in the tax base of the deceased benefactor pursuant to Section 17 subsection 8 below.

(5) Unless it is exempt from the tax pursuant to Section 9 subsections 1b) through d) below, any income from the sale of real estate and movable assets, which were treated as business assets, and which were used by the taxable party for its business or for other gainful activity only partially, or which were leased by the taxable party only partially, shall be included in the tax base only to the extent, in which the property was used by the taxable party for the purposes described above.

(6) Any income, the tax on which is withheld as provided in Section 43 below, shall be included in the tax base only if the tax liability is not fully settled upon withholding of the tax, or if the taxable party, which is not obliged to account for such income, decides to treat the withholding tax as a tax advance, as provided in Section 43 subsection 7 below.

(7) If with respect to a certain income this Act provides that upon withholding of the tax as provided in Section 43 subsection 6 below the tax liability is regarded as fully settled, such income shall not be included in the tax base.

(8) Any income under Section 6 subsection 3 and Sections 7 and 8, which is earned by a tenancy by the entirety of spouses, shall be spread equally between each of the spouses, unless the spouses agree otherwise. Also any

⁸⁾ e.g. Section 13 of the Act 455/1991 Coll. (Trade Licensing Act, as later amended).

expenses incurred to generate, assure, or maintain such income shall be spread equally between the spouses.

(9) As regards taxable parties earning income from business (Section 6 below), the tax base shall be determined always for the calendar year, even if a bankruptcy order is made against the taxable party, or its arrangement with creditors is authorized. For the purposes above the taxable party shall prepare financial statements as of the last day of the calendar year, while the duty to prepare financial statements pursuant to special legislation⁷⁷⁾ shall thereby not be affected.

Section 5

Income from Dependent Activity

(1) The following shall be regarded as income from dependent activity:

- a) income derived from an existing or a former employment, service, public office, or memberships, or a similar relationship, in which the taxable party performing his/her work for the payer of the income must follow the orders or instructions of such a payer. This category shall also include any income for the work of pupils and students during their practical training, and any income earned by master students out of their master study programs,
- b) remuneration for the work performed by members of cooperatives, members and executive directors of limited liability companies and limited partners of limited partnerships, even though they are not bound to follow another person's instructions when performing their work for the cooperative, company or partnership,
- c) wages, salaries, and emoluments earned by constitutional officers of the Slovak Republic, public ombudsman, deputies of the European Parliament, who were elected in the territory of the Slovak Republic, public prosecutors of the Slovak Republic, and directors of the other central public administration authorities of the Slovak Republic referred to in special legislation,⁹⁾

⁹⁾ e.g. Act of the National Assembly of the Slovak Republic 120/1993 Coll. (Salaries of Certain Constitutional Officers of the Slovak Republic Act, as later amended), Act 385/2000 Coll. (Judges and Assessors Act, which also amends other legislation, as later amended), Act 154/2001 Coll. (Public Prosecutors and Public Prosecution Candidates Act, as amended by the Act 669/2002 Coll.), Act 564/2001 Coll. (Public Ombudsman Act, as amended by the Act 411/2002 Coll.)

d) remuneration for discharging offices in public authorities, local government authorities, and bodies of other legal entities or communities¹⁰⁾ (other than income referred to in paragraphs a) or b) above) and compensations for discharging of offices (other than income referred to in paragraphs a), b), and g)),
e) remuneration paid to accused persons, who are arrested¹¹⁾ and remuneration paid to convicts condemned to jail, which is paid pursuant to special legislation,¹²⁾
f) income from the social fund paid pursuant to special legislation,¹³⁾
g) income earned in connection with past, present, or future performance of a dependant activity, or discharging of an office, regardless whether the dependent activity has been, is, and will be actually performed by the taxable party, or whether the office has been, is, and will be actually discharged by the taxable party for the benefit of the payer of the income,
h) service fees.¹⁴⁾

(2) The income referred to in subsection 1 above shall include, regardless of the title thereof, any regular, irregular, and non-recurring payments, which are paid, credited, or otherwise granted to the taxable party earning such income (hereinafter referred to only as „employee“) by the payer of such income (hereinafter referred to only as „employer“), or which are paid, credited, or granted in connection with the performance of a dependant activity. Such income shall also include any income received by successors-in-law of the employee.

(3) If the employer grants to its employee a motor vehicle to be used thereby for both business and private purposes, the income of the employee shall be increased by 1% of the input value (Section 25 below) of the vehicle for each calendar month (or any part thereof), during which the vehicle was available for its use by the employee. In case of a leased

¹⁰⁾ e.g. Act of the National Assembly of the Slovak Republic 182/1993 Coll. (Ownership Title to Apartments and Non-residential Premises Act, as later amended), Act of the National Assembly of the Slovak Republic 181/1995 Coll. (Landlords Communities Act).

¹¹⁾ Section 16 of the Act of the National Assembly of the Slovak Republic 156/1993 Coll. (Execution of Penal Servitude Act, as later amended by the Act 451/2002 Coll.).

¹²⁾ Section 19 subsection 2e), Section 29 subsection 1 and Section 29a of the Act 59/1965 Coll. (Execution of Punishment to Imprisonment Act, as later amended).

¹³⁾ Act of the National Assembly of the Slovak Republic 152/1994 Coll. (Social Fund Act, which also amended the Act 286/1992 Coll. (Income Taxes Act, as later amended), as later amended).

¹⁴⁾ e.g. Section 39 of the Act of the Slovak National Council 194/1990 Coll. (Lotteries and Other Similar Games Act, as later amended).

vehicle, the calculation shall be based on the acquisition cost of the vehicle paid by the original owner, even if the leased vehicle is subsequently purchased by the lessee. If the acquisition cost of the vehicle is exclusive of the value-added tax,⁶⁾ the acquisition cost shall be increased by the value-added tax for the purposes of the provision above.

(4) Also those taxable parties shall be regarded as employers, who have unlimited tax liability, and for whom an employee performs work as per their instructions and orders, even though the remuneration for such work is being paid, under an agreement between the parties, through another party having its registered office or his/her residence abroad. For the purposes of this Act, any remuneration so paid shall be treated as income paid by the taxable party with unlimited tax liability. If the payments made by the employer to a party having its registered office or his/her residence abroad do not show clearly the actual income earned by the employees, all such payments shall be treated as income of employees.

(5) In addition to the income, which is not liable to the tax pursuant to Section 3 subsection 2 above, neither the following income shall be liable to the tax:

- a) travel allowances paid in connection with the performance of dependant activity, up to a limit, to which the employee is entitled pursuant to special legislation,¹⁵⁾ including pocket money paid with respect to business trips abroad, up to 40% of the allowances for boarding prescribed by this Act,¹⁵⁾
- b) the value of means of protection at work made available pursuant to special legislation, items supplied to workers for personal hygiene and work clothing (such as uniforms) and their upkeep, or any payments made by the employer to its employees as a refund of any documented expenses incurred thereby for the purposes above,
- c) advances received by employees from their employer for expenditure on the employer's behalf or reimbursement of documented expenses paid by employees on their employer's behalf, which shall be regarded as direct expenses of the employer,
- d) refund of certain expenses incurred by employees up to the limits defined in special legislation,¹⁶⁾
- e) the value of recondition stays, rehabilitation stays, rehabilitation procedures, and preventive health-care programs, in cases and at the terms defined in special legislation,¹⁷⁾

¹⁵⁾ e.g. Act 283/2002 Coll. (Travel Allowances Act).

¹⁶⁾ e.g. Sections 18 through 33 of the Act 283/2002 Coll.

f) compensation for the use of own tools, equipment, and items necessary for the performance of the work pursuant to special legislation,¹⁸⁾ as long as the compensation has been determined with reference to actual expenses, g) payments in lieu and other payments made in connection with discharge of an office, the entitlement to which arises pursuant to special legislation,⁹⁾ other than compensation for the loss of taxable income and compensation for the loss of time.

(6) Any compensation referred to in subsection 5b) and f) above, which has been standardized by the employer and paid as a lump-sum compensation, shall not be liable to the tax, on condition that the calculation of the lump-sum compensation has been made with reference to standard circumstances relevant for the payment of such compensation, and the determination of the amount thereof has been based on actual expenses. If the circumstances relevant for the determination of the lump-sum compensation change, the employer shall review and adjust the amounts previously determined.

(7) In addition to the income exempt from the tax pursuant to Section 9 below, also the following income shall be exempt from the tax:

a) amounts paid by the employer for further training of his employees in connection with the activities or the business of the employer. The exemption shall not apply to amounts paid to employees as a compensation for the loss of taxable income,

b) the value of food made available by the employer to its employees for consumption at the workplace or as part of canteen services provided by third parties,

c) the value of non-alcoholic beverages provided by the employer to its employees for their consumption at the workplace,

d) usage of recreational, health care or educational facilities, pre-school facilities, and fitness and sports facilities of the employer by its employees; the same applies to the benefits above provided to the spouses of the employees and to their children, who are considered as parties maintained (Section 33 below) by employees or by their spouses for the purposes of this Act,

e) public health care insurance premiums,²⁰⁾ social insurance premiums,²¹⁾ social security insurance premiums,²²⁾ and old-age pension contributions

¹⁷⁾ e.g. the Labor Code.

¹⁸⁾ Section 145 of the Labor Code.

²⁰⁾ e.g. Act of the National Assembly of the Slovak Republic 273/1994 Coll. (Health Care Insurance, Financing of the Health Care Insurance Schemes, Establishment of the General

paid pursuant to special legislation (hereinafter referred to only as „insurance premiums and contributions”), which the employer is obliged to pay with respect to its employees,

f) compensations and extra compensations in case of temporary disability to work paid by the employer to its employees pursuant to special legislation,²³⁾

g) income from dependant activities performed in the territory of the Slovak Republic, which is earned by a taxable party with limited tax liability and paid by an employer having its registered office or residence abroad, provided that the time period related to the performance of the work does not exceed 183 days during any 12 consecutive months, other than income referred to in Section 16 subsection 1d) below, and other than income from activities performed in a permanent establishment (Section 16 subsection 2 below),

h) compensation for the loss of income upon termination of disability to work caused by an accident at work or by an occupational disease, provided that such a compensation was determined as a fixed amount by a final and non-appealable decree issued by a court prior to January 1, 1993.

(8) The tax base (partial tax base) shall be equal to the taxable income from dependent activity less any insurance premiums and contributions, which are payable by the employee, or any contributions payable under a foreign insurance coverage of the employee, who is liable to a mandatory insurance coverage of the same kind abroad.

Section 6 **Income from Business, Other Gainful Activity, and Tenancy**

(1) The income from business shall include:

a) income from agricultural production, forestry and water resources management,²⁴⁾

Health-Care Insurance Agency and on Establishment of Health-Care Insurance Agencies by Ministries, Industries, Companies and Associations of Citizens Act, as later amended)

²¹⁾ Act 461/2003 Coll. (Social Insurance Act).

²²⁾ Act 328/2002 Coll. (Social Security of Policemen and Soldiers Act, which also amends other legislation, as later amended).

²³⁾ Act 462/2003 Coll. (Act on Compensations for the Loss of Income upon Temporary Disability of Employees to Work, which also amends other legislation).

²⁴⁾ Section 12a) of the Act 105/1990 Coll. (Citizens' Private Enterprise, as amended by the Act 219/1991 Coll.),

Section 10 of the Act of the National Assembly of the Slovak Republic No. 181/1995 Coll.

- b) income from trade,²⁵⁾
c) income from business carried out under special legislation²⁶⁾ other than the income under paragraphs a) and b) above,
d) income earned by partners of general commercial partnerships and general partners of limited partnerships, as described in subsections 7 and 8 below.
- (2) Income from other independent gainful activity, unless it is included in the income under Section 5 above, shall be the income:
a) from the use or licensing of industrial or other intellectual property rights, including copyright and rights associated with copyright,²⁷⁾ including any income from publishing, reproducing and distributing literary and similar works at one's own expense,
b) from activities²⁸⁾ which are neither a trade, nor a business,
c) earned by appraisers and translators for their work pursuant to special legislation.²⁹⁾
- (3) The income from tenancy (other than the income described in subsection 1 above and in Section 5 above) shall be the income from tenancy of real estate.
- (4) The income under subsection 3 above shall include also any income from leasing of movable assets, which are leased as accessories of real estate.
- (5) The income from business and other gainful activity shall also include:
a) income from any disposal of the business property by the taxable party,
b) interest accruing on deposits in current accounts, which are used in connection with the generation of income from business and another independent gainful activity,

²⁵⁾ Act 455/1991 Coll., as later amended.

²⁶⁾ e.g. Act 95/2002 Coll. (Insurance Business Act, which also amends other legislation, as amended by the Act 430/2003 Coll.), Act of the Slovak National Council 10/1992 Coll. (Private Veterinary Surgeons Act and the Slovak Veterinary Chamber Act, as amended by the Act 337/1998 Coll.), Act 466/2002 Coll. (Auditors and the Slovak Chamber of Auditors Act), Act of the Slovak National Council 78/1992 Coll. (Tax Advisers and the Slovak Tax Advisers Chamber Act, as later amended), Act of the Slovak National Council 323/1992 Coll. (Notaries and Notarial Regulations Act, as later amended).

²⁷⁾ e.g. Act 527/1990 Coll. (Inventions, Industrial Designs and Proposals for Innovations Act, as later amended), Act 618/2003 Coll. (Act on Copyright and Rights Associated with Copyright).

²⁸⁾ e.g. Act 328/1991 Coll., as later amended, Section 58 of the Act 195/1998 Coll. (Social Assistance Act, as later amended).

²⁹⁾ Act 382/2004 Coll. (Appraisers, Interpreters, and Translators Act, which also amends other legislation).

c) income from the sale of an enterprise or its part (Section 17 subsection 11 below) under an enterprise transfer agreement,³⁰⁾

d) any debt or its part, which has been waived by the creditor, as long as such a debt relates to or is a result of disposal of the business property by the debtor.

(6) The tax base (partial tax base) shall be determined applying the provisions of Sections 17 through 29 below. Any income set forth in paragraph 1d) above may be reduced, for the purpose of determination of the tax base, only as provided in subsection 9 below. Any debt receivable or its part, which has been waived by the creditor (subsection 5d) above) shall be included in the tax base of the debtor in the tax period, in which the debt has been waived.

(7) The tax base (partial tax base) of a partner holding interest in a general commercial partnership will be equal to the partner's share of the tax base of the general commercial partnership determined pursuant to Sections 17 through 29 below. Such a share will be determined applying the same ratio, which applies to the distribution of profits according to the memorandum of association. If the memorandum of association fails to regulate the distribution of profits, the tax base will be distributed equally among the partners.³¹⁾ If the general commercial partnership closes with a tax loss calculated pursuant to Sections 17 through 29 below, the loss will be distributed among the partners in the same manner as the tax base. The tax base will include also the share of the partner on the liquidation balance upon liquidation of the general commercial partnership and his/her settlement share upon termination of the participation of the partner in the general commercial partnership.

(8) The tax base (partial tax base) of a general partner holding interest in a limited partnership will be equal to the general partner's share of the tax base of the limited partnership determined pursuant to Sections 17 through 29 below. Such a share will be determined applying the same ratio, which applies to the distribution of profits according to the memorandum of association. If the memorandum of association fails to regulate the distribution of profits, the tax base will be distributed equally among the general partners.³²⁾ If the limited partnership closes with a tax loss calculated pursuant to Sections 17 through 29 below, the loss will be

³⁰⁾ Sections 476 through 488 of the Commercial Code.

³¹⁾ Section 82 of the Commercial Code.

³²⁾ Section 100 of the Commercial Code.

distributed among the limited partners in the same manner as the tax base. The tax base will include also the share of the limited partner on the liquidation balance upon liquidation of the limited partnership and his/her settlement share upon termination of the participation of the general partner in the limited partnership.

(9) For the purposes of determination of the tax base, the income under subsection 1d) above shall be reduced by any insurance premiums and contributions, which are payable by partners of general commercial partnerships and by general partners of limited partnerships, unless such insurance premiums and contributions are treated as expenses of the general commercial partnership or the limited partnership. Such insurance premiums and contributions paid by general commercial partnerships on behalf of their partners or by limited partnerships on behalf of their general partners will be exempt from the tax payable by partners and general partners.

(10) If a taxable party, who is not a VAT taxable person, or a taxable party, who is a VAT payer only during a certain fraction of the tax period, fails to deduct documented tax expenses, he/she shall be free to deduct expenses to the extent of 25% of the aggregate income under subsections 1 and 2 above. Taxable parties earning income from crafts as defined by special legislation,³³⁾ shall be free to deduct expenses to the extent of 60% of such income. If the taxable party earning income under subsection 3 above, who is not a VAT taxable person, or who is a VAT payer only during a certain fraction of the tax period, fails to deduct documented tax expenses, he/she shall be free to deduct expenses to the extent of 25% of such income. If the taxable party deducts expenses as provided above, such expenses will include all the tax expenses of the taxable party, other than insurance premiums and contributions paid by the taxable party. The taxable party shall be free to deduct such insurance premiums and contributions up to their documented amount. For the period, for which the taxable party deducts expenses as provided above, he/she shall keep chronological records of the income, inventories and debts receivable.

(11) If with respect to the income under subsection 3 above, the taxable party deducts documented tax expenses actually incurred thereby, the taxable party shall keep, for the entire tax period, records of:

- a) income and tax expenses as they are earned or incurred,
- b) depreciated tangible and intangible assets,

³³⁾ Annex 1 to the Act 455/1991 Coll., as later amended.

c) inventories, debts receivable and debts payable.

(12) The records referred to in subsection 11 above shall be preserved by the taxable party up to the date, when the right to assess the tax or to proceed to a subsequent tax assessment shall become time-barred.³⁴⁾

(13) If a taxable party earning income under subsection 3 above decides to keep the accounts using the single-entry or the double-entry system, even though such a duty is not prescribed by special legislation¹⁾, the taxable party shall use such the single-entry or the double-entry system for the entire tax period.

(14) Movable assets and real estate, which are owned jointly by spouses (in form of tenancy by the entirety), and which are used to generate, assure, and maintain the income under subsections 1 through 3 above by both the spouses, shall be treated as business assets of one of the spouses. The expenses incurred in connection with the use of such movable assets and real estate shall be divided between both the spouses pro rata to the extent of the use thereof for the activity of each spouse. The above shall also apply to the distribution of any income from the sale thereof.

Section 7

Income Derived from Capital

(1) Unless such income falls under Section 6 subsection 1d) above, the income derived from capital shall include:

- a) interest and other income derived from securities,
- b) interest, winnings, and other income from passbook deposits, including interest accrued on term deposit accounts and current accounts, other than interest referred to in Section 6 subsection 5b) above,
- c) interest and other income derived from credits and loans, which were extended by the taxable party, and interest accruing on contributions wholly paid-up by partners of general commercial partnerships at the agreed upon rate,
- d) payments made under supplementary pension insurance schemes according to special legislation; the above shall apply also to any severance paid pursuant to special legislation,³⁵⁾

³⁴⁾ Section 45 of the Act of the Slovak National Council 511/1992 Coll. (Tax and Fees Management and on Changes to the System of Local Financial Authorities Act, as later amended).

³⁵⁾ Act 650/2004 Coll. (Supplementary Pension Savings Act, which also amends other legislation).

e) indemnities paid under insurance policies for the attainment of a certain age; the same treatment shall apply to non-recurring settlement and severance payments paid in case of anticipated termination of the insurance coverage,

f) income derived from bills of exchange and promissory notes, other than proceeds from the sale thereof.

(2) The income derived from capital shall also include any income accruing on the maturity date of a security as a difference between the nominal value of the security and its issue price. If securities are redeemed before their maturity, the redemption price shall be substituted for the nominal value.

(3) The tax on the income under subsections 1a), b), d), and e) above, and subsection 2 above, which originates from sources in the territory of the Slovak Republic, shall be withheld as provided in Section 43 below. As regards debentures and treasury bonds sold under their nominal value, the difference between the nominal value and the lower acquisition cost will be included in the tax base of their holders at the time of maturity of such securities. If the income under subsections 1a), b), d), and e) above and in subsection 2 above originates from sources abroad, it shall be included in the tax base (partial tax base).

(4) The tax base (partial tax base) shall include the income under subsection 1c), and f) in full, without deducting any expenses.

(5) If a taxable party decides to treat any tax previously withheld therefrom as a tax advance as provided in Section 43 subsection 7 below, the tax base (partial tax base) shall include the income under subsection 1d), and e), reduced by any contributions and insurance premiums previously paid. As regards pensions, the contributions and insurance premiums previously paid shall be spread throughout the term of the pension. If the term of the pension is not defined, such a term shall be calculated as a difference between the average life expectancy announced by the Slovak Statistic Office, and the age of the taxable party at the time, when the first pension is received.

Section 8 Sundry Income

(1) Unless such income falls under Sections 5 through 7 above, sundry income shall include, but not be limited to:

a) income derived from occasional activities, including income from occasional agricultural production, forestry and water management, and income from occasional leasing of movable property,

b) income from the transfer of ownership title to real estate,

c) income from the sale of movable assets,

d) income from the transfer of options,

e) income from the transfer of securities; for the purposes of this Act any return (redemption) of an allotment certificate shall also be treated as transfer of securities,

f) income from the transfer of interests in a limited liability company, a limited partnership, or from the transfer of membership's rights in a cooperative,

g) income derived from inherited industrial and other intellectual property rights, including copyright and rights similar to copyright,³⁶⁾

h) pensions³⁷⁾ and similar recurring benefits,

i) winnings in lotteries and other similar games, and prizes won in advertising competitions and draws,

j) prizes won in public competitions, prizes won in competitions, in which the number of competitors is restricted by the terms of the competition, or the competitors in which are selected by the competition manager, and prizes won in sporting competitions, unless the taxable party is engaged in sports as his/her other independent gainful activity [Section 6 subsection 2b)].

(2) The tax base (partial tax base) shall be equal to the taxable income less any expenses, which may be documented as having been incurred in order to generate the income. If the expenses related to the individual types of income specified in subsection 1 above are higher than the income, the difference shall not be taken into account.

(3) The tax base (partial tax base) shall include the taxable income in full, without reducing the same by any expenses, with respect to:

a) income under subsection 1i), and j), which originates from sources abroad,

b) pensions.³⁷⁾

(4) The tax base (partial tax base) shall include the proceeds from the sale of real estate under subsection 1b) above in the tax period, in which such proceeds are received, regardless of the time, when the ownership title to

³⁶⁾ Sections 45 through 52 of the Act 383/1997 Coll., as amended by the Act 234/2000 Coll.

³⁷⁾ Section 842 of the Civil Code.

the real estate is acquired by the buyer. The income under subsection 1b) through f) above, which is paid by installments under a purchase or other agreement (by which the ownership title to the real estate is transferred), and also any advances agreed in such agreements, and advances received under a preliminary sale or transfer agreement, shall be included in the tax base (partial tax base) in the tax period, in which the same are received.

(5) As regards the types of income referred to in subsection 1b) through e) above, the following shall be treated as expenses:

- a) the documented acquisition cost paid for the asset, security, or option,
- b) the price of the asset determined at the time of its acquisition, except for the expenses under paragraph a) above. As regards real estate, reference shall be made to the value at the time of acquisition thereof determined pursuant to special legislation,^{37a)}
- c) net book value referred to in Section 25 subsection 3 below, if the assets are treated as business assets of the taxable party,
- d) documented expenses incurred in technical upgrade, repair and maintenance of the asset, including sundry expenses incurred in connection with the resale of the asset, other than expenses for personal purposes,
- e) expenses associated with the acquisition and sale of securities and options,
- f) documented expenses incurred in the acquisition of the assets or in its manufacture in-house.

(6) The value of the taxable party's own work in respect of an asset, which he/she has made himself or improved by his/her own work, shall not be treated as an expense referred to in subsection 5 above.

(7) As regards the income under 1f) above, the value of the contribution or the acquisition cost of the ownership interest shall be treated as an expense.

(8) Any expenses, which are higher than the income under subsection 1b) through f) above in the tax period, in which the first installments or prepayments were received with respect to the sale of movable assets, securities, real estate or with respect to the transfer of options, ownership interest held by members in limited liability companies, or by limited partners in limited partnership or by members in cooperatives, may be deducted in the same tax period, up to the amount of the income. If the income above is earned also in the next tax period, the procedure to follow is similar, up to the aggregate amount, which may be deducted pursuant to the above.

^{37a)} e.g. Act 382/2004 Coll.

(9) If a taxable party earns income from occasional agricultural production, forestry, and water management [subsection 1a)], and if he/she fails to deduct the expenses, which are documented as having been incurred to generate the income, it may claim a deduction equal to 25% of such income.

(10) The tax on the income under subsection 1i) and j) above (other than winnings and prizes in kind), which originates from the sources in the territory of the Slovak Republic, shall be withheld as provided in Section 43 below. If a winning or a prize in kind is granted, the operator or the manager of the contest, game, or draw, shall inform the winner of the value of the winning or the prize, which shall be the acquisition cost or the expenses incurred by the operator or the manager of the contest, game, or draw, or the donor of the winning or the prize. If a prize won in a public competition includes remuneration for the use of a certain object or performance, the prize shall be reduced by the remuneration, and such amount shall be treated as an income under Section 6 above.

Section 9

Income Exempt from the Tax

(1) The following income shall be exempt from the tax:

- a) income from the sale of an apartment or a house (if it consists of not more than two apartments) including the adjoining land, provided that the seller had had his/her permanent residence therein for at least two years immediately preceding the sale, other than:
 1. any income from the sale of such property, which it was included among the business assets of the taxable party, up to five years after their exclusion from business assets, and
 2. any income earned by the taxable party under a preliminary agreement concerning the sale of such property undersigned prior to the second anniversary of the permanent residence or prior to the fifth anniversary of exclusion of such property from business assets, even though the final purchase agreement is undersigned after the second anniversary of the permanent residence or after the fifth anniversary of exclusion of such property from business assets.
- b) income from the sale of real estate, which does not enjoy the exemption pursuant to a) above and c) below, after the fifth anniversary of acquisition of such real estate or its exclusion from business assets, where treated as business assets of the taxable party,

- c) income from the sale of real estate acquired through inheritance (gradual inheritance) from a direct relative or by any of the spouses, other than the real estate, which enjoys the exemption from the tax pursuant to a) above, provided that at least five years elapse from the date of documented acquisition of the title the real estate or co-ownership interest in the real estate by the deceased benefactor(s), or from the exclusion of the property from business assets, if treated as business assets of the taxable party. This exemption shall not apply to any income earned under an agreement on future sale of real estate entered into within five years after the date of its acquisition or its exclusion from the business assets, even if the final sale agreement is entered into after five years shall have elapsed from the acquisition date or from the date of exclusion from the business assets,
- d) income earned from the sale of movable assets, other than those, which have been treated as business assets within five years after their exclusion from the business assets. For the purposes of this Act, securities shall not be regarded as movable assets,
- e) income from the sale of real estate and movable assets released to beneficiaries pursuant to special legislation,³⁾ which was received by such beneficiaries,
- f) income from the sale of property included in the bankruptcy estate³⁸⁾ and income from the write-off of debts under a bankruptcy scheme or an arrangement with creditors carried out pursuant to special legislation,³⁸⁾ including write-off of debts payable to those creditors, who failed to prove for their debts receivable from the taxable party within the framework of bankruptcy or arrangement proceedings. The above shall apply *per analogiam* also to a write-off of debts payable by the taxable party, who is being wound-up as a result of dismissal of a petition in bankruptcy due to insufficient assets, and with respect to a taxable party, who is being wound up due to the abandonment of bankruptcy proceedings, since his/her property is not sufficient to cover the expenses and the fee of the bankruptcy receiver,
- g) income received as fulfillment of the maintenance duty (alimonies) pursuant to special legislation,³⁹⁾
- h) income under Section 6 subsection 3 and under Section 8 subsection 1a), d) through f) above, provided that such income is not liable to a withholding

³⁸⁾ Act 328/1991 Coll. (Bankruptcy and Arrangement with Creditors Act, as later amended).

³⁹⁾ e.g. Act 94/1963 Coll. (Family Act, as later amended), Act 452/2004 Coll. (Alternative Alimony Act).

tax, and provided that the aggregate of the income under Section 6 subsection 3 plus the income under Section 8 subsection 1a), d) through f) above, less any expenses under Section 8 subsections 5 and 7 does not exceed, in the tax period, five times the living wages in force as of January 1 of the relevant tax period. If the income so defined exceeds five times the living wages in force as of January 1 of the relevant tax period, the tax base shall only include the excess above the limit above. Any expenses not included in the tax base, which are attributable to the exempt income, shall be determined using the ratio between the income that is exempt, and the aggregate income included in the tax base.

i) income from the transfer of those rights and duties of member in a housing cooperative, which relate to the right of usage of a cooperative apartment, provided that the taxable party has been using such apartment for accommodation purposes for at least five years after the date of execution of a tenancy agreement with the housing cooperative, other than income earned by the taxable party under an agreement on future transfer of rights and duties of member of a housing cooperative in connection with the right of usage of a cooperative apartment, which is entered into within five years after the date of execution of a tenancy agreement with the housing cooperative.

(2) In addition to the above, also the following income shall be exempt from the tax:

- a) allowances, benefits and services provided under the public health-care insurance,²⁰⁾ social insurance,²¹⁾ old-age pension savings, sickness insurance and casualty insurance⁴⁰⁾ schemes and any indemnities received under a mandatory foreign insurance coverage of the same kind,
- b) allowances and benefits to ensure fundamental living conditions and to address poverty,⁴¹⁾ social services,⁴²⁾ compensation of social impacts of serious disability,⁴²⁾ and compensation for nursing,⁴²⁾ public aid and public social allowances payable pursuant to special legislation,⁴³⁾ and other social benefits,⁴⁴⁾

⁴⁰⁾ Section 5 and Section 20 subsection 1a) of the Act 328/2002 Coll.

⁴¹⁾ Act 599/2003 Coll. (Poverty Benefits Act, which also amends other legislation).

⁴²⁾ Act 195/1998 Coll., as later amended.

⁴³⁾ e.g. Act 280/2002 Coll. (Family Allowance Act, as amended by the Act 643/2002 Coll.), Act 235/1998 Coll. (Child Birth Allowance Act, which is payable to parents, to whom three or more children are born at the same time, or to whom twins are born repeatedly within two years, which also amends other legislation), Act 236/1998 Coll. ((Maintenance Allowance Act), Act 238/1998 Coll. (Funeral Allowance Act), Act 265/1998 Coll. (Foster Care and

- c) extra benefits in addition to indemnities for the loss of income, extra benefits in addition to sickness benefits, extra benefits payable upon nursing of a family member, extra benefits in addition to motherhood benefits, and extra benefits in addition to pension, which are payable pursuant to special legislation,⁴⁵⁾
- d) payments made as part of a proactive employment policy,⁴⁶⁾ with the exception of payments received in connection with the performance of activities generating income under Section 6 above,
- e) benefits provided by armed forces to soldiers during their basic service, alternative service, advanced service, preparatory service and to students attending military schools pursuant to special legislation,⁴⁷⁾
- f) remuneration of citizens performing civilian service,⁴⁸⁾
- g) retirement benefits paid and social services provided to members of armed forces, armed security corps, armed corps, National Security Office, and Slovak Intelligence Services pursuant to special legislation,⁴⁹⁾ other than severance payments and recreational care benefits,
- h) gifts in kind and in cash made to members of the Fire and Rescue Corps, employees and members of fire brigades and individuals rescuing life and property,⁵⁰⁾
- i) payments of indemnities under a personal insurance scheme, other than benefits payable to insured parties under policies for the attainment of a

Contributions to Foster Parents Act), Act 600/2003 Coll. (Children Allowances Act, which also amends the Act 461/2003 Coll. (Social Insurance Act)).

⁴⁴⁾ e.g. Act 98/1987 Coll. (Special Benefits for Miners Act, as later amended).

⁴⁵⁾ e.g. Act 385/2000 Coll., as later amended, Act 154/2001 Coll., as amended by the Act 669/2002 Coll., Act 312/2001 Coll. (Civil Service Act, which also amends other legislation, as later amended), Act 315/2001 Coll. (Fire Brigades Act, as later amended).

⁴⁶⁾ Act 5/2004 Coll. (Employment Services Act, which also amends other legislation, as amended by the Act 191/2004 Coll.)

⁴⁷⁾ e.g. Act 370/1997 Coll. (Military Service Act, as later amended), Act 380/1997 Coll. (Benefits due to Soldiers Act, as later amended).

⁴⁸⁾ Act of the National Assembly of the Slovak Republic 207/1995 Coll. (Civilian Services, which also amends the Act of the Slovak National Assembly 347/1990 Coll. (Act on Organization of Ministries and other Central Public Administration Authorities of the Slovak Republic, as later amended)), Act of the Slovak National Council 83/1991 Coll. (Powers of the Slovak Authorities in the Area of Employment Policy Act, as later amended), and the Act of the Slovak National Council 372/1990 Coll. (Transgressions Act, as later amended).

⁴⁹⁾ e.g. Act 328/2002 Coll., as later amended.

⁵⁰⁾ Section 50 of the Act 314/2001 Coll. (Fire Protection Act).

Section 30 of the Act of the National Assembly of the Slovak Republic 42/1994 Coll. (Civil Protection Act).

certain age, or under supplementary pension savings schemes pursuant to special legislation,⁵⁵⁾

j) indemnities received, payments of indemnities under an insurance of property scheme, and payments under a third party liability insurance scheme, other than payments received as

1. compensation for loss of taxable income, except if the loss is secured by benefits and allowances under a) and c) above,
2. compensation for damage caused to property, which was treated as business assets at the time of occurrence of the damage,
3. compensation for damage caused in connection with the business or other independent gainful activity of the taxable party (Section 6 subsections 1 and 2 above) and for damage caused by a fault of the taxable party in connection with tenancy (Section 6 subsection 3 above),
4. compensation for damage caused to property, which was leased by the taxable party, as long as such property has been used for business or other independent gainful activity;
- k) scholarships⁵¹⁾ other than master scholarships granted out of the State budget or by universities, and similar payments from abroad, subsidies and grants paid by foundations and associations of citizens,⁵²⁾ not-for-profit organizations and non-investment funds,⁵³⁾ including those provided in kind, subsidies and contributions⁵⁴⁾ paid out of the State budget, budgets of municipalities, regions and State funds, including those provided in kind, other than payments received as compensation for loss of income or payments received in connection with the activities generating income under Sections 5 and 6 above,
- l) interest accruing on any tax overpayments caused by a fault of the tax administration,⁵⁵⁾

⁵¹⁾ e.g. Decree of the Ministry of Schools, Youth and Physical Education of the Slovak Republic 326/1990 Coll. (Provision of Scholarships to University Students Decree, as later amended).

⁵²⁾ Act 83/1990 Coll. (Associations of Citizens Act, as later amended)

Act 34/2002 Coll. (Foundations Act, which also amends the Civil Code, as later amended).

⁵³⁾ Section 2 subsection 2 of the Act 147/1997 Coll. (Non-investment Funds Act, which also amends the Act of the National Assembly of the Slovak Republic 207/1996 Coll.)

Section 2 subsection 2 of the Act 213/1997 Coll. (Not-for-profit Organizations Providing Publicly Useful Services Act, as amended by the Act 35/2002 Coll.)

⁵⁴⁾ e.g. Section 10 of the Act of the Slovak National Assembly 310/1992 Coll. (House Savings Act, as later amended)

⁵⁵⁾ Section 63 subsection 6 of the Act of the Slovak National Council 511/1992 Coll., as later amended.

m) winnings in lotteries and other similar games operated under a license issued pursuant to special legislation,⁵⁶⁾

n) prizes and winnings received, which are not included in paragraph m) above, and the value of which is less than or equal to 5 000 Sk per prize or winning. The term „prize or winning” shall mean:

1. prizes won in public competitions, prizes won in competitions, in which the number of competitors is restricted by the terms of the competition, or the competitors in which are selected by the competition manager, with the exception of a compensation for the use of work or service, if included in the prize,
2. winnings from advertisement contests or from drawings,
3. prizes won in a sporting competitions, unless the taxable party is engaged in sports as his/her other independent gainful activity (Section 6),

o) tax bonus with respect to a dependent child sharing a common household with the taxable party⁵⁷⁾ (hereinafter referred to only as „tax bonus“), which is payable to the taxable party pursuant to Section 33 below,

p) compensations in cash received from the Deposits Protection Fund⁵⁸⁾ and from the Investments Guarantee Fund,⁵⁹⁾

r) interest and other income from deposits, loans and credits, interest accruing on allotment certificates, bonds, deposit certificates, treasury bonds, deposit letters and other securities and deposits of equal ranking, which are earned from a source in the territory of the Slovak Republic by an individual, who is a taxable party of another member State of the European Union, and who is the ultimate beneficiary of such income,

s) interest accruing on State bonds of the Slovak Republic issued and registered abroad,

t) proceeds from grants paid under international treaties, which are binding upon the Slovak Republic.

(3) If there is a sale of real estate referred to in subsection 1 a), or b), or c) above following the termination and settlement of the tenancy of spouses by

the entirety,⁶⁰⁾ the term under subsection 1 a) or b), or c) above shall not include any period, during which the real estate was part of the tenancy by the entirety of the spouses.

(4) The exemption of the income from the sale or transfer of real estate pursuant to subsection 1a) through c), or the income from the transfer under subsection 1i), which is earned by the seller or the transferor, shall be treated in the light of the date of receipt of the first payment or advance or the date of execution of the transfer agreement, whichever is earlier, regardless, in which tax period the buyer or the transferee acquire the ownership title to the real estate, or the rights attached to the membership interest.

(5) The “date of exclusion of any asset from business assets of a taxable party” shall mean the date, on which the taxable party used to account, for the last time, for such an asset in his/her books of accounts, or in his/her records kept pursuant to Section 6 subsection 11 above.

Section 10 Calculation of Income and Expenses of Co-owners and Members of Association, which is not a Legal Entity

(1) Any income earned jointly by two or more taxable parties as a result of their co-ownership of an asset or their joint rights, and any joint expenses incurred to generate, assure and maintain such income, shall be distributed between the taxable parties pro rata to their co-ownership interests, unless the law provides or the parties agree otherwise.⁶¹⁾

(2) Any income earned by taxable parties through their joint business or another joint independent gainful activity (Section 6 subsections 1 and 2 above) under a written association agreement⁶²⁾ or a written deed of association,⁶³⁾ and their tax expenses, shall be distributed equally among the individual taxable parties, unless their association agreement specifies otherwise. The above applies also to the distribution of income and tax expenses in case a joint business (Section 6 above) is conducted under a written association agreement⁶²⁾ entered into between individuals and legal entities.

⁵⁶⁾ Act of the Slovak National Council 194/1990 Coll., as later amended.

⁵⁷⁾ Section 115 of the Civil Code.

⁵⁸⁾ Act of the National Assembly of the Slovak Republic 118/1996 Coll. (Protection of Deposits Act, which also amends and modifies other legislation, as later amended).

⁵⁹⁾ Act 566/2001 Coll. (Securities and Investment Services Act, which also amends other legislation, as later amended).

⁶⁰⁾ Sections 149 through 151 of the Civil Code.

⁶¹⁾ Sections 137 through 142 of the Civil Code.

⁶²⁾ Sections 829 through 841 of the Civil Code.

⁶³⁾ Section 10 of the Act of the National Assembly of the Slovak Republic No. 181/1995 Coll.

Section 11 Tax Allowances

(1) The tax base shall be reduced by the following tax allowances:

- a) a yearly amount corresponding to 19,2 times the living wages⁶⁴⁾ in force as of January 1 of the relevant tax period with respect to the taxable party,
- b) a yearly amount corresponding to 19,2 times the living wages⁶⁴⁾ in force as of January 1 of the relevant tax period with respect to the spouse sharing a common household with the taxable party,⁵⁷⁾ as long as the spouse does not have his/her own income during the relevant tax period. If the spouse has his/her own income lower than the amount above, the tax allowance shall be equal to the difference between the amount above and the income of the spouse. The extra pension for disability, State social subsidies⁴³⁾ and scholarships assigned to students systematically engaged in studies to be prepared for their future profession, shall be excluded from the spouse's own income,
- c) supplementary pension savings contributions paid pursuant to special legislation,³⁵⁾
- d) specific purpose savings.

(2) The tax base of the taxable party shall not be reduced by the allowance under subsection 1a) above, if at the beginning of the tax period the taxable party is in receipt of an old-age pension or retirement pension funded from a social insurance scheme, old-age pension savings scheme, or if he/she is in receipt of a pension from a foreign mandatory insurance scheme of the same kind or a service pension²²⁾ (hereinafter referred to only as „pension“) or if a pension was awarded to the taxable party retroactively as of the beginning of the tax period and is in excess of the tax allowance referred to in subsection 1a) above. If the aggregate of the pensions above is less than the tax allowance referred to in subsection 1a) above, the tax base shall be reduced as provided in subsection 1a) above only by the difference between the aggregate of the pensions paid out to the taxable party and the tax allowance referred to in subsection 1a) above.

(3) The tax base shall be reduced by the tax allowance referred to in subsection 1b) above only with respect to taxable parties with unlimited tax

liability, who are permanently resident in the territory of the Slovak Republic.

(4) As regards those taxable parties, who are entitled to claim tax allowances referred to in subsection 1b) above only for one or more calendar months in any tax period, they shall be allowed to reduce the tax base only for an amount equal to one twelfth of the allowance for every month, at the beginning of which the relevant conditions were satisfied, or, if the spouse earns his own income in the relevant tax period, for an amount corresponding to one twelfth of the difference calculated pursuant to subsection 1b) above.

(5) Any supplementary pension savings contributions of the taxable party referred to in subsection 1c) above, and any payments made by the taxable party for the account of a specific-purpose savings referred to in subsection 1d) above may be deducted from the tax base for an amount documented as paid during the tax period, but not more than 12 000 Sk. The allowance under subsection 1c) above may be claimed only if conditions under special legislation³⁵⁾ are satisfied, and the allowance under subsection 1d) above may be claimed only if the following conditions are satisfied:

1. the term of payment of the specific-purpose savings shall be not less than ten years, while the taxable party shall not be allowed to claim any payments under the specific-purpose savings prior to the expiration of the term above, and at the same time
2. the payments under the specific-purpose savings shall not be made prior to the age of 55 of the taxable party.

(6) If the taxable party does not comply with the conditions under subsection 5 above, any supplementary pension savings contributions and any payments for the account of specific-purpose savings, which used to be deducted thereby from the tax base during the previous tax periods, must be added to the tax base within three tax periods after the last day of the one, in which the non-compliance occurred.

TITLE THREE CORPORATE INCOME TAX

Section 12 Object of the Tax

(1) With respect to a taxable party, which is:

⁶⁴⁾ Section 2a) of the Act 601/2003 Coll. (Living Wages Act, which also amends other legislation).

- a) a management company establishing mutual funds,⁶⁶⁾ the object of the tax shall be restricted to the income earned by the management company only,
- b) a supplementary pension company establishing supplementary pension funds,³⁵⁾ the object of the tax shall be restricted to the income earned by the pension company only.

(2) With respect to those taxable parties, which have not been established to conduct business,⁶⁷⁾ the object of the tax shall be restricted to the income earned from activities, which do or may generate profit, including any proceeds from the sale of assets, from tenancy, from advertisement, from membership fees, and the income, the tax on which is withheld as provided in Section 43 below.

(3) The taxable parties referred to in subsection 2 above shall include associations of legal entities, chambers of professionals, civic associations, including trade union organizations, political parties and movements, churches and religious societies recognized by the State, communities of owners of apartments and non-residential premises, communities of land owners, regions,⁶⁸⁾ State-funded and State-subsidized organizations, State funds,⁶⁹⁾ universities,⁷⁰⁾ health care insurance agencies, Social Insurance Agency, National Labor Office, Deposits Protection Fund, Slovak Office of Insurance Agencies, Slovak Land Fund, Slovak Radio, Slovak Television, Foreign Trade Promotion Fund, Financial Market Office,⁷¹⁾ non-investment funds, foundations, not-for-profit organizations providing services of general utility, organizations, the not-for-profit nature of which is inferred from special legislation, pursuant to which they were established. For the purposes of this Act, any partnership or company, which was not established to conduct business, shall not be treated as a taxable party, which was not established or founded to conduct business under this Act.

⁶⁶⁾ Act 594/2003 Coll. (Collective Investing Act, which also amends other legislation).

⁶⁷⁾ Section 2 subsection 1 of the Commercial Code.

⁶⁸⁾ Act 302/2001 Coll. (Regions Self-Government Act, as amended by the Act 445/2001 Coll.). Act 446/2001 Coll. (Property of Regions Act).

⁶⁹⁾ e.g. Act of the National Assembly of the Slovak Republic 254/1994 Coll. (State Fund for the Disposal of Nuclear Power Facilities and Treatment of Burnt Nuclear Fuel and Radioactive Waste Act, as later amended), Act 607/2003 Coll. (State Fund for Housing Development Act).

⁷⁰⁾ Act 131/2002 Coll. (Universities Act, which also amends other legislation).

⁷¹⁾ Act 96/2002 Coll. (Financial Market Supervision Act, which also amends other legislation).

(4) General commercial partnerships, the National Bank of Slovakia,⁷²⁾ and the Slovak National Property Fund⁷³⁾ shall be liable to the tax only with respect to the income, the tax on which is withheld as provided in Section 43 below.

(5) With respect to taxable parties, who are partners in general commercial partnerships, the object of the tax shall also include any income referred to in Section 14 subsections 4 and 6 below.

(6) With respect to taxable parties, who are general partners in limited partnerships, the object of the tax shall also include any income referred to in Section 14 subsections 5 and 7 below.

(7) The object of the tax shall not include:

- a) any income referred to in Section 50 below,
- b) any income obtained through donation⁴⁾ or inheritance,⁵⁾
- c) shares of profits after taxation, which are paid by partnerships, companies and cooperatives or similar non-resident legal entities, settlement shares, shares in liquidation balances of partnerships, companies and cooperatives, other than shares of profits attributable to partners of general commercial partnerships and to general partners of limited partnerships, and other than shares in liquidation balances attributable to partners of general commercial partnerships and to general partners of limited partnerships upon liquidation of the partnership, and other than settlement shares attributable to partners of general commercial partnerships and to general partners of limited partnerships upon termination of participation of the partner in the partnership,
- d) income earned as a result of acquisition of new shares⁷⁾ and equity interests^{7a)} and also any income earned from an exchange of shares upon winding-up of the taxable party without its liquidation, including those cases, in which a merger, consolidation, or split of a partnership or a company involves property owned by a partnership or a company having its registered office in any of the European Union member States.

Section 13 Exemptions from the Tax

(1) The following income shall be exempt from the tax:

⁷²⁾ Act of the National Assembly of the Slovak Republic 566/1992 Coll. (National Bank of Slovakia Act, as later amended).

⁷³⁾ Section 27 of the Act 92/1991 Coll. (Terms and Conditions of Transfer of Public Property to Third Parties Act, as later amended).

a) income of taxable parties referred to in Section 12 subsection 3 above, if such income is derived from the activity, for which the taxable parties were established, or which is defined as their core activity by special legislation, except for any income generated by business and any income, the tax on which is withheld as provided in Section 43 below. As regards State-funded organizations, the exemption above applies also to any income from the activities specified by the founder in the memorandum on establishment as activities aimed to achieve the fundamental purpose of the organization,⁷⁴⁾ and any income from leasing or sale of assets included in the budget of the founder, except for any income, the tax on which is withheld as provided in Section 43 below,

b) income of municipalities and regions from tenancy and sale of their assets,

c) income of State funds,⁶⁹⁾ income of the Financial Market Office,⁷¹⁾ and income of the Deposits Protection Fund,⁵⁸⁾ except for any income, the tax on which is withheld as provided in Section 43 below,

d) proceeds from the sale of property included in the bankruptcy estate,³⁸⁾ and any income derived from the write-off of debts as part of bankruptcy or arrangement with creditors performed pursuant to special legislation,³⁸⁾ including write-off of debts payable to those creditors, who failed to prove for their debts receivable from the taxable party within the framework of bankruptcy or arrangement proceedings. The above shall apply *per analogiam* also to a write-off of debts payable by the taxable party, which is being wound-up as a result of dismissal of a petition in bankruptcy due to insufficient assets, and with respect to a taxable party, which is being wound up due to the abandonment of bankruptcy proceedings, since its property is not sufficient to cover the expenses and the fee of the bankruptcy receiver,

e) income of taxable parties referred to in Section 12 subsection 3 above, if it is equal to or lower than 300.000 Sk for the tax period, except for any income, the tax on which is withheld (Section 43 below) and any income exempt from the tax hereunder. In case of disposal of any assets used by the taxable party for its activities, the limit above will include any difference between the proceeds from the sale and the acquisition cost of the assets. If the income so defined exceeds 300.000 Sk, the tax base will only include any income in excess of the limit above. Any expenses, which are not

included in the tax base and which are attributable to the income exempt from the tax, will be determined applying the ratio between the income exempt from the tax and the aggregate income included in the tax base.

(2) In addition to the above, also the following income will be exempt from the tax:

a) income from collections in churches, income derived from payments for services provided by churches and contributions made by members of registered churches and religious societies,

b) membership fees as determined by the statutes, articles of association, deeds of establishment or founding deeds, received by associations of legal entities pursuing a common interest of its members, chambers of professionals, civic associations, including trade union organizations, political parties and political movements,

c) interest accruing on any tax overpayments caused by a fault of the tax administration,⁵⁵⁾

d) fees for the management of apartments owned by housing cooperatives and for the management of apartments by associations of owners,

e) interest accruing on bank accounts paid to the State Treasury,

f) interest accruing on State bonds of the Slovak Republic issued and registered abroad,

g) interest and other income from loans and credits, interest accruing on allotment certificates, bonds, deposit certificates, treasury bonds, deposit letters and other securities and deposits of equal ranking, which are earned from a source in the territory of the Slovak Republic by a legal entity, which is a taxable party of another member State of the European Union, and which is the ultimate beneficiary of such income, as long as such income is paid by a taxable party under Section 2d) intent 2, provided that up to the date of payment of the income and during at least twenty four immediately following months

1. the taxable party, which pays such income, holds at least 25% direct interest in the registered capital of the ultimate beneficiary of such income, or
2. the ultimate beneficiary of such income holds at least 25% direct interest in the registered capital of the taxable party paying such income, or
3. another legal entity with its registered office in any member State of the European Union holds at least 25% direct interest in the registered capital of the taxable party paying such income, and at

⁷⁴⁾ Act of the National Assembly of the Slovak Republic 303/1995 Coll. (Budget Rules Act, as later amended).

the same time it holds at least 25% direct interest on the registered capital of the ultimate beneficiary of such income,

h) proceeds from grants paid under international treaties, which are binding upon the Slovak Republic,

i) income under Section 16 subsection 1e) indent 1, which are earned from a source in the territory of the Slovak Republic by a legal entity, which is a taxable party of a member State of the European Union, and which is the ultimate beneficiary of such income, from the taxable party under Section 2d) indent two, provided that up to the date of payment of the income and during at least twenty four immediately following months

1. the taxable party, which pays such income, holds at least 25% direct interest in the registered capital of the ultimate beneficiary of such income, or
2. the ultimate beneficiary of such income holds at least 25% direct interest in the registered capital of the taxable party paying such income, or
3. another legal entity with its registered office in any member State of the European Union holds at least 25% direct interest in the registered capital of the taxable party paying such income, and at the same time it holds at least 25% direct interest on the registered capital of the ultimate beneficiary of such income.

Section 14 **Tax Base**

(1) The tax base shall be determined pursuant to the provisions of Sections 17 through 29 below.

(2) As regards taxable parties, which are being dissolved with liquidation or against which a bankruptcy order was made, or the arrangement with creditors of which has been authorized, or which are being dissolved as a result of a petition in bankruptcy dismissed due to insufficient assets⁷⁵⁾ in the tax period referred to in Section 41 below, the business result determined pursuant to special legislation¹⁾ shall be adjusted as provided in Section 17 below. The provisions of Section 30 below shall not apply to the reduction of the tax base in such tax periods. If the tax period is longer than the calendar year, or if it extends beyond the last day of the calendar year, the aggregate tax base shall be equal to the total of the individual tax bases

⁷⁵⁾ Section 68 of the Commercial Code.

calculated for the individual calendar years, or for the period shorter than the calendar year. Such a tax base shall be determined on the basis of the business result reported in the interim financial statements as of the last day of each calendar year included in the tax period for the term of the liquidation, bankruptcy, or arrangement with creditors.

(3) In case of a mutual funds management company,⁶⁶⁾ the tax base shall be determined only with respect to the management company. In case of a supplementary pension company establishing supplementary pension funds, the tax base shall be determined only with respect to the supplementary pension company.

(4) A general commercial partnership shall determine the tax base for the partnership as a whole pursuant to the provisions of Sections 17 through 29 below. The tax base shall be divided among the partners applying the same ratio, which applies to the distribution of profits according to the memorandum of association.³¹⁾ If the memorandum of association fails to specify the terms of distribution of profits, the tax base shall be divided among the individual members on an equal basis. Tax losses shall be divided in the same manner as the tax base calculated pursuant to the provisions of Sections 17 through 29 below.

(5) A limited partnership shall determine the tax base for the partnership as a whole pursuant to the provisions of Sections 17 through 29 below. The share attributable to general partners shall be deducted from the tax base so determined. The share above will be determined applying the same ratio, which applies to the distribution of before tax profits between general and limited partners.³²⁾ The balance shall constitute the tax base of the limited partnership. Tax losses shall be divided in the same manner as the tax base calculated pursuant to the provisions of Sections 17 through 29 below.

(6) The tax base of a partner in a general commercial partnership will include one part of the tax base or the tax loss of the general commercial partnership attributable to such a partner pursuant to subsection 4 above. Such a part of the tax base or the tax loss shall be included in the tax base in the tax period, for which the general commercial partnership files its tax return.

(7) The tax base of a general partner in a limited partnership will include one part of the tax base or the tax loss of the limited partnership attributable to such a general partner, while that part of the tax base or the tax loss will be determined applying the same ratio, which applies to the distribution of before tax profits attributable to general partners among the individual general partners.³²⁾

TITLE FOUR JOINT PROVISIONS

Section 15 Tax Rate

The tax rate shall achieve 19% of the tax base:

- a) determined for the purpose of personal income tax, less any tax losses and tax allowances (Section 11),
- b) determined for the purpose of corporate income tax, less any tax losses.

Section 16 Source of Income of Taxable Parties with Limited Tax Liability

(1) The following income of taxable parties with limited tax liability shall be treated as income originating from sources in the territory of the Slovak Republic:

- a) from activities performed through a permanent establishment of the taxable party,
- b) from a dependent activity, which is performed in the territory of the Slovak Republic or aboard of aircrafts or ships operated by the taxable party with unlimited tax liability,
- c) from services, including commercial, technical or other consulting, management and mediation services, and similar services provided in the territory of the Slovak Republic, even if such services are not provided through a permanent establishment,
- d) income of artists, sportsmen, entertainers and their co-performers and from similar activities carried out in person or upgraded in the territory of the Slovak Republic, regardless whether the parties above earn their income directly or through a broker;
- e) payments obtained from taxable parties with unlimited tax liability and from permanent establishments of taxable parties with unlimited tax liability, consisting of:
 1. payments for the granting of a right to use or for using industrial property, computer software, designs or models, projects, production-technical and other knowledge which is economically exploitable (know-how),

2. payments for the granting of a right to use or for using copyrights or rights similar to copyrights,
 3. interest and other income from credits and loans and from passbook deposits, deposits on current and savings bank accounts, interest accrued on allotment certificates, bonds, deposit certificates, treasury bonds, bank deposits and other securities of equal ranking, and income accruing from other investment tools listed in special legislation,⁷⁶⁾
 4. tenancy income or other income paid in respect of a different use of real estate or movable assets located in the territory of the Slovak Republic,
 5. income from the sale of real estate located in the territory of the Slovak Republic,
 6. income from the sale of movable assets located in the territory of the Slovak Republic, from the sale of securities issued by taxable parties having their registered offices in the territory of the Slovak Republic, from the sale of property rights registered in the territory of the Slovak Republic and from the transfer of ownership interest or shares in a partnership, company or cooperative having their registered offices in the territory of the Slovak Republic,
 7. remuneration of members of statutory and other bodies of legal entities paid as a consideration for discharging their offices,
 8. winnings in lotteries and other similar games, winnings in advertisement contests and drawings of lots, prizes won in public and sporting competitions,
 9. alimonies, pensions, annuities, and similar payments.
- (2) For the purposes of this Act the term “permanent establishment” shall mean a permanent place or facility, through which taxable parties with limited tax liability carry out fully or partially their activities in the territory of the Slovak Republic, in particular a place, from which the business of the taxable party is organized, branch, office, workshop, sales point, technical facility or the point of research and extraction of natural resources. The place or facility shall be treated as permanent if it is used for the activities systematically and repeatedly. If there is a non-recurring activity, the place or the facility, in which the activity is performed, shall be treated as permanent, if the duration of the activities exceeds 6 months, either continuously or spasmodically during one or more intervals within any 12 consecutive months. A building site, or construction and assembly works site shall be treated as a permanent establishment only if the duration of the

⁷⁶⁾ Section 8d) of the Act 566/2001 Coll., as later amended.

activities exceeds six months. The term „permanent establishment” will also include a party, which acts on behalf of the taxable party with limited tax liability, and which systematically or repeatedly negotiates and enters into agreements on behalf of such a taxable party under a power of attorney. A party shall be deemed acting on behalf of the taxable party, if it acts in line with the instructions of the latter, and if the taxable party controls the actions of the former party, and bears the business risks related thereto.

(3) The income generated by a permanent establishment will also include the income of partners in a general commercial partnership and the income of general partners in a limited partnership, who are taxable parties with limited tax liability, which income is derived from their interest in such partnerships and from loans and credits granted to such partnerships. The provisions of Section 44 subsection 2 will apply to the securing of the tax on such income.

(4) The types of income below shall also be treated as income earned by a permanent establishment: income earned by members of an European association of economic interests with its registered office in the territory of the Slovak Republic, who are taxable parties with limited tax liability, and who earn such income by virtue of their membership in the association, or any loans and credits extended thereto to such association. The provisions of Section 44 subsection 2 below shall apply to secure the tax payable on such income.

Section 17

General Provisions Applicable to the Determination of the Tax Base

(1) The determination of the tax base or the tax loss shall be based on:

- a) as regards taxable parties using the single-entry bookkeeping system¹⁾ and taxable parties, who keep records pursuant to Section 6 subsection 10 or subsection 11 above, the difference between their income and expenses,
- b) as regards taxable parties using the double-entry bookkeeping system,¹⁾ the business result.

(2) At the determination of the tax base, the business result or the difference between the income and the expenses referred to in subsection 1 above shall be adjusted as follows:

- a) by adding the items, which are not treated as tax expenses by this Act, or which have been included among the tax expenses to an incorrect extent,
- b) by adding those items, which are not part of the business result, but which are to be included in the tax base under this Act,

c) by subtracting those items, which are part of the business result, but which are not to be included in the tax base under this Act.

(3) The following shall not be included in the tax base under subsection 1 above:

- a) any income, with respect to which this Act provides that upon withholding of the tax as provided in Section 43 subsection 6 below, the tax liability is regarded as fully settled, or with respect to which a taxable party, who is an individual not obliged to account for such income, decides not to treat the withholding tax as a tax advance, as provided in Section 43 subsection 7 below,
- b) income from the purchase of own shares below their nominal value, followed by a reduction of the registered capital; the term “income from the purchase” shall mean the difference between the nominal value and the lower acquisition cost,
- c) amounts, which in respect of the same taxable party have already been taxed under this Act or under hitherto existing legislation,
- d) the value added tax charged on tangible and intangible assets:
 1. the deduction of which was claimed by a VAT taxable person⁶⁾ upon its registration pursuant to special legislation,⁶⁾ while such a value-added tax must be deducted by the taxable party from the input value of tangible and intangible assets,
 2. which the VAT taxable person must pay upon termination of its registration pursuant to special legislation,⁶⁾ while such a value-added tax must be deducted by the taxable party from the input value of tangible and intangible assets,
- e) amount equal to 45% of the difference between the aggregate expenses (costs) incurred in the operation of one’s own canteen and the aggregate income originating from the operation of the canteen,
- f) income from a written-off debt, the payment of which was taken over by a new debtor,
- g) income pertinent to an expense (cost), which is not treated as a tax expense pursuant to Section 19 below, and which the taxable party was obliged to account for,
- h) subsidy, grant, and contribution paid to a taxable party, which uses the single-entry bookkeeping system in the tax period, in which they were received, as long as that they are not used to incur any tax expenses. Such proceeds (not used to incur any tax expenses) shall be included in the tax base

1. gradually, for an amount equal to depreciation charges of assets acquired out of such proceeds, or pro rata to the subsidy, grant, or contribution, which was used to acquire depreciable assets,

2. at the time of drawing of the subsidy, grant, and contribution, if such proceeds are not related to expenses accounted for in the tax period, in which they were received,

i) income and acquisition cost of a security, which is posted among expenses (costs) of the debtor upon transfer of security as security, and which is posted among expenses (costs) of the creditor upon transfer of the security back to the debtor.

(4) The tax base includes also any income, the tax on which is withheld pursuant to Section 43 below, in cases, in which the tax liability is not fully settled upon withholding of the tax, or if the taxable party, who is an individual not obliged to account for such income, decides to treat the withholding tax as a tax advance, as provided in Section 43 subsection 7 below. The tax base of taxable parties with unlimited tax liability shall also include interest accrued on debentures and treasury bonds.

(5) The tax base of a non-resident related party shall also include the difference between the prices agreed in business transactions of non-resident related parties (including the prices of services, loans, and credits), and the prices applied between unrelated parties in comparable business transactions, as long as such a difference results in a reduction of the tax base. The difference above shall be determined in accordance with Section 18 below. At the determination of the tax base of a non-resident related party, it shall be allowed to treat as tax expenses also prorated expenses (costs), which were incurred in the provision of services by a third party, with which it is related, as long as:

a) the service is documented as being related to the scope of business of such a dependent party,

b) the non-resident related party would have to place an order for such a service with unrelated parties or provide such a service in-house, if the service were not provided by a party, to which it is related,

c) the price of the service was determined on an arm's length basis (Section 18 subsection 1 below),

d) the party shall submit evidence of the aggregate amount of expenses (costs) incurred in the provision of such a service, and their distribution among the beneficiaries of such a service.

(6) The adjustment of the tax base of a non-resident related party in the territory of the Slovak Republic shall be authorized by the tax

administration, provided that the tax administration of the country, with which the Slovak Republic has entered into an international treaty, proceeds to an adjustment of the tax base of the related party abroad. A written notice shall be given by the tax administration to the taxable party to that effect.

(7) The tax base of a taxable party with limited tax liability conducting business in the territory of the Slovak Republic through a permanent establishment, which has been determined as provided in subsection 1 above, shall not be lower than the tax base that would have been achieved from the same or from a similar activity independently from its founder.

The provisions of Section 18 shall apply to the adjustment of the tax base of the permanent establishment, *mutatis mutandis*. The taxable income shall include any income generated by the activities of the permanent establishment. The tax expenses may include any expenses, which are documented as having been incurred by the founder of the permanent establishment for the purposes of such a permanent establishment, including any management expenses and general administration expenses, regardless of the place, in which they were incurred, as long as the founder of the permanent establishment submits evidence of the aggregate amount of such expenses for its enterprise as a whole, justifies the method of distribution thereof among the individual segments of the enterprise of the taxable party and shows the flow of products or services incoming to the permanent establishment. If it is not possible to determine the tax base as provided above, its determination may be based on a ratio between the profit or loss and the costs or gross income with respect to comparable activities of comparable taxable parties, or it may be based on a comparable trading margin or similar comparable ratios, as long as the determination of the tax base results documented. The taxable party may also use the method of splitting the aggregate profits of the enterprise of the taxable party among its various segments or branches, as long as the arm's length principle is adhered to (Section 18). The taxable party may file with the tax administration a written request to approve a specific method of determination of the tax base of the permanent establishment. If the tax administration approves the method of determination of the tax base of the permanent establishment proposed by the taxable party, such a method proposed and justified by the taxable party shall apply for at least one tax period and must be maintained unchanged throughout the tax period.

(8) In the tax period, in which the taxable party is being dissolved with liquidation (Section 41 subsection 3 below), or in which a bankruptcy order is made against the taxable party or its arrangement with creditors is

authorized (Section 41 subsection 5 below), or in which the business of the taxable party is discontinued (Section 6 above), or in which other independent gainful activity of the taxable party or tenancy are discontinued (Section 6 above), the tax base shall be adjusted as follows:

a) in case of taxable parties using the single-entry bookkeeping system or keeping the records referred to in Section 6 subsection 11 above, by the value of inventories, which were not consumed, the balance of the provision for contingent liabilities, which was posted with respect to forestry activities, and the balance of allowances for acquired assets, the balance of debts payable, the payment of which is treated as a tax expense under Section 19 below, the balance of debts receivable other than those referred to in Section 19 subsection 2h), and i) below, and also a prorated part of the rent (including rent payable under a financial leasing agreement) pertinent to the relevant tax period or a part thereof. In case of subsequent sale of unconsummated inventories, the tax base shall only include the excess of the selling price of the unconsummated inventories over the value of the unconsummated inventories already included in the tax base,

b) in case of taxable parties using the double-entry bookkeeping system, by the balance of provisions for contingent liabilities and allowances, and the accruals and deferrals, other than those which may be documented as pertinent to the period of liquidation or bankruptcy,

c) in case of taxable parties claiming expenses as provided in Section 6 subsection 10, by the value of any unconsummated inventories and the balance of debts receivable, other than those referred to in Section 19 subsection 2h), and i) below.

(9) For the purpose of determination of the tax base of a taxable party, who is an individual, pursuant to subsection 8 above, the discontinuation of a business, other independent gainful activity or tenancy under this Act, shall be understood as expiration of the authorization, certificate or another ruling authorizing to conduct the activity, or as interruption or suspension and a failed renewal of the business up to the date prescribed for the filing of a tax return (except for any seasonal activities), or as ceased receipt of income from business, other independent gainful activity or tenancy.

(10) The taxable party, who replaced the method of deduction of expenses pursuant to Section 19 below by the method of deduction of expenses pursuant to Section 6 subsection 10 above, and the taxable party, who started to keep the books after a period, during which he was not an accounting entity,¹⁾ shall adjust the tax base as provided in subsection 8 above for the tax period preceding such a change.

(11) In case of transfer of an enterprise of a taxable party or a part thereof, the tax base shall include also the difference between the income from the sale of the enterprise at the agreed upon purchase price (increased by the debts payable and decreased by the balance of cash on bank accounts and cash on hand), and the value of the transferred enterprise or a part thereof treated as tax expenses. In case of taxable parties using the single-entry bookkeeping system, the tax expenses would include also the aggregate liabilities related to the expenses, which, if settled prior to the transfer of the enterprise, would be treated as tax expenses of the transferor. The income from the transfer of the enterprise or its part will be included in the tax base in the tax period, in which the enterprise transfer agreement becomes effective.³⁰⁾

(12) As regards taxable parties, who earn income under Section 6 above, who use the single-entry bookkeeping system or keep records pursuant to Section 6 subsection 11 above, or who claim expenses pursuant to Section 6 subsection 10 above, the tax base shall include:

a) upon contribution of a debt receivable to a partnership, company or a cooperative or assignment of a debt receivable, the value of such a debt receivable, even though such a debt receivable was contributed or assigned at a price lower than its nominal value. In case of contribution or assignment of a debt receivable for a price higher than the nominal value thereof, the income shall be equal to such a higher price,

b) any advances made or received. Such items shall be included in the tax base in the tax period, in which the relevant products, services, or other performances were delivered or made.

(13) In case of winding-up without liquidation of a taxable party using the double-entry bookkeeping system, the tax base shall be adjusted, as of the date of its dissolution, by the balances of any provisions for contingent liabilities and allowances previously posted, including an allowance for property acquired against consideration, and accruals and deferrals, except for those items, which are taken over by the successor-in-law of the dissolved partnership, company or cooperative, provided the same are documents as being pertinent to the rights and liabilities of such a successor-in-law. The procedure above shall apply if any merger, consolidation, or split of a partnership or a company involves property owned by a partnership, company, or cooperative having its registered office in any of the European Union member States.

(14) The tax base of taxable parties with unlimited tax liability shall include also the tax base of their permanent establishments abroad, except for those

cases, in which the permanent establishment reports a tax loss, which cannot be deducted from the tax base pursuant to the legislation of the country, in which the income originates. The tax base shall be determined as provided in subsection 1 above, except for those expenses, which the taxable party is obliged to incur pursuant to the legislation in force in the country, in which the income originates, and which may be treated as tax expenses to the extent defined by such legislation.

(15) If allowances or provisions for contingent liabilities are reversed and posted to the account “retained earnings”,¹⁾ the tax base shall be increased by the balances of such accounts, as long as upon the establishment of the allowances or provisions for contingent liabilities the same were treated as tax expenses. If according to the books of accounts¹⁾ expenses from previous tax periods, which used to be treated as tax expenses, are corrected, or if revenues from previous tax periods, which used to be included among taxable income, are corrected, and they are posted to undistributed profit,¹⁾ the amount of the correction shall be included in the tax base.

(16) The tax base of taxable parties, which are not established or founded to conduct business (Section 12 subsection 2 above) shall include, upon any sale of assets, which were used to carry out activities generating taxable income, the difference between the proceeds from the sale and the book value of the assets posted upon their acquisition, less any documented expenses incurred in the reconstruction and upgrade of such assets, and less any depreciation charges deducted as tax expenses and calculated pursuant to Section 27 or Section 28 below. If such taxable parties sell tangible assets, which it has not been using to carry out activities generating taxable income, the tax base shall include also the difference between the proceeds from the sale and the book value of the assets posted upon their acquisition, less any documented expenses incurred in the reconstruction and upgrade of such assets.

(17) If prior to the first day of any tax period a taxable party gives notice to the tax administration informing that it would not include in the tax base in the tax period, in which such foreign exchange differences are posted, any foreign exchange differences arising out of failed collection of debts receivable or failed payment of debt payable as of the balance sheet date, such foreign exchange differences shall be included in the tax base, in which the debts receivable are collected or the debts payable are paid. In the tax period, in which such a taxable party gives notice to the tax administration informing that it would discontinue not including such foreign exchange differences in the tax base, it shall include in its tax base

also those foreign exchange differences, which are posted in the books of accounts, and which were not included in the tax based in the previous tax periods.

(18) The tax base shall not include any differences arising out of revaluation of the individual components of depreciable assets, which was carried out pursuant to special legislation¹⁾ as of the date of winding-up of the taxable party without its liquidation, which have impact on the business result and which relate to the assets of the taxable party being depreciated by its successor-in-law. The tax base shall neither include any amortization (release) of goodwill or badwill.

(19) The tax base shall not include any differences arising out of revaluation of equity interests, which are posted among costs or revenues, as long as they relate to assets contributed as equity contributions and depreciated by the party, who acquired such contributions, using the net book value determined pursuant to Section 25 subsection 1f) below, or Section 25 subsection 1g) below.

(20) The tax base shall include the value-added tax:

a) the deduction of which was claimed by a VAT taxable person⁶⁾ upon its registration pursuant to special legislation,⁶⁾ except as provided in 3d) above,

b) which may or may not be subsequently deducted, if the VAT taxable person changes the purpose of use of tangible assets pursuant to special legislation.⁷⁸⁾

(21) Liquidated damages, default interest, and default penalties⁷⁹⁾ shall be included in the tax base of the creditor after receiving such payments. Such items shall be included in the tax base of the debtor following their payment.

(22) The tax base shall also include any income in kind earned by the landlord owning tenanted property, for the amount of any expenses incurred by the tenant, subject to a prior written approval of the landlord, by which it approves a technical upgrade of the property beyond the scope of the liabilities agreed in the tenancy agreement, as long as such income is not compensated by the landlord. The income above shall be included in the tax base in the tax period, in which:

⁷⁸⁾ Section 21a of the Act of the National Assembly of the Slovak Republic 289/1995 Coll., as amended by the Act 511/2002 Coll.

⁷⁹⁾ e.g. Section 369 of the Commercial Code.

a) the technical upgrade was commissioned, in case the landlord increases the input (net book) value of the property by the price of the technical upgrade,

b) the tenancy is terminated; the income in kind shall be equal to the net book value, which the technical upgrade would have if depreciated on a straight-line basis (Section 27).

(23) The income in-kind of the landlord shall also include any expenses incurred by the tenant in the repair of the tenanted tangible assets, which were treated as tax expenses of the tenant, and which go beyond the scope of the liabilities of the tenant agreed in the tenancy agreement.⁸⁰⁾

(24) At the determination of the tax loss, taxable parties shall proceed in the same manner, which is prescribed for the determination of the tax base.

(25) Any expense, with respect to which a provision for contingent liabilities has been posted pursuant to special legislation,¹⁾ (such a provision not being treated as a tax expense), shall be included in the tax base in the tax year, in which the expense previously provided for is incurred, provided that such an expense is to be treated as a tax expense pursuant to Section 19 below.

(26) In the tax period, in which there is:

a) a breach of the terms and conditions of financial leasing pursuant to Section 2s), the tax base of the lessee shall be adjusted by a difference between depreciation charges already included among tax expenses pursuant to Section 26 subsection 8 and the depreciation charges, which the lessee would deduct if it were the owner pursuant to Section 27 or Section 28 below,

b) a purchase of the leased asset upon termination of leasing (other than financial leasing) at a price lower than the net book value that the asset would have if depreciated pursuant to Section 27 or Section 28 below, the tax base of the lessee shall be adjusted by a difference between the rent already included among tax expenses and the depreciation charges, which the lessee would deduct if it were the owner pursuant to Section 27 or Section 28 below.

Section 18

Adjustments of Tax Bases of Non-resident Related Parties

(1) The difference referred to in Section 17 subsection 5 above shall be determined using any of the methods based on comparison of prices. If none of the methods based on comparison of prices may be reliably used, methods based on comparison of profits or a mutual combination thereof shall be used, or, as appropriate, other methods, which are not described in subsections 2 or 3 below. Only such methods may be used, the use of which complies with the principle of independent transactions (arm's length basis principle). The arm's length basis principle is based on a comparison of the terms, which were agreed in any business or financial transaction between non-resident related parties and the terms, which would have been agreed between unrelated parties in similar business or financial transactions, in comparable circumstances. The review of comparability of the terms is made by confronting in particular the businesses conducted by the parties, including, but not limited to, their production, assembly works, research and development, purchase and sale, etc., the scope of their business risks, the characteristics of the compared property or the service, the terms agreed between the parties to the transaction, the economic environment on the marketplace, and the business strategy. The terms shall be considered comparable if there is no difference at all or if only minor adjustments would compensate any such a difference.

(2) The following are the methods based on a comparison of prices:

a) fair market price method consisting of a comparison of the price of a transfer of property or service agreed between non-resident related parties, and the comparable fair market price agreed between unrelated parties. If there is any difference between the two prices, the price agreed between non-resident related parties shall be replaced by the fair market price, which would be used by unrelated parties in comparable business or financial transactions at similar terms,

b) subsequent sale method, whereby the price of the transfer of the assets purchased by a non-resident related party is converted to the fair market price using the price, at which the non-resident related party resells the assets to an unrelated party, after deducting the trading margin, which is usually applied by comparable independent resellers,

c) increased costs method, whereby the fair market price is determined with reference to actual direct and indirect costs of the assets or service transferred between non-resident related parties, increased by the trading margin applied by the same supplier vis-à-vis unrelated parties, or by a trading margin, which would be applied by an unrelated party in a comparable transaction on comparable terms.

⁸⁰⁾ e.g. Sections 664 through 669 of the Civil Code.

- (3) The following are the methods based on a comparison of profits:
- a) profit split method, which is based on such a split of the anticipated profit generated by related parties, which would be expected from related parties engaged in a joint venture, while respecting the arm's length basis principle;
 - b) net trading margin method used to determine a profit margin in a business or financial transaction between related parties in relation to costs, revenues or a different basis, which is then compared with a profit margin used vis-à-vis unrelated parties.
- (4) A taxable party may file with the tax administration a written request asking for the approval of the use of a specific method referred to in subsections 2 or 3 above. If the tax administration approves the method suggested by the taxable party, such a method shall apply for at least one tax period, while it shall not be replaced by another method in the course of the tax period.
- (5) The correct application of the method and the determination of the difference pursuant to Section 17 subsection 5 above shall be inspected by tax authorities⁸¹⁾ through tax audits,⁸²⁾ while making reference to the arm's length basis principle, the used method and the analysis of comparability of prices.

Tax Expenses Section 19

(1) If the amount of any expense (cost) is limited by special legislation,⁸³⁾ the documented expense (cost) may be treated as a tax expense up to such a limit. If the amount of any expense (cost) is limited by this Act, or if the inclusion of the expense (cost) in any tax period is regulated by this Act otherwise than by special legislation,¹⁾ the documented expense (cost) may be treated as a tax expense only to the extent and subject to the terms and conditions set out in this Act. If this Act makes any expense (cost) subject to a certain income, or to the receipt of a certain payment, such an expense

⁸¹⁾ Act 150/2001 Coll. (Tax Authorities Act, which also amends the Act 440/2000 Coll. (Financial Administration Act, as amended by the Act 182/2002 Coll.)).

⁸²⁾ e.g. Sections 38 and 46 of the Act of the Slovak National Council 511/1992 Coll., as later amended.

⁸³⁾ e.g. Section 5 subsection 1 of the Act of the National Assembly of the Slovak Republic 152/1994 Coll., as amended by the Act of the National Assembly of the Slovak Republic 375/1996 Coll.

(cost) or its part shall be treated as a tax expense in the tax period, in which the income is earned or the payment is received.

(2) The following are the tax expenses, which may be deducted only to the extent and subject to the terms and conditions set out in this Act:

- a) expenses (costs), which must be paid by the taxable party pursuant to special legislation,⁸⁴⁾
- b) expenses (costs) of operation of one's own facility for the protection of the environment pursuant to special legislation,⁸⁵⁾
- c) expenses (costs) related to appropriate working social and health care conditions, namely:
 1. safety and health protection at work and sanitary facilities at workplaces,
 2. care of the health of employees to the extent set out by special legislation and expenses incurred in company health care facilities,⁸⁶⁾
 3. training and retraining of staff, own training facilities, education of apprentices in secondary apprenticeship centers, unless their operation is to be financed by the competent public administration authority,
 4. allowances for boarding of employees provided on terms set out by special legislation,^{86a)}
 5. payroll and other labor law claims of employees, to the extent of the labor legislation,¹⁷⁾
- d) expenses (costs) of business trips,⁸⁷⁾ to which there is an entitlement pursuant to special legislation,⁸⁷⁾
- e) expenses (costs) incurred by the taxable party earning income under Section 6 subsections 1 and 2 above, which were incurred in connection with an activity performed in a place other than the one, in which the activity is regularly performed, up to the amount defined for employees pursuant to special legislation,⁸⁷⁾ specifically expenses (costs) of boarding,

⁸⁴⁾ e.g. Act 44/1988 Coll. (Mineral Resources Protection and Exploitation Act (Mining Act), as later amended), Act 314/2001 Coll., as amended by the Act 438/2002 Coll., Act 414/2002 Coll. (Economic Mobilization Act, which also amends the Act of the National Assembly of the Slovak Republic 274/1993 Coll. (Definition of the Scope of Powers of Public Authorities with respect to Protection of Consumer, as later amended.)).

⁸⁵⁾ e.g. Act 223/2001 Coll. (Waste Act, which also amends other legislation, as later amended), Act 309/1991 Coll. (Protection of Air from Pollutants Act, as later amended).

⁸⁶⁾ Act of the National Assembly of the Slovak Republic 277/1994 Coll. (Health Care Act, as later amended).

Act of the National Assembly of the Slovak Republic 272/1994 Coll. (Protection of Health of the Population Act, as later amended).

^{86a)} e.g. Section 152 of the Labor Code

⁸⁷⁾ Act 283/2002 Coll.

accommodation, transportation by means of transportation, and expenses, which are strictly necessary and which are related to the stay in such a place. As regards any activities performed abroad, the taxable party may also deduct an amount up to 40% of boarding allowances defined in special legislation.⁸⁷⁾ If the taxable party travels with his/her own passenger car, which is not included among his/her business assets, he/she may deduct expenses (costs) up to the allowance for fuel and base rate for each kilometer of travel defined in special legislation,⁸⁷⁾

f) expenses (costs) equal to the aggregate acquisition cost¹⁾ of shares and the aggregate acquisition cost¹⁾ of other securities in the tax period, in which they are sold, up to the aggregate proceeds from the sale thereof, except for

1. securities traded at a stock exchange, the acquisition cost of which is not higher, and the proceeds from the sale of which are not lower than a deviation of 10% from the average quotation published by the stock exchange on the date of purchase or sale, or, if the securities are not traded on such a date, from the last published average quotation. As regards the securities above, the expense (cost) shall be equal to the acquisition cost of shares, or, with respect to other securities, the acquisition cost adjusted by the valuation difference arising out of valuation at the fair market price pursuant to special legislation,¹⁾ which is included in the tax base,

2. bonds, the selling price of which is not lower by more than the interest accrued on the bonds and included in the tax base up prior to the date of sale or the date of maturity of the bond,

3. taxable parties, which are engaged in the trading with securities pursuant to special legislation,⁸⁸⁾ and which may deduct the expense (cost) of acquisition of securities up to the amount posted as their cost,

g) expenses (costs) equal to the acquisition cost of:

1. ownership interest in a partnership, company, or cooperative, except for the acquisition cost of a shareholding in a joint stock company (share), to which the provisions of paragraph f) above shall apply. In case of sale, the expenses may only be deducted up to the proceeds from the sale, considered separately for each sale,

2. bills of exchange and promissory notes, which are accounted for¹⁾ as securities. In case of sale, the expenses may only be deducted up to the proceeds from the sale, considered separately for each sale,

h) expense (cost) equal to the cost of acquisition of a debt receivable acquired through assignment, or expense equal to the write-off of the nominal value of the debt receivable,¹⁾ net of any default interest, default fees, and other items, which increase the debt due to default (hereinafter referred to only as “accessories”), or the portion of such debt receivable, which is still outstanding. As regards taxable parties using the double-entry bookkeeping system, or those, who used to use the double-entry bookkeeping system and then replaced it by the single-entry bookkeeping system, with respect to debts receivable already included among revenues in the previous tax periods, in which the double-entry bookkeeping system was used, if:

1. a court dismisses a petition in bankruptcy due to insufficient property or if it terminates bankruptcy proceedings, since the property of the taxable party is not sufficient to cover the expenses and the fee of the bankruptcy receiver. The above shall apply also to those taxable parties, who fail to prove for their debts, but who submit a decision of a court, by which it abandoned the bankruptcy proceedings, since the property of the taxable party was not sufficient to cover the expenses and the fee of the bankruptcy receiver, or a decision of a court, by which it dismissed a petition in bankruptcy or by which it cancelled the bankruptcy,

2. the write-off is a result of bankruptcy proceedings or arrangement with creditors,

3. the debtor is dead and the debt receivable could not have been satisfied through its enforcement vis-à-vis the heirs of the debtor,

4. the property of the debtor is not sufficient to cover the costs of execution proceedings or to cover the expenses of enforcement of a court order, and the court suspends the execution or the enforcement upon request of the creditor,

5. the taxable party is allowed to establish an allowance up to 100% of the debt receivable [Section 20 subsection 4, Section 20 subsection 8c), Section 20 subsection 14d) below],

i) expense (cost) equal to the nominal value of a debt receivable without its appurtenances or equal to the acquisition cost of a debt receivable, which is lower than or equal to 1 000 Sk for each debt separately, as long as the creditor waives the enforcement thereof since the costs of recovery would be higher than the value of the debt itself, ,

j) expense (cost) expense equal to the levy on the moneys collected in a lottery,⁵⁶⁾

⁸⁸⁾ Act 566/2001 Coll., as later amended.
Act 385/1999 Coll., as later amended.

- k) advertisement expenses (costs) incurred for the purpose of presentation of the business of the taxable party, its products, services, real estate, business name, trademarks, brands of its products, and other rights and liabilities associated with the business of the taxable party, with the aim to generate, assure, maintain, or increase the income of the taxable party,
 - l) expenses (costs) of consumed fuel at the prices prevailing at the time of purchase thereof, calculated at the rate of consumption as set out in the vehicle technical certificate or, if the technical certificate fails to mention such a rate of consumption, or if the vehicle or the equipment is used for operations, with respect to which no consumption is specified in the technical certificate, using the rate of consumption appearing on a different reliable document,
 - m) expenses, which were financed through subsidies, grants and contributions out of the State budget, budgets of municipalities, regions, State funds, and the National Labor Office, if such subsidies, grants and contributions which were treated as income,
 - n) depreciation charges related to assets, which are not directly used by the taxable party, but which serve to assure the taxable income of the taxable party and at the same time the taxable income of another taxable party, to which such assets were made available, provided that the assets should promote the sale of products, services, or goods of the taxable party, which made available the same for their direct use to another taxable party.
- (3) In addition to the above, also the following items shall be treated as tax expenses:
- a) depreciation charges of tangible and intangible assets (Sections 22 through 29 below),
 - b) net book value (Section 25 subsection 3 below) of tangible and intangible assets upon their disposal through sale or liquidation, or the prorated part of the net book value pertinent to that fraction of the assets, which was sold or liquidated; the net book value of structures or their parts, which are disposed in connection with the development of a new structure or its technical upgrade, shall be included in the cost of acquisition,¹⁾
 - c) net book value or acquisition cost of tangible assets, which have been surrendered free of charge to an organization ensuring their further exploitation pursuant to special legislation,⁹⁰⁾ as long as it is not included in

⁹⁰⁾ Act 70/1998 Coll. (Power Industry Act, which also amends the Act 455/1991 Coll. (Trade Licensing Act, as later amended), as later amended).
Act 442/2002 Coll. (Public Water Mains and Public Sewage Network Act, which also amends the Act 276/2001 Coll. (Network Industries Regulation Act)).

- the acquisition cost of a structure depreciated by the surrendering taxable party,
- d) net book value of tangible and intangible assets disposed off due to a damage thereto, up to the amount of the indemnities included in the tax base, including the proceeds from the sale of the disposed assets, except as provided in paragraph g) below,
- e) in case of sale of tangible assets, which may not be depreciated pursuant to Section 23 below, the input value thereof, while in case of sale of assets referred to in Section 23 subsection 1d) through g) below, and in Section 23 subsection 2d) below, and of any land lots not affected by exploitation, the input value shall be treated as a tax expense only up to the proceeds from the sale,
- f) provisions for contingent liabilities and allowances, as provided in Section 20 below,
- g) damage not caused by the taxable party, and:
 1. arising as a result of natural disasters, such as earthquakes, floods, avalanches, or lightning,
 2. caused by unknown perpetrators in the tax period, in which the above is confirmed by the Police,
- h) the value of a debt receivable upon its assignment, up to the proceeds from the assignment, and the acquisition cost of a debt receivable, up to proceeds from its subsequent assignment; in case of assignment of a debt receivable, which meets the criteria for the posting of an allowance since it is a debt receivable from debtors in bankruptcy or in arrangement with creditors, or it is a bad or classified debt receivable by banks (Section 20 subsection 4 below), or it is a debt referred to in Section 20 subsection 14d) below, the tax expenses shall include that part of the debt, which was posted among expenses, up to the nominal value of the debt, net of any accessories thereof,
- i) insurance premiums and contributions paid by a general commercial partnership for its partners, or paid by a limited partnership for its general partners, or which are paid by the taxable party earning income referred to in Section 6 above, and also any insurance premiums and contributions payable by the employer for the account of its employees,
- j) real estate tax, real estate transfer tax, road tax and other taxes that are related to activities generating income liable to the tax,
- k) value-added tax:

Act 135/1961 Coll. (Roads Act, as later amended).

1. which the VAT taxable person must pay upon termination of its registration pursuant to special legislation,⁶⁾ except as provided in Section 17 subsection 3d) indent two above,
2. in case the VAT taxable person is not entitled to the deduction of the value-added tax, or a prorated part of the value-added tax (in case the VAT taxable person claims the deduction using a coefficient), except for any value-added tax charged on tangible and intangible assets and making part of the input value as provided in Section 25 subsection 5 below,
 - l) supplementary pension insurance premiums, which are paid by the employer for the account of its employees pursuant to special legislation,³⁵⁾
 - m) penalties for the breach of the duty to employ a prescribed number of handicapped and seriously handicapped persons imposed by a special legislation,
 - n) membership fees payable under non-mandatory membership in a legal entity established to promote the interests of the payer, up to 0,05% of the aggregate taxable income in the current tax period, but not more than 2 000 000 Sk per year,
 - o) rent paid under a financial leasing agreement, which exceeds the depreciation charges deducted by the lessee as provided in Section 26 subsection 8 below. Such rent must be included in the tax base throughout the term of the leasing in accordance with special legislation,¹⁾
 - p) fees (commissions) paid for recovery of debts receivable, up to the amount of any debts, which have been recovered,
 - r) membership fees payable under a mandatory membership in a legal entity.
- (4) Any rent, fees (commissions) for mediation services (including any engagements under mandate and similar agreements)⁹¹⁾ paid to individuals shall be treated as tax expenses in the tax period, in which they are actually paid. Any rent paid to individuals for the relevant tax period may be deducted up to the amount, which is accrued or deferred, and which is attributable to that tax period.
- (5) For the purpose of this Act, the term “acquisition cost of an ownership interest or shares on a partnership, company or cooperative” shall mean to include also the value of the contribution in cash and contribution in kind paid up by the partner, member or shareholder, including the premium, if any, or the acquisition cost of the ownership interest or shares in case of its acquisition otherwise than through a contribution to the registered capital.

⁹¹⁾ Sections 642 through 651 of the Commercial Code.

Any increase of the registered capital of the partnership or company using its after-tax profits approved by its general meeting⁹²⁾ or approved by a board of directors of a cooperative,⁹³⁾ shall be treated as payment of a contribution to the registered capital.

Section 20

Allowances for Contingent Liabilities and Provisions

- (1) The provisions for contingent liabilities, the posting of which (subject to the terms of this Act) shall be treated as a tax expense pursuant to Section 19 subsection 3f) above, shall include provisions posted by insurance businesses, and provisions described in subsection 9 below.
- (2) The allowances, the posting of which (subject to the terms of this Act) shall be treated as a tax expense pursuant to Section 19 subsection 3f), shall include allowances for:
 - a) property acquired against consideration¹⁾ (subsection 13 below),
 - b) debts receivable, which are not yet time-barred (subsection 14 below),
 - c) debts receivable from debtors in bankruptcy and arrangement with creditors³⁸⁾ (subsections 10 through 12 below),
 - d) debts receivable, which are posted by banks and branches of non-resident banks⁹⁴⁾ and by the Slovak Export-Import Bank,⁹⁵⁾
 - e) debts receivable arising out upon termination of insurance policies,⁹⁶⁾ which are posted by insurance agencies and branches of non-resident insurance agencies (reinsurance agencies and branches of non-resident reinsurance agencies).
- (3) The principles applicable to the posting, use, and reversal of provisions for contingent liabilities and allowances, are defined in special legislation.¹⁾
- (4) Tax expenses of banks, branches of non-resident banks⁹⁴⁾ and the Slovak Export-Import Bank⁹⁵⁾ shall include allowances posted for debts receivable from borrowers other than banks and branches of non-resident banks, which arose out of loans extended thereto, if it is reasonably expected that such debts would not be repaid up to the nominal value thereof. Allowances for non-standard debts may be deducted up to 20% of their unsecured value, allowances for bad debts may be deducted up to 65% of their unsecured

⁹²⁾ Sections 144 and 208 of the Commercial Code.

⁹³⁾ Section 223 subsection 8 of the Commercial Code.

⁹⁴⁾ Act 483/2001 Coll. (Banks Act, which also amends other legislation, as later amended).

⁹⁵⁾ Act 80/1997 Coll. (Slovak Export-Import Bank Act, as later amended).

⁹⁶⁾ Section 801 of the Civil Code.

value, and allowances for lost debts may be deducted up to 100% of their unsecured value.

(5) The allowances under subsection 4 above shall be posted for the amount of the debt, which shall be net of any default interest and other interest, which is not treated as income.

(6) The classification of the debts, which are referred to in subsection 4, shall follow a generally binding legal regulation to be enacted by the National Bank of Slovakia, which shall be promulgated in the Slovak Collection of Laws.

(7) The balance of the allowances, the posting of which is treated as a tax expense pursuant to subsection 4 above, shall include also any balances brought forward from the previous tax period.

(8) As regards provisions for contingent liabilities and allowances posted by insurance businesses pursuant to special legislation,⁹⁷⁾ the following shall be treated as a tax expense:

a) technical reserves for general insurance⁹⁷⁾ in the amount, which shall not exceed the aggregate liabilities calculated using the methods described by special legislation,⁹⁷⁾

b) technical reserves for life insurance⁹⁷⁾ in the amount, which shall not exceed the aggregate liabilities calculated using the methods described by special legislation,⁹⁷⁾ which arise out of life insurance policies payable under existing insurance agreements,

c) allowances for debts receivable arising upon termination of insurance policies,⁹⁶⁾ up to the nominal value of such debts receivable.

(9) In addition to the above, also the posting of the following provisions for contingent liabilities among costs¹⁾ shall be treated as a tax expense:

a) unused holidays, including any insurance premiums and contributions, which the employer must pay for the account of its employees, premiums and bonuses including any insurance premiums, which the employer must pay for the account of its employees, non-invoiced supplies and services, preparation, audit, publishing of financial statements and annual report, and preparation of tax return,

b) forestry activities carried out pursuant to special Act;⁹⁸⁾ the forestry provisions shall be defined in the yearly forestry project approved by an official forest manager,⁹⁹⁾

⁹⁷⁾ Act 95/2002 Coll.

Act 80/1997 Coll., as later amended.

⁹⁸⁾ Act of the Slovak National Council 100/1977 Coll. (Forestry Management and Public Forestry Administration, as later amended).

c) recovery of land affected by mining,¹⁰⁰⁾

d) closure, recovery, and monitoring of waste-dumps¹⁰¹⁾ following the closure thereof.

(10) As regards allowances for debts receivable from debtors in bankruptcy and arrangement with creditors, the posting of such allowances may be treated as a tax expense only by taxable parties using the double-entry bookkeeping system, up to the nominal value of such debts net of any accessories thereof, provided that the debts have been filed with the bankruptcy receiver prior to the expiration of the term specified in the bankruptcy order³⁸⁾ or in the decision of the court authorizing arrangement with creditors. Banks shall be allowed to deduct allowances for debts receivable from debtors in bankruptcy and arrangement with creditors in the amount of the difference between the value of the debts filed with the bankruptcy receiver prior to the expiration of the term specified in the bankruptcy order, and the value of the debt included among expenses pursuant to subsection 4 above. Allowances for debts receivable from debtors in bankruptcy and arrangement with creditors shall be regarded as tax expenses starting from the tax period, in which such debts are duly filed with the bankruptcy receiver.

(11) The allowances for debts receivable from debtors in bankruptcy and arrangement with creditors shall be reversed (by crediting revenues) in the tax period, in which the debts receivable are settled. If the debts are denied by the bankruptcy receiver, and if the creditor fails to file, with a court or the competent administration authority, an action aimed at the recovery of the debts and its settlement out of the bankruptcy estate, the tax base shall be increased by the value of the debts so denied. If the debts are denied by the bankruptcy receiver, and if the creditor files, with a court or the competent administration authority, an action aimed at the recovery of the debts and its settlement out of the bankruptcy estate, the tax base shall be increased by the value of the debts so denied or their part in the tax period, in which the court or the competent administration authority dismisses the action.

(12) The subsections 10 and 11 above shall apply also to any debts receivable from non-resident debtors. If such debts are receivable from debtors having their registered offices or permanent residences in a country

⁹⁹⁾ Sections 13 through 14a of the Act of the Slovak National Council 100/1977 Coll., as later amended.

¹⁰⁰⁾ Act 44/1988 Coll., as later amended.

¹⁰¹⁾ Act 223/2001 Coll., as later amended.

without any bankruptcy legislation, any allowances posted by the taxable party for debts receivable, which are being enforced through courts in such countries, may also be treated as tax expenses.

(13) Any allowances for acquired assets shall be treated as tax expenses or income in accordance with the accounting legislation,¹⁾ while the period of their inclusion among tax expenses or income shall be the same both with respect to taxable parties using the single-entry bookkeeping system and with respect to taxable parties using the double-entry bookkeeping system.

(14) Allowances for debts receivable, with respect to which there is a risk of partial or total default by the debtor, and which were treated as income, or, as regards taxable parties engaged in the provision of consumer credits,¹⁰²⁾

also that part of the allowance, which relates to the capital and the interest treated as income from consumer credits, shall be treated as tax expenses provided that such debts receivable are overdue for more than:

- a) three months, in which case the expenses (cost) shall include up to 25% of the nominal value of the debt, net of its accessories,
- b) six months, in which case the expenses (cost) shall include up to 50% of the nominal value of the debt, net of its accessories,
- c) nine months, in which case the expenses (cost) shall include up to 75% of the nominal value of the debt, net of its accessories,
- d) twelve months, in which case the expenses (cost) shall include up to 100% of the nominal value of the debt, net of its accessories.

(15) The provisions of subsection 14 above shall not apply to banks, branches of non-resident banks, insurance agencies, branches of non-resident insurance agencies, reinsurance agencies, and branches of non-resident reinsurance agencies.

Section 21

(1) Those expenses (costs) shall not be treated as tax expenses, which are not related to the taxable income, even though the same were posted in the books of accounts¹⁾ of the taxable party as expenses (costs), and also those expenses (costs), the incurrance of which is not sufficiently documented, and also:

¹⁰²⁾ Act 258/2001 Coll. (Consumer Credits Act, which also amends the Act of the Slovak National Council 71/1986 Coll. (Slovak Trade Inspection Act, as later amended)).

a) expenses (costs) of acquisition of tangible and intangible assets (Section 22 below) and non-depreciated tangible and intangible assets (Section 23 below),

b) expenses of registered capital increases, including repayment of loans, c) acquisition cost of securities, ownership interests and shares on a partnership, company or cooperative, with the exceptions specified in Section 19 subsection 2f) and g) above, and with the exception of the excess of the acquisition cost of the security over the value posted on the maturity of the security,

d) distributions of profits, including any shares of profits (royalties) paid to members of statutory and other bodies of legal entities,

e) expenses above the limits prescribed by this Act or by special legislation;¹⁵⁾ and expenses (costs) incurred in contrast with this Act or special legislation,¹⁰³⁾

f) expenses exceeding income in facilities provided for satisfying the needs of employees or other persons, except for those under Section 17 subsection 3e) above, while such expenses and income shall be aggregated with respect to all such facilities,

g) expenses of technical upgrade (Section 29 subsection 1 below) and any expenses, which are treated as technical upgrade (Section 29 subsection 2 below),

h) entertainment expenses other than expenses of advertisement objects identified by the business name or a registered trademark of the donor, with the unitary value not exceeding 500 Sk,

i) expenses for personal purposes of the taxable party, including any expenses (costs) of protection of the taxable party and its close persons, or protection of that property of the taxable party, which is not treated as business assets of the taxable party, and the property of close persons of the taxable party. The provision above shall not apply to expenses (costs) under Section 19 subsection 2e) above,

j) expenses (costs) incurred to generate income not included in the tax base, k) expenses (costs) of purchase of treasury shares in excess of the nominal value thereof.

(2) Neither the following items shall be treated as tax expenses:

¹⁰³⁾ e.g. Act 147/2001 Coll. (Advertisement Act, which also amends other legislation, as amended by the Act 23/2002 Coll.).

- a) tax surcharges, health care insurance surpremiums, interest paid for any grace period with respect to the payment of taxes and customs duties, penalties and fines, other than any paid liquidated damages,
- b) surcharges on the basic rates of charges for air pollution and for dumping of waste,¹⁰⁴⁾
- c) surcharges on the basic charges for the discharge of wastewater,¹⁰⁵⁾
- d) amounts posted to the reserve fund and other funds for specific purposes, other than mandatory allocations to the social fund pursuant to special legislation,¹³⁾
- e) shortages and damage¹⁾ in excess of any indemnities received, except as provided in Section 19 subsection 3g) above, and except of losses suffered in retail sale based on economically justified standards of losses determined by the taxable party, and except for losses of animals, which are dead otherwise than by the fault of the taxable party and which are not treated, for the purposes of the Act, as tangible assets. The death or the necessary slaughter of any animal making part of the base herd will not be treated as damage,
- f) net book value of tangible and intangible assets, which have been disposed-off permanently, except as provided in Section 19 subsection 3b) through d) above,
- g) taxes paid under this Act,
- h) taxes paid for the account of another taxable party,
- i) value added tax with respect to VAT taxable persons, except as provided in Section 19 subsection 3k) above, and except for any value-added tax, which has been assessed subsequently with respect to previous tax periods, and which is treated as an expense,
- j) amounts posted to provisions for contingent liabilities and allowances, except as provided in Section 20 above.

Section 22

Depreciation of Tangible and Intangible Assets

(1) For the purposes of this Act, the term “depreciation” shall mean gradual inclusion among tax expenses of depreciation charges of tangible and

¹⁰⁴⁾ Act 223/2001 Coll., as later amended.

Act of the National Assembly of the Slovak Republic 327/1996 Coll. (Waste Dumping Fees Act, as later amended).

¹⁰⁵⁾ Decree of the Government of the Czechoslovak Socialist Republic 35/1979 Coll. Charges in Water Resource Management Decree, as later amended.

intangible assets, which are posted in the books¹⁾ or in the registers kept pursuant to Section 6 subsection 11 above, and which are used to assure the taxable income. The procedure of depreciation of tangible assets is set forth in Sections 26 through 28 below, while the procedure of depreciation of intangible assets is set forth in subsection 8 below, except for those tangible and intangible assets, which are not depreciated pursuant to Section 23.

(2) For the purposes of this Act, the following assets shall be treated as depreciable assets:

- a) separate movable assets, or sets of movable assets with separate technical-economical destination, the input value of which is higher than 30.000 Sk and the operational-technical life expectancy of which exceeds one year,
- b) buildings and other structures,¹⁰⁶⁾ other than:
 1. operating mining plants,
 2. petty structures erected on forestry land used for forestry management and hunting, and other than fencing used to secure the forestry management and hunting,¹⁰⁷⁾
- c) perennial crops¹⁰⁸⁾ described in subsection 5 below yielding crops for the at least three years,
- d) animals listed in the Annex to this Act,
- e) sundry assets listed in subsection 6 below.

(3) The term „separate movable assets” includes also production facilities, facilities and objects used for the provision of services, single-purpose objects and other facilities, which do not constitute a functional part of a building or structure, even though they are firmly attached thereto.

(4) The term „set of movable assets” shall mean a set of separate movable assets with separate technical-economical destination. The set of separate movable assets with separate technical-economical destination shall include also a part of production or other complex. The set of movable assets will

¹⁰⁶⁾ Section 43a of the Act 50/1976 Coll. (Territorial Planning and Civil Engineering Regulations Act, as later amended)
Decree of the Federal Statistic Office 128/2000 Coll., which publishes the Classification of Structures

¹⁰⁷⁾ Act 50/1976 Coll., as later amended.

¹⁰⁸⁾ Act of the National Assembly of the Slovak Republic 162/1965 Coll. (Real Estate Registers and Registration of Ownership Title and other Rights to Real Estate Act, as amended by the Act of the National Assembly of the Slovak Republic 222/1996 Coll.)
Decree of the Geodesy, Cartography and Real Estate of the Slovak Republic 79/1996 Coll. (Decree, which implements the Real Estate Registers and Registration of Ownership Title and other Rights to Real Estate Act)

be posted in the books of accounts or in the records kept pursuant to Section 6 subsection 11 above separately in order to have available the documented technical and costing data concerning the individual items belonging to the set, to enable the determination of the main functional item and the tracing of any change to the set (additions, disposals), including the date of any such changes, their extent, the input and net book values of the individual additions and disposals, the aggregate value of the set, the depreciation charges, including changes thereto due to the changes of the input value of the set of movable assets.

(5) The term “perennial crops yielding crops for the at least three years” as used in subsection 2 above shall mean:

- a) fruit trees planted on a continuous land lot with the extent in excess of 0,25 ha and with the density of at least 90 trees per 1 hectare,
- b) fruit bushes planted on a continuous land lot with the extent in excess of 0,25 ha and with the density of at least 1000 bushes per 1 hectare,
- c) hop-yards and vineyards.

(6) For the purpose of this Act, the term “sundry assets” shall mean expenses:

- a) incurred in opening new quarries, sand pits, clay pits, waste dumps, unless they increases the input value or the net book value of tangible assets,
- b) incurred in technical reclamation, unless special legislation provides otherwise,¹⁰⁹⁾
- c) incurred in technical upgrade of immovable historical monuments in excess of 30.000 Sk,
- d) incurred in technical upgrade of leased assets with the value in excess of 30.000 Sk, which has been implemented and depreciated by the lessee,
- e) incurred in technical upgrade of fully depreciated tangible assets with the value in excess of 30.000 Sk.

(7) The term “intangible assets” as used in this Act shall mean industrial property rights,¹¹⁰⁾ copyright and rights similar to copyright,¹¹¹⁾ including

¹⁰⁹⁾ Act 44/1988 Coll., as later amended.

Act 223/2001 Coll., as later amended.

¹¹⁰⁾ e.g. Act 527/1990 Coll., as later amended.

Act 478/1992 Coll. (Utility Models Act, as later amended).

Act 55/1997 Coll. (Trademark Act, as later amended by the Act 577/2001 Coll.).

Act 469/2003 Coll. (Origin of Products Marking and Geographic Designations Act, which also amends other legislation).

Act 146/2000. (Protection of Topographies of Semiconductors Products Act).

software and databases, designs, production and technological procedures, confidential information, forestry management plans, technical or other economically exploitable knowledge, the input value of which is higher than 50.000 Sk each, and the operational-technical life expectancy of which exceeds one year, and which are either acquired against consideration or developed in-house for the purpose of their trading, and capitalized development costs, start-up costs in excess of 50.000 Sk and technical upgrade of fully depreciated intangible asses in excess of 30.000 Sk.

(8) Intangible assets shall be fully depreciated within five years after the date of acquisition thereof, in accordance with the accounting regulations,¹⁾ up to their input value (Section 25). Any technical upgrade of intangible assets shall be fully depreciated within five years after the completion and commissioning thereof.

(9) The taxable party may suspend the depreciation of tangible assets for a single entire tax period or for several entire tax periods, while the depreciation shall then resumed in the next tax period as if it was not suspended at all. The term of the depreciation shall be extended by the time, during which it was suspended. The above does not apply to taxable parties, who deduct expenses as provided in Section 6 subsection 10 above. If such parties suspend the depreciation, they shall record depreciation charges for information purposes only, and shall not be allowed to extend the period of depreciation of tangible assets by the time of suspension.

(10) Inventories shall not be treated as tangible assets for the purposes of this Act.

(11) The yearly depreciation charges of tangible assets referred to in Section 26 subsections 6 through 9, Section 27 or Section 28 below, which were posted in the books of accounts¹⁾ or in the records kept pursuant to Section 6 subsection 11 above as of the last day of the tax period (other than non-depreciable assets), may be deducted by the taxable party as of the last day of the tax period.

(12) Upon disposal of tangible and intangible assets depreciated pursuant to Section 26 subsections 6 through 9 below, the taxable party shall deduct depreciation charges corresponding to the number of entire months, during which the assets were posted in the books of accounts¹⁾ of the taxable party, or in its records kept pursuant to Section 6 subsection 11.

Act 444/2002 Coll. (Designs Act)

¹¹¹⁾ Act 383/1997 Coll., as amended by the Act 234/2000 Coll.

(13) Those taxable parties, which are being wound up without their liquidation,¹¹²⁾ shall deduct, out of the yearly depreciation charges, a prorated part corresponding to the number of entire months, during which the assets were posted in their books of accounts.¹⁾ The remaining portion of the yearly depreciation charges (corresponding to the remaining months) shall be deducted by the successor-in-law of the wound up taxable party; such a remaining portion of the yearly depreciation charges shall be deducted in the month, in which the assets are registered as property of the successor-in-law. The procedure above shall apply also in case of transfer of administration rights to the property owned by the State, municipality, or region.

Section 23 **Non-Depreciable Tangible and Intangible Assets**

(1) The following assets shall be excluded from depreciation:

- a) land,
- b) perennial crops yielding crops for more than three years, which have not yet reached their production age,
- c) protection dikes, torrent works, and forestry-technical improvement schemes,
- d) works of art,¹¹¹⁾ which are not part of structures or buildings,
- e) movable national cultural monuments,¹¹³⁾
- f) surface and underground waters, forests, caves, measuring marks, indicators and other selected surveying standards and printing materials of the publication of State maps,
- g) museum and gallery objects.¹¹⁴⁾

(2) In addition to the above, also the following assets shall be excluded from depreciation:

- a) displacement of utility networks carried out by the owners thereof, if such works are financed by the individual or the legal entity, which induced the need for such works,⁹⁰⁾
- b) intangible assets contributed to the registered capital of a partnership, company or cooperative, if they have been acquired by the founder free of

¹¹²⁾ Section 69 of the Commercial Code.

¹¹³⁾ Section 2 of the Act 49/2002 Coll. (Monuments Protection Act).

¹¹⁴⁾ Act 115/1998 Coll. (Museums, Galleries, and Projection of Museums and Galleries Objects Act, as later amended).

¹¹⁵⁾ Section 553 of the Civil Code.

charge (e.g. trade mark, know-how), or if according to the terms and conditions of the contribution, the partnership, company or cooperative was only granted the right to use such intangible assets, without any transfer of the title thereto and without the entitlement to grant the right of usage thereof to third parties,

- c) any surpluses of tangible and intangible assets established in the course of their physical count,¹⁾
- d) tangible assets acquired by a creditor as a result of securing a debt through a transfer of rights¹¹⁵⁾ for the term of the security,
- e) tangible assets, which have been acquired, free of charge, by an organization ensuring their further exploitation pursuant to special legislation,⁹⁰⁾ if the expenses incurred in the development thereof have been included in the acquisition cost of a structure by the surrendering taxable party, or if they are posted among expenses upon the surrender of the assets [(Section 19 subsection 3c) above].

Section 24

(1) Tangible and intangible assets shall be depreciated by the taxable party having the ownership title to such assets, or having right to administer assets owned by the State, municipality, or region. Notwithstanding the above, tangible and intangible assets shall be depreciated by the taxable party, which does not hold the title nor the administration right thereto, provided that such a taxable party keeps books of accounts¹⁾ or records pursuant to Section 6 subsection 11 above concerning:

- a) tangible assets, if there is a transfer of the title thereto to secure a debt through the assignment of rights¹¹⁵⁾ to the creditors, provided that the original owner (debtor) enters with the creditor into a written lending agreement¹¹⁶⁾ with respect to such assets for the term of the security,
- b) long-term tangible movable assets, the ownership title to which passes over to the buyer only upon payment of the purchase price in full, and which are being used by the buyer prior to the date of acquisition of the ownership title thereto,
- c) real estate acquired under an agreement, whereby the ownership title thereto is only acquired upon its registration in the Register of Real Estate, if the buyer uses the real estate prior to the date of acquisition of the ownership title thereto,

¹¹⁶⁾ Section 659 of the Civil Code.

- d) tangible assets acquired under a financial leasing agreement.
- (2) Technical upgrade of leased tangible assets paid for by the lessee may be depreciated by the lessee under a written agreement with the owner, unless the owner's input value of such tangible assets is increased by the amount of such expense. When depreciating the technical upgrade, the lessee shall follow the procedure prescribed for the depreciation of tangible assets. The lessee shall treat the technical upgrade as belonging to the same depreciation category, to which the leased tangible assets belong. The provisions above shall apply also to the depreciation of sundry assets referred to in Section 22 subsection 6e).
- (3) Any tangible and intangible assets, which are co-owned, shall be depreciated by each of the co-owners with reference to the input value of the assets, pro rata to their ownership interests.
- (4) When depreciating tangible and intangible assets, which are used to assure taxable income only partially, only a prorated part of the depreciation charges shall be treated as an expense incurred in assuring the taxable income.
- (5) The taxable party, who is an individual, and who transfers any tangible or intangible assets from personal property to his/her business assets, and also the taxable party, which has not been established or founded to conduct business, and which starts to use assets for an activity generating income liable to the tax, shall depreciate such assets in the manner prescribed for "subsequent years of depreciation" with reference to the input value defined in Section 25 subsection 1d) below.
- (6) Tangible and intangible assets defined individually,¹¹⁷⁾ which have been granted to an association, which is not a legal entity, to be used jointly by the members of the association, shall be depreciated by that member of the association, who granted such assets to be used jointly by the members of the association.
- (7) In addition to the owner, intangible assets may be depreciated also by the taxable party, which acquires the right to use such assets against consideration.

Section 25

- (1) The term "input value" of tangible and intangible assets shall mean:

¹¹⁷⁾ Section 833 of the Civil Code.

- a) the acquisition cost,¹¹⁸⁾ including any assets contributed as contribution in kind by an individual to the registered capital of a partnership, company or cooperative, provided that such a contribution has not been treated as business assets, and provided that such assets would not enjoy exemption from the tax pursuant to Section 9 above upon their sale,
- b) the production costs,¹¹⁸⁾
- c) the reproduction costs determined pursuant to special legislation.¹¹⁸⁾ In case of immovable cultural monuments, the reproduction cost is determined as the price of the structure determined pursuant to special legislation¹¹⁹⁾ regardless of the category of the cultural monument, its historical value and the value of artistic and handicraft works, which are incorporated therein;
- d) the value determined pursuant to paragraphs a) and b) above in a situation, in which an individual transfers any assets from personal property to his/her business assets, and also with respect to the taxable party, which has not been established or founded to conduct business, and which starts to use assets for an activity generating income liable to the tax, while no depreciation charges shall be deducted for the years, during which the tangible and intangible assets have not been used to assure taxable income,
- e) the value of the debt secured by a transfer of the title to tangible movable assets and tangible immovable assets, which in case of default in the payment of the debt or its part passes on to the creditor,¹¹⁵⁾ less any fraction of the loan or credit, which has been repaid,
- f) the net book value of the assets, with respect to a contributor or donor upon disposal of the assets due to their contribution to a partnership, company, or cooperative, or due to their donation, except for any non-depreciable assets,
- g) the acquisition cost of non-depreciable assets, with respect to a contributor or donor upon disposal of the assets due to their contribution to a partnership, company, or cooperative, or due to their donation.
- (2) The input value shall also include any technical upgrade starting from the tax period, in which the technical upgrade is completed and commissioned. In case of accelerated depreciation method, the technical upgrade shall be summed up also to the net book value.

¹¹⁸⁾ Section 25 subsection 4 of the Act 431/2002 Coll.

¹¹⁹⁾ Decree of the Ministry of Finance of the Slovak Republic No. 465/1991 Coll. (Prices of Structures, Land, Perennial Crops, Fees for Establishment of Right of Usage of Land and Compensations for Temporary Use of Land Decree, as later amended).

(3) For the purposes of this Act, the term “net book value” shall mean the difference between the input value of tangible and intangible assets and the accumulated depreciation of such assets treated as a tax expense [Section 19 subsection 3a) above].

(4) If the taxable party uses the accelerated depreciation method (Section 28 below), for the purposes of determination of the yearly depreciation charges and the assignment of the yearly coefficient, any technical upgrade shall increase the input value (hereinafter referred to as „the increased input value“). The above shall not apply if the technical upgrade is implemented in the first year of depreciation.

(5) The input value shall also include:

a) the value-added tax with respect to a taxable party, which is not a VAT taxable person,

b) the value-added tax with respect to a taxable party, which is a VAT taxable person, but which cannot deduct the value-added tax, or

c) a fraction of the value-added with respect to a taxable party, which is a VAT taxable person, but who is not entitled to a deduction of such a fraction of the value-added tax, since it claims the deduction of VAT using a coefficient in accordance with special legislation.⁶⁾

(6) If tangible assets are procured under a financial leasing agreement, the acquisition cost of the lessee shall not include the value added tax.

(7) In case of increase or reduction of the input value of already depreciated tangible assets for reasons other than the technical upgrade thereof (hereinafter referred to only as “adjusted input value”), the depreciation charges will make reference to the adjusted input value (net book value), while maintaining the yearly depreciation rate or the coefficient determined pursuant to Sections 27 or 28 below.

Section 26 Procedure of Depreciation of Tangible Assets

(1) In the first year of depreciation, the taxable party shall include its tangible assets classified according to the Production and Structures Classification¹²⁰⁾ into depreciation categories as per the Annex to this Act. The period of depreciation shall be:

¹²⁰⁾ Decree of the Slovak Statistic Office 632/2002 Coll., which publishes the statistical classification of production.
Ordinance of the Slovak Statistic Office 128/2000 Coll.

DEPRECIATION CATEGORY	PERIOD OF DEPRECIATION
1	4 years
2	6 years
3	12 years
4	20 years

(2) Tangible assets, which cannot be included into any of the depreciation categories specified in the Annex to this Act, and the useful life of which is not defined by any other legislation, shall be included in the depreciation category 2 for the purposes of their depreciation. The above shall not apply to tangible assets referred to in subsections 6 through 9 below. A set of movable assets shall be included into the depreciation category with reference to the main functional unit thereof.

(3) The taxable party shall either depreciate its tangible assets using the straight-line depreciation method, (Section 27 below) or the accelerated depreciation method (Section 28 below). The taxable party shall determine the method of depreciation with respect to each newly acquired tangible asset, and this method cannot be changed for the entire period of depreciation. The taxable party's successor-in-law shall resume the depreciation started by the original owner of the asset.

(4) Tangible assets shall be depreciated up to the input value thereof, or, as appropriate, up to the input value increased by any technical upgrade, or up to the net book value increased by any technical upgrade, if the taxable party uses the accelerated depreciation method.

(5) If there is a technical upgrade, or if the term of depreciation is reduced, the tangible assets shall be depreciated up to the input value (or up to the input value increased by any technical upgrade) applying the depreciation rate then in force, or up to the net book value or increased net book value applying the coefficient prescribed for the relevant depreciation category. The technical upgrade shall result in an extension of the term of depreciation by a period calculated in accordance with Section 27 or Section 28 below.

(6) The annual depreciation charge applied to new quarries, sand pits, clay pits and technical reclamation (provided they are not included in the input value of the tangible assets, of which part they make), to temporary building sites¹⁰⁷⁾ and to mining plants, shall be determined as the input value divided by the specific useful life of the assets.

(7) The yearly depreciation charge applied to forms, patterns and templates (Production Classification codes 28.62.5, 29.52.4 – only with respect to machines for forming or casting moulds from sand, and codes 29.56.23, 29.56.24) shall be determined as the input value divided by the specific useful life or as the input value divided by the specific number of castings or stampings.

(8) Any tangible assets leased under a financial leasing agreement shall be depreciated by the lessee for the term of the leasing up to 100% of the principal determined pursuant to special legislation.¹⁾ The provisions of Sections 27 and 28 below shall not apply to the depreciation procedure, but the depreciation charges shall be determined on a straight-line basis as a prorated part of the acquisition cost attributable to each calendar month of the term of leasing.

(9) The yearly depreciation charges pursuant to subsections 6, 7 and 8 above shall be calculated for entire calendar months, starting from the calendar month, in which the conditions for starting the depreciation were met. The conditions will be deemed met in the calendar month, in which the assets were posted to the books of accounts or to the records kept pursuant to Section 6 subsection 11 above. If assets are depreciated as provided in subsection 8 above, the calendar month, in which the leased tangible asset was delivered to the lessee in accordance with the financial leasing agreement in conditions suitable for its use contemplated in the agreement or for normal use, shall be treated as the month, in which the conditions for starting the depreciation were met. With this method of depreciation, yearly depreciation charges may be posted in the year of starting and termination of depreciation only for a prorated part attributable to such a tax period in consideration of the number of calendar months, during which the assets were used to assure the income.

(10) The monthly depreciation charges calculated pursuant to subsections 6, 7, and 8 above, shall be rounded up to whole Slovak Crowns.

Section 27 Depreciation of Tangible Assets on a Straight-line Basis

(1) When using a straight-line depreciation method, the yearly depreciation charges shall be determined dividing the input value of tangible assets by the number of years of depreciation prescribed for the relevant depreciation category in Section 26 subsection 1 above as follows:

DEPRECIATION CATEGORY	YEARLY DEPRECIATION
1	1/4
2	1/6
3	1/12
4	1/20

(2) The yearly depreciation charges calculated pursuant to subsection 1 above shall be rounded up to whole Slovak Crowns.

Section 28 Accelerated Depreciation of Tangible Assets

(1) If the accelerated method of depreciation of tangible assets is used, the following accelerated depreciation coefficients shall apply to the individual depreciation categories:

DEPRECIATION CATEGORY	COEFFICIENT FOR ACCELERATED DEPRECIATION		
	first year	subsequent years	for incr. net book value
1	4	5	4
2	6	7	6
3	12	13	12
4	20	21	20

(2) With the accelerated method of depreciation, the depreciation charges of tangible assets will be calculated as follows:

- a) in the first year of depreciation as the input value divided by the applicable coefficient of accelerated depreciation prescribed for the first year of depreciation,
- b) in the subsequent years of depreciation as two times the net book value divided by the applicable coefficient of accelerated depreciation prescribed for the subsequent years of depreciation, minus the number of years for which the asset has already been depreciated.

(3) When applying the accelerated method of depreciation to tangible assets, the value of which has been increased by technical upgrade, the depreciation charges shall be calculated as follows:

a) in the year, in which the net book value is increased, as two times the net book value of the tangible asset divided by the applicable coefficient of accelerated depreciation prescribed for the increased net book value,

b) in the subsequent years of depreciation as two times the net book value of the tangible asset divided by the coefficient of accelerated depreciation prescribed for the subsequent years of depreciation, minus the number of years for which the increased net book value has already been depreciated with reference to the increased net book value.

(4) The yearly depreciation charges calculated pursuant to subsections 2 and 3 above shall be rounded up to whole Slovak Crowns.

Section 29

Technical Upgrade of Tangible and Intangible Assets

(1) For the purposes of this Act, the term “technical upgrade of tangible and intangible assets” shall mean expenses incurred in respect of completed extensions, additions, adaptations of buildings or structures,¹⁰⁷⁾ reconstruction and modernization exceeding, with respect to each individual tangible and intangible asset, 30.000 Sk in the aggregate for the tax period.

(2) Technical upgrade of tangible and intangible assets referred to in subsection 1 above shall also include any technical upgrade, which does not exceed, in the aggregate, 30 000 Sk in any tax period, if the taxable party decides to treat such expenses as technical upgrade. Thereafter, the relevant expenses shall be depreciated as an integral part of the input value, increased input value, or increased net book value of tangible or intangible assets.

(3) The term “technical upgrade” shall include also any technical upgrade for an amount higher than 30 000 Sk per tax period made to long-term tangible assets¹⁾ with the acquisition cost lower than or equal to 30 000 Sk. Such a technical upgrade shall be summed up to the acquisition cost of long-term tangible assets and the yearly depreciation charge shall be calculated pursuant to Section 26 below.

(4) For the purposes of this Act, the term “reconstruction” shall mean alterations of a tangible asset resulting in a change to its purpose, a qualitative change of its performance or its technical parameters. A

replacement of the used materials with new ones having comparable characteristics shall not be regarded as a change of technical parameters.

(5) For the purposes of this Act, the term “modernization” shall mean improvement of the amenities or fittings or utility value of the tangible asset through such new components, which the original assets did not contain and which will be incorporated therein. The components will be deemed incorporated in the original asset if they are independent items, which are intended for the common use with the main asset and together with such main asset they constitute a single unit.

Section 30

Deduction of Tax Loss

(1) A tax loss may be deducted from the tax base during not more than five immediately following tax periods, starting from the one, which immediately follows the tax period, in which the tax loss is booked. The right to deduct the tax loss shall be extinguished if the taxable party enters into liquidation, if a bankruptcy order is made against the taxable party, or if an arrangement with its creditors is authorized. No tax losses may thus be deducted after the date of entry into liquidation, or the date of the bankruptcy order, or the date, on which the arrangement with creditors is authorized. If the tax period is shorter than one year, the taxable party shall be free to deduct the entire yearly tax loss attributable to that year.

(2) If the taxable party, who started to deduct the tax loss or who became entitled to deduct the tax loss in pursuance of subsection 1 above, ceases to exist since it becomes dissolved without liquidation, the successor-in-law of the taxable party may pursue the deduction of the tax loss. If there are several successors-in-law, the tax loss may be deducted by each of the successors-in-law on a prorated basis, pro rata to the equity of the dissolved taxable party, which passed over to the individual successors-in-law. If the tax period of any successor-in-law differs from the tax period of the dissolved taxable party, the successor-in-law of the taxable party shall be free to keep deducting the tax loss in the tax period following the one, in which it became a successor-in-law of the dissolved taxable party.

(3) The tax loss booked by a taxable party, who is a partner of a general commercial partnership, shall be increased by the portion of the tax loss booked by the general commercial partnership, which is attributable to that taxable party, or it shall be reduced by the portion of the tax base of the general commercial partnership, which is attributable to that taxable party.

(4) The tax loss booked by a taxable party, who is a general partner of a limited partnership, shall be increased by the portion of the tax loss booked by the limited partnership, which is attributable to that taxable party, or it shall be reduced by the portion of the tax base of the general commercial partnership, which is attributable to that taxable party.

(5) The provisions of Sections 17 through 29 above shall apply to the determination of the tax loss, which may be deducted pursuant to subsection 1 above.

Section 31 Exchange Rate

(1) Unless this Act provides otherwise, for tax purposes any conversion of foreign currency to the Slovak currency shall make reference to the exchange rate between the Slovak Crown and the foreign currency announced by the National Bank of Slovakia (hereinafter referred to only as „exchange rate“), which the taxable party uses in its books of accounts.¹²¹⁾ As regards any purchase or sale of foreign currency against the Slovak currency, reference shall be made to the exchange rate, at which such funds were purchased or sold.

(2) If the taxable party is not an accounting entity, the conversion shall make reference to the average exchange rate for the calendar month, in which the income was paid, except as provided in subsection 3 below. Such exchange rate shall also apply to any income from dependent activities originating from sources abroad.

(3) At the conversion of tax on interest accrued on bank accounts denominated in a foreign currency, or on certificates of deposit denominated in a foreign currency, the tax on which is withheld as provided in Section 43 below, reference shall be made to the exchange rate in force on the date, on which the interest was credited in favor of the taxable party. The tax so calculated shall be rounded down to whole Slovak Crowns. The above shall apply also to other types of income referred to in Section 16 above, the tax on which is withheld as provided in Section 43 below, or the tax on which is secured as provided in Section 44 below, while the tax or the tax security to be withheld shall be calculated with reference to the exchange rate in force on the date of the withholding.

¹²¹⁾ Section 24 subsection 2 of the Act 431/2002 Coll.

(4) For the purposes of deduction of any taxes paid abroad, reference shall be made to the yearly average exchange rate for the tax period, with respect to which the tax return is being filed. If the tax period does not coincide with the calendar year, the conversion shall make reference to an average value calculated using the monthly exchange rates for the period, with respect to which the tax return is being filed.

TITLE FIVE COLLECTION AND PAYMENT OF TAXES

PART ONE PERSONAL INCOME TAX

Section 32 Tax Return

(1) A tax return for any tax period must be filed by the date set forth in Section 49 below by any taxable party, who earned, in the tax period, a taxable income higher than 50% of the amount specified in Section 11 subsection 1a) above, except as provided in subsection 4 below. Tax returns shall be filed also by those taxable parties, whose taxable income for the tax period did not exceed 50% of the amount under Section 11 subsection 1a) above, but who booked a tax loss. The income, which is to be compared with 50% of the amount under Section 11 subsection 1a) above, shall not include any income, the tax on which is withheld as provided in Section 43 below, as long as:

- a) the tax liability is settled upon withholding of such a tax (Section 43 subsection 6 below), or
- b) the taxable party does not proceed as provided in Section 43 subsection 7 below.

(2) The tax return must be filed also by those taxable parties, who have earned, in any one tax period, only the taxable income under Section 5 above, which exceeds 50% of the amount under Section 11 subsection 1a), if:

- a) the income was paid by an employer having its registered office or residence abroad, and not having any permanent establishment (Section 16 subsection 2 above) in the Slovak Republic,
- b) the income originates from sources abroad, unless this Act provides otherwise,

c) no tax advances may be withheld on such income [Section 35 subsection 3a) below],

d) the taxable party either failed to ask the employer, who is the taxpayer,¹²²⁾ to make the annual clearing of advances for the account of tax on income from dependent activities (hereinafter referred to only as “annual clearing”), or the taxable party asked for the annual clearing, but failed to submit to the taxpayer, by the prescribed date, the documents, which are necessary for the annual clearing (Section 38 subsection 5 below), or the taxable party is obliged to increase the tax base since he/she failed to satisfy the criteria for claiming allowances defined in Section 11 subsection 5 above.

(3) The tax return for the tax period shall also be filed by the taxable party, for whom the employer, who is the taxpayer,¹²²⁾ performed the annual clearing, if during the tax period the taxable party was in receipt of:

a) any income under Section 5 above from several employees, as long as that the taxable party failed to submit to the employee, who performed the annual clearing, the requested documents issued by each of the other employers,

b) other types of income referred to in Sections 6 through 8 above, unless they are exempt from the tax [other than income, the tax on which is withheld as provided in Section 43 below, as long as the tax liability is settled upon withholding of such a tax (Section 43 subsection 6 below), or if the taxable party does not proceed as provided in Section 43 subsection 7 below], or if he/she is obliged to increase the tax base since the criteria for the claiming of allowances defined in Section 11 subsection 5 above are not satisfied.

(4) No tax return need be filed by the taxable party, who only earns income:

a) under Section 5 above, and is not obliged to file a tax return pursuant to subsection 2 above, or

b) the tax on which is withheld as provided in Section 43 below, and the taxable party does not proceed as provided in Section 43 subsection 7 below, or

c) under Section 5 above, which is earned from a foreign embassy or consulate in the territory of the Slovak Republic, as long as the taxable party does not have his/her permanent residence in the territory of the Slovak Republic,

d) from dependant activities earned by employees of European Communities or the institutions thereof, which were documented as taxed in favor of the general budget of the European Union, or e) which are exempt from the tax.

(5) Tax returns may be filed also by those taxable parties, who are not obliged to file tax returns pursuant to subsections 1 and 2 above.

(6) Taxable parties, who file tax returns, shall indicate in such tax returns, in addition to the calculation of the tax liability, also their personal data, structured as follows:

a) surname, name,

b) title, birth certificate number,

c) permanent residence or temporary residence, with respect to those taxable parties, who usually stay in the territory of the Slovak Republic, specifically the street, house number, ZIP code, town, country,

d) surnames, names and birth certificate numbers of those persons, with respect to whom the taxable party claims a tax allowance [Section 11 subsection 1b) above], or a tax bonus (Section 33 below).

(7) In addition to the data under subsection 6 above, the taxable party shall be free to include in the tax return also his/her fax and phone number. The tax administration shall be allowed to process such data.

(8) If a tax return is filed, on behalf of any taxable party, by the legal representative, successor-in-law, or agent of the taxable party, such legal representative, successor-in-law or agent shall include in the tax return the personal data referred to in subsections 6 and 7 above concerning the taxable party, on behalf of whom the tax return is being filed, plus their own personal data required pursuant to subsections 6 a 7 above.

(9) If a tax return is filed by a taxable party, who was not obliged to file a tax return pursuant to subsections 1 or 2 above, or who was not under the duty to file a tax return pursuant to subsection 3 above, and if his/her employer, who is a payer of the tax,¹²²⁾ performs the annual clearing as provided in Section 38 below, any tax return so filed shall be treated as a corrective or subsequent tax return, as defined in special legislation,^{122a)} and the annual clearing made pursuant to Section 38 below shall be treated as a duly filed tax return.

(10) A taxable party, who files a tax return and claims a tax bonus pursuant to Section 33 below, shall be obliged to submit evidence of his/her entitlement to such a bonus by a document or a certificate described in

¹²²⁾ Section 5 subsection 3 of the Act of the Slovak National Council 511/1992 Coll.

^{122a)} Section 39 of the Act of the Slovak National Council 511/1992 Coll., as later amended.

Section 37 subsection 2 below, which must be attached to his/her tax return. The above shall not apply to those employees, to whom their employers pay a tax bonus as provided in Section 33 below for the full amount of their entitlement.

Section 33 Tax Bonus

(1) Any taxable party, who earned, in the tax period, taxable income under Section 5 above equal to not less than 6 times the minimum wage¹²³⁾ or who earned taxable income under Section 6 above equal to not less than 6 times the minimum wage,¹²⁴⁾ and who booked a tax base (partial tax base) including the income under Section 6 above, may claim a tax bonus of 4 800 Sk per year with respect to each maintained child sharing a common household with the taxable party;⁵⁷⁾ any temporary stay of the child away from the common household⁵⁷⁾ shall not affect the entitlement to the tax bonus. The tax bonus shall be deducted from the tax.

(2) The term “child maintained by the taxable party” (whether his/her natural child, adopted child, fostered child - if the taxable party has been declared *in loco parentis* by a decision of the competent authority, or the other spouse's child) shall mean any child without his/her own income pursuant to special legislation.¹²⁵⁾

(3) The taxable party, who is the parent of the child, or who is a foster parent (if the taxable party has been declared *in loco parentis* by a decision of the competent authority), and who shares a common household with the child,⁵⁷⁾ shall be free to claim the tax bonus after the expiration of the tax period, as long as the spouse of the child has not earned, in such a tax period, taxable income in excess of the amount under Section 11 subsection 1a).

(4) If the subsistence of a child (children) under subsection 2 above is provided by more than one taxable party, only one of the taxable parties shall be allowed to claim the tax bonus. If the provisions of subsection 5 below apply, a prorated part of the tax bonus may be claimed by one of the taxable parties for one part of the tax period with respect to all the

maintained children, and by the other taxable party for the rest of the tax period. If the criteria for the deduction of the tax bonus are satisfied by more taxable parties and unless they agree otherwise, the tax bonus with respect to all the maintained children may be claimed or shall be acknowledged in the following order: mother, father, other beneficiary.

(5) If any taxable party maintains his/her child only during one or more calendar months in any one tax period, the taxable party may reduce the tax or the advances for the account of the tax on income under Section 5 above only for an amount equal to one twelfth of the tax bonus for every calendar month, at the beginning of which the conditions for the deduction of the tax bonus were satisfied. The tax bonus may be claimed in the calendar month, in which the child was born or in the calendar month, in which systematic studies of the child for the future profession began, or in which the child was adopted or accepted for a foster care under a decision of the competent authority.

(6) The tax bonus may be claimed up to the amount of the tax calculated for the relevant tax period pursuant to this Act. If the amount of the tax calculated for the relevant tax period is lower than the tax bonus claimed by the taxable party, the taxable party filing the tax return shall ask the tax administration having jurisdiction to pay the difference between the tax bonus and the tax calculated for the relevant tax period, while as regards the refund of the difference, the tax administration shall proceed as if there were a tax overpayment.¹²⁶⁾ As regards taxable parties, who earn taxable income under Section 5 above, or with respect to whom an annual clearing has been performed, the procedure described in Section 35 subsections 5 and 7 below, or in Section 36 subsection 5, or Section 38 below shall apply.

(7) If the taxable party earns, in the tax period, taxable income under Section 5 above equal to at least one half of the minimum wage only during some calendar months, and the employer, who is the taxpayer¹²²⁾ awards the tax bonus during such calendar months, any tax bonuses previously granted shall not be affected.

(8) The tax bonus may be claimed also by those taxable parties, who do not earn, in the tax period, the taxable income under Section 5 above equal to at least 6 times the minimum wage,¹²³⁾ as long as they earn, in the same tax period, taxable income under Section 6 above equal to at least 6 times the minimum wage¹²⁴⁾ and they book a tax base (partial tax base), which includes the income under Section 6 above.

¹²³⁾ Section 2 subsection 1b) through d) of the Act of the National Assembly of the Slovak Republic 90/1996 Coll. (Minimum Wage Act, as later amended).

¹²⁴⁾ Section 2 subsection 1b) of the Act of the National Assembly of the Slovak Republic 90/1996 Coll., as later amended.

¹²⁵⁾ Act 600/2003 Coll.

¹²⁶⁾ Section 63 of the Act of the Slovak National Council 511/1992 Coll., as later amended.

(9) If any taxable party earns, in the tax period, the taxable income under Section 5 above, and the employer, who is the taxpayer,¹²²⁾ awards the tax bonus only to a prorated extent, but in the same tax period the taxable party booked also a tax base under Section 6 above, the remaining prorated part of the tax bonus, which has not been awarded by the employer, who is the taxpayer,¹²²⁾ may be claimed when filing the tax return.

(10) The tax bonus under subsections 1 through 9 above may only be claimed by taxable parties with unlimited tax liability, who are permanently resident in the territory of the Slovak Republic.

(11) If any taxable party claims, or if any employer, who is the taxpayer,¹²²⁾ awards a tax bonus higher than allowed in this Act or if it requests the tax administration to pay a tax bonus for an amount higher than allowed in this Act, they shall be obliged to pay default interest at the rate, which applies to any tax overdue pursuant to special legislation.¹²⁷⁾ If any employer awards a tax bonus at a rate, which is higher than allowed in this Act, the bonus shall be recovered from the employee as if it were a tax overdue. The provisions of special legislation¹²⁸⁾ shall apply to any audits of the tax bonus.

Section 34 **Payment of Tax Advances**

(1) Tax advances shall be paid, in the course of the advance period, by those taxable parties, whose last known tax liability was higher than 20.000 Sk, while the term “advance period” shall mean the period starting on the first day following the date prescribed for the filing of the tax return for the previous tax period, and ending on the date, by which the tax return must be filed in the next tax period. Following the expiration of any tax period, any tax advances paid for the account of that tax period shall be deducted from the tax payable for such a tax period.

(2) Those taxable parties, whose last known tax liability was higher than 20.000 Sk and lower than or equal to 500.000.-Sk, are liable to pay quarterly tax advances for the account of the tax payable for the current tax period, amounting to $\frac{1}{4}$ of the last known tax liability, unless this Act provides otherwise. The quarterly tax advances shall be due for payment on the last day of each calendar quarter.

¹²⁷⁾ Section 35b of the Act of the Slovak National Council 511/1992 Coll., as amended by the Act 609/2003 Coll.

¹²⁸⁾ Act of the Slovak National Council 511/1992 Coll., as later amended.

(3) Those taxable parties, whose last known tax liability was higher than 500.000.-Sk, are liable to pay monthly tax advances for the account of the tax payable for the current tax period, amounting to $\frac{1}{12}$ of the last known tax liability, unless this Act provides otherwise. The monthly tax advances shall be due for payment on the last day of each calendar month.

(4) In justified cases the tax administration may, upon request of the taxable party, depart from the provisions above applicable to the tax advances, if the tax advances do not correspond to the expected tax, for the account of which they are to be paid.

(5) The term “last known tax liability” shall mean the tax calculated with reference to the tax base specified in the last tax return (subsequent tax return), or with reference to the tax base specified in a tax precept (subsequent tax precept), less any tax allowances referred to in Section 11 above applicable to the tax period, for which the tax advances are paid, using the tax rate set forth in Section 15 above in force in the tax period, for which the tax advances are paid, less any tax paid abroad, less any tax bonuses, and less any tax withheld pursuant to Section 43 below, if treated as a tax advance. If the last known tax liability is modified in the current tax period, any tax advances payable prior to the modification shall not be affected, while if the tax advances paid following the modification are higher than the tax advances calculated with reference to the tax return, any tax advances based on the last known tax liability paid in excess of the tax advances calculated with reference to the tax return shall be set-off against the payment of further tax advances payable following the modification.

(6) As regards those taxable parties, who start to earn taxable income prior to the expiration of the tax period, and those taxable parties with unlimited tax liability, who usually stay in the territory of the Slovak Republic, and who earn the income under Section 5 above from an employer having its registered office or residence abroad, which income is not taxed pursuant to Section 35 or Section 48 below, the advances for the account of the tax on such income shall be paid, upon request of the taxable party or if so decided *ex-officio* by the tax administration, taking into account the expected income of the taxable party, and other facts relevant for the collection of the tax.

(7) If the agreement, under which a taxable party with unlimited tax liability, who usually stays in the territory of the Slovak Republic, earns the income under Section 5 above originating from sources located in the territory of the Slovak Republic and paid by an employer having its

registered office or resident abroad, which is not taxed pursuant to Section 35 or Section 48 below,

a) specifies the period, during which the taxable party shall be staying in the territory of the Slovak Republic, or if the taxes are payable on his/her income under an international treaty, the taxable party shall pay tax advances since the beginning of his/her stay in the territory of the Slovak Republic, upon his/her own request or if a decision is taken to that effect *ex-officio* by the tax administration,

b) does not specify the length of the stay, and the taxable party usually stays in the territory of the Slovak Republic, or his/her income is liable to the tax under an international treaty, the taxable party shall pay tax advances starting from the calendar month following the expiration of the term of 183 days of stay in the territory of the Slovak Republic, or following the date, on which his/her income became liable to the tax under an international treaty, upon his/her own request or if a decision is taken to that effect *ex-officio* by the tax administration.

(8) If the taxable party discontinues his/her activities or ceases to earn taxable income, he/she shall not be obliged to pay tax advances, starting from the tax advance due for payment after the date, on which the change occurs; the taxable party shall give notice to the tax administration to that effect.¹²⁹⁾

(9) No tax advances need be paid pursuant to the provisions above by those taxable parties, who used to earn, in the previous tax period, only the income under Section 7 and Section 8 above, or the income, the tax on which is withheld as provided in Section 43 below, or the income from dependent activities, which is taxed pursuant to Section 35 below.

(10) If the tax base of the taxable party consists of partial tax bases and if the income from dependent activities is one of the partial tax bases, the tax advances need not to be paid, provided that such a partial tax base makes up more than 50% of the aggregate tax base. If the partial tax base relating to the income from dependent activities makes up 50% and less of the aggregate tax base, the tax advances shall be reduced to one half.

**Collection and Payment of Advances for the Account of the Tax on
Income from Dependent Activities
Section 35**

(1) The employer, who is the taxpayer,¹²²⁾ shall withhold tax advances from the taxable wages, except as provided in subsection 8 below. The term “taxable wages” shall mean the aggregate taxable income from dependent activities, which was accounted for and paid to the taxable party for any calendar month or tax period, reduced by:

a) any amounts withheld as insurance premiums and contributions payable by the employee,

b) any tax allowances with respect to the taxable party [Section 11 subsection 1a) above]; the tax base used to calculate the monthly tax advances shall be reduced by $\frac{1}{12}$ of the allowances with respect to the taxable party [Section 11 subsection 1a) above]; and any tax allowances under Section 11 subsection 1b) through d) above and under Section 11 subsection 2 above shall be taken into account by the employer, who which is the taxpayer¹²²⁾ only upon annual clearing for the tax period.

(2) The tax advances shall achieve 19% of the taxable wage rounded up as provided in Section 47, which was accounted for and paid for the calendar month or the tax period. The tax advances so calculated shall be reduced by the amount corresponding to $\frac{1}{12}$ of the tax bonus (Section 33).

(3) The tax advances shall be withheld when paying or remitting or crediting taxable wages to the employee’s favor, regardless of the period, to which the taxable wage is related. If the income from dependent activities is accounted for by the employer, who is the taxpayer,¹²²⁾ on a monthly basis, the tax advances shall be withheld when posting the taxable wages payable for the previous calendar month. If:

a) the taxable wage consists exclusively of a performance in kind or if the performance in kind makes up most of the taxable wage and no withholding may be made, the tax advance will be withheld subsequently, on the occasion of the next payment in cash, or the tax will be settled upon annual clearing (Section 38 below) or upon filing of a tax return (Section 32 above), or if the employee is not obliged to file a tax return as provided in Section 32 above, the tax shall be treated as settled as of the date prescribed for the filing of a tax return (Section 49 below).

b) the income from dependent activities and the payments in lieu of such income for holidays not taken include one fraction in Slovak Crowns and one fraction in a foreign currency, the tax advance will be withheld from the taxable wage calculated by summing the fraction in Slovak Crowns plus the fraction in the foreign currency converted to Slovak Crowns; the provisions

¹²⁹⁾ Section 31 of the Act of the Slovak National Council 511/1992 Coll., as later amended.

of special legislation¹³⁰⁾ applicable to the withholding of tax advances shall not apply,

c) the employer pays, in addition to the income from dependent activities, also foreign bonuses pursuant to special legislation,¹³¹⁾ the tax advance shall be withheld on the taxable wage calculated by summing the fraction in Slovak Crowns and the foreign bonus converted to Slovak Crowns.

(4) If any employee fails to submit the statement referred to in Section 36 subsection 6 below, the taxable wage of such employee shall be equal to the aggregate income from dependent activities paid thereto by the employer, who is the taxpayer,¹²²⁾ less any amounts withheld as insurance premiums and contributions, which are payable by the employee.

(5) The employer, who is the taxpayer,¹²²⁾ shall reduce the tax advances by tax bonuses attributable to employees, who submit the statements referred to in Section 36 subsection 6 below, as long as the aggregate taxable income from dependent activities paid by the employer during the respective calendar month achieves at least one half of the minimum wage. The amount so calculated shall be deducted by the employer, who is the taxpayer,¹²²⁾ from the tax advances due for the respective calendar month. If the provisions of special legislation^{131a)} defining a minimum wage apply to any employee, such a minimum wage shall be taken into account also in the month, in which the employee claiming a tax bonus achieves the age of 16, or in which a young employee achieves lawful age,^{131b)} or in which the employee starts or stops receiving a disability pension.

(6) The employer, who is the taxpayer,¹²²⁾ shall transfer to the tax administration the tax advances, reduced by any tax bonuses awarded pursuant to subsection 5 above, within five days after the date, on which the wage has been paid, remitted or credited in favor of the employees, unless the tax administration instructs otherwise upon request of the employer, who is the taxpayer.

(7) The employer, who is the taxpayer,¹²²⁾ shall be liable for the payment of the tax bonus. If the tax advance with respect to the employee, who earned, in any calendar month, a taxable income from dependent activities equal to

at least one half of the minimum wage from an employer, who is the taxpayer,¹²²⁾ and to whom the employee submitted a statement referred to in Section 36 subsection 6 below, is lower than the tax bonus, or if the taxable wage of the employee consists exclusively of a performance in kind, or if the performance in kind makes up most of the taxable wage, and the tax advance cannot be withheld, the employer, who is the taxpayer,¹²²⁾ shall pay to the employee the tax bonus or a part thereof using the aggregate tax advances withheld from all the employees. If the aggregate tax advances withheld from all the employees are lower than the aggregate tax bonuses, to which the employees are entitled, the employer, who is the taxpayer,¹²²⁾ shall use its own funds to pay the tax bonus or its part, up to the amount prescribed by this Act for the relevant calendar month at the time, when the wage shall be paid, remitted, or credited in favor of the employees. In such a case the employer, who is the taxpayer,¹²²⁾ shall request the tax administration having jurisdiction to pay the difference between the tax bonuses so paid to the beneficiaries, and the aggregate tax advances, which were withheld from all the employees. The tax administration shall pay the difference specified in the request above to the employer, who is the taxpayer,¹²²⁾ within eight business days after the receipt of the request. For the purposes above, the tax administration shall not issue any decision pursuant to special legislation.¹²⁸⁾

(8) The employer, who is the taxpayer,¹²²⁾ shall not withhold any tax advances pursuant to the subsections above in the following circumstances:

a) if a proof is submitted to the effect that the taxable party with unlimited tax liability, who usually stays in the territory of the Slovak Republic, pays the tax advances as required in Section 34 above,

b) it is the case of income, which is taxed abroad.

(9) The employee, who is a taxpayer,¹²²⁾ and who pays a taxable wage by a single payment for several calendar months of the relevant tax period, shall calculate the tax advances, and shall grant and pay the tax bonus as if the taxable wage were paid in the individual months, as long as this is more favorable for the employee.

Section 36

Application of Tax Allowances with respect to the Taxable Party, and of Tax Bonuses

(1) The employee, who claims a tax bonus vis-à-vis the employer, who is the taxpayer,¹²²⁾ shall be obliged to submit to the employer evidence

¹³⁰⁾ Section 37 of the Act 380/1997 Coll., as amended by the Act 563/2001 Coll.

¹³¹⁾ e.g. Section 70 of the Act 380/1997 Coll., as later amended, Decree of the Slovak Government 336/2002 Coll., which defines details concerning the provision of foreign bonuses.

^{131a)} Section 2 subsection 1c) and d) of the Act of the National Assembly of the Slovak Republic 90/1996 Coll. (Minimum Wage Act, as later amended).

^{131b)} Section 8 of the Civil Code.

showing satisfaction of the criteria for the awarding of the tax bonus, not later than the last day of the calendar month, in which such criteria were satisfied. Any evidence so submitted, shall be taken into account by the employer, who is the taxpayer,¹²²⁾ starting from the calendar month following the one, in which the evidence of satisfaction of the criteria is submitted to the employer, who is the taxpayer;¹²²⁾ if any employee takes up a new job, any such evidence shall be considered by the employer, who is the taxpayer,¹²²⁾ in the calendar month of hiring, provided that the relevant evidence is submitted by the last date of the month of hiring, and provided that the tax bonus has not been claimed, in the same calendar month, from another employer, who is the taxpayer.¹²²⁾

(2) If a child is born to the taxable party, or if he/she adopts a child or accepts the same for a foster care under the decision of the competent authority, the employer, who is the taxpayer,¹²²⁾ shall consider the child starting from the calendar month of occurrence of the above, provided the employee submits a proof of satisfaction of the criteria for the awarding of the tax bonus within 30 days after the date of occurrence of the above. The same procedure shall apply to the beginning of a systematic preparation of a child for the future profession.

(3) If an employee is in receipt of a taxable wage in the same calendar month from several employees, who are taxpayers,¹²²⁾ either simultaneously or non-simultaneously, the tax allowance with respect to the taxable party and the tax bonus shall be considered solely by one employer, who is the taxpayer,¹²²⁾ and with whom the employees makes the relevant claims, as provided in subsections 1 and 2 above.

(4) If an employee fails to claim the tax allowance with respect to the taxable party, or fails to submit evidence of satisfaction of the criteria for the deduction of the tax bonus in the course of the tax period, the employer, who is the taxpayer,¹²²⁾ shall consider the tax allowance with respect to the taxable party, and the criteria for the awarding of the tax bonus subsequently at the occasion of the annual clearing, provided the employee submits the requested evidence by the fifteenth day of February of the year following the last day of the tax period, for which the tax allowance with respect to the taxable party and the tax bonus are claimed, or the employee may claim such amounts at the time of filing of his/her tax return.

(5) If an employee fails to earn, in any calendar month, taxable income from dependent activities in cash or in kind equal to at least one half of the minimum wage from an employer, who is the taxpayer,¹²²⁾ and with whom the employee claims the tax allowance with respect to the taxable party and

the tax bonus, it shall claim the relevant portion of the tax bonus upon annual clearing or upon filing of his/her tax return, provided that the aggregate taxable income from dependent activities for the period, for which the employer, who is the taxpayer,¹²²⁾ performed the annual clearing, or for which the employee files his/her tax return, achieves at least 6 times the minimum wage.

(6) The employer, who is the taxpayer,¹²²⁾ shall consider the tax allowances with respect to the taxable party, and the tax bonus, only if the employee submits, not later than the last day of the month of his/her hiring, and thereafter each year by the last day of January, or at anytime in the course of the tax period, a written statement to the effect:

a) that he/she claims a tax bonus and that the criteria of awarding thereof have been satisfied, or have changed, and how and when they have changed,

b) that the tax allowances with respect to the taxable party and the tax bonus have not been claimed with any other employer for the same tax period, and that no other taxable party has claimed, in the same tax period, a tax bonus with respect to the same persons,

c) the employee is or is not in receipt of a pension referred to in Section 11 subsection 2 above.

(7) If the criteria relevant for the awarding of a tax bonus change in the course of any tax period, the employee shall notify such facts in writing (e.g. by modifying the statement previously made thereby pursuant to subsection 6 above) to the employer, who is the taxpayer,¹²²⁾ and with whom the tax bonus has been claimed, by the end of the calendar month, in which the change occurred. The employer, who is the taxpayer,¹²²⁾ shall make a note on the wages card.

(8) If in the course of any tax period the employer, with whom the employee has claimed the tax allowances with respect to the taxable party, or the tax bonus, is replaced by another employer, the employee shall acknowledge such a fact by his/her signature attached to the statement made pursuant to subsection 6 above for the employer, with whom the tax allowances and the tax bonus have been claimed, when the change occurred.

Section 37 **Justification of Claims to Tax Allowances and to the Tax Bonus**

(1) The employee shall justify to the employer, who is the taxpayer,¹²²⁾ that he/she is entitled to benefit from the tax allowances in the following ways:

- a) by submitting a document justifying the entitlement to claim the tax allowances pursuant to Section 11 subsection 1b) above, and by submitting a statement specifying the income of his/her spouse,
- b) by submitting the last decision, by which a pension has been awarded or a document showing a yearly summary of any pensions that have been paid (Section 11 subsection 2 above), provided that the aggregate pension is lower than the amount under Section 11 subsection 1a) above.

(2) The employee shall justify to the employer, who is the taxpayer,¹²²⁾ that he/she is entitled to benefit from the tax bonus in the following ways:

- a) by submitting evidence of his/her entitlement to a tax bonus with respect to a child maintained thereby, and by submitting a certificate of a school showing that the child sharing a common household with the employee⁵⁷⁾ is engaged in systematic studies for the future profession,¹²⁵⁾ or by submitting a certificate issued by the competent local public administration authority, confirming receipt of family allowances with respect to maintained children,
- b) by submitting a certificate issued by the competent local public administration authority, confirming that a child sharing a common household with the employee⁵⁷⁾ is treated as maintained and cannot systematically prepare for the future profession or perform a gainful activity due to illness or injury, or by submitting a certificate issued by the competent local public administration authority, confirming receipt of family allowances with respect to maintained children,
- c) by submitting evidence showing that a young employee shall achieve lawful age^{131c)} or is treated as disabled under a decision assigning a disability pension or canceling a disability pension.

(3) The documents referred to in subsection 1 a), and b) above shall be in force until the occurrence of any change to the data contained therein. A certificate of the school confirming that a child sharing a common household with the employee⁵⁷⁾ is engaged in systematic studies for the future profession¹²⁵⁾ shall be valid only for the academic, year for which it has been issued. The validity of the documents referred to in subsection 1b) above shall be conditional upon employee's confirming the validity of the decision awarding the pension each year, by undersigning a statement to that effect (Section 36 subsection 6 below). The documents shall be valid on

^{131c)} Section 8 subsection 2 of the Civil Code.

condition that the facts relevant for claiming the tax allowances [Section 11 subsection 1b) above] and the tax bonus have remained unchanged both with respect to the taxable party and the persons maintained by the taxable party.

Section 38 Annual Clearing

(1) The employee, who has earned, in any tax period, only income from dependent activities and income, the tax on which is withheld as provided in Section 43 below (and who does not proceed as provided in Section 43 subsection 7 below, or who is not obliged to increase the tax base due to frustrated satisfaction of the criteria of claiming of tax allowances defined in to Section 11 subsection 5 above), may request in writing the last employer, who is the taxpayer,¹²²⁾ and with whom the employee claimed tax allowances with respect to the taxable party and the tax bonus, by the fifteenth day of February after the last day of the tax period, to perform an annual clearing of the aggregate taxable wages received from all the employers, who are taxpayers.¹²²⁾ If in any tax period the employee does not claim tax allowances with respect to the taxable party, and the tax bonus with any employer, who is taxpayer,¹²²⁾ he/she may request any of the employers to perform the annual clearing. If the employee fails to apply for the annual clearing, he/she shall be bound to file a tax return (Section 32).

(2) The annual clearing shall be performed by the employer, who is the taxpayer,¹²²⁾ upon request of the employee referred to in subsection 1 above. If the employee does not claim the tax allowances with respect to the taxable party, and the tax bonus, the employee shall take such items into consideration subsequently, upon the annual clearing, provided that the employee submits evidence showing his/her entitlement to the tax allowances with respect to the taxable party, and to the tax bonus.

(3) The employer, who is the taxpayer,¹²²⁾ shall perform the annual clearing as provided in subsections 1 and 2 above only with respect to those employees, who are not obliged to file tax returns as provided in Section 32 above.

(4) The employer, who is the taxpayer,¹²²⁾ shall calculate the tax due and shall deduct any tax advances previously withheld, any tax allowances with respect to the spouse, any tax allowances with respect to the taxable party, to which beneficiaries in receipt of pensions are entitled (Section 11 subsection 2 above), any tax allowances pursuant to Section 11 subsection

1c) and d), as well as any tax bonuses, provided that the employee requests, by February 15 after the last day of the tax period, to perform the annual clearing, and undersigns a statement specifying:

a) that during the previous tax period the employee was not in receipt of any income liable to personal income tax, other than the taxable income from dependent activities, or any income, the tax on which is withheld as provided in Section 43 below (and with respect to which it did not proceed as provided in Section 43 subsection 7 below),

b) the income of the spouse sharing household with the employee,⁵⁷⁾ as long as it did not exceed the amount under Section 11 subsection 1b) above in the previous tax period,

c) the aggregate pensions (Section 11 subsection 2 above), as long as they did not exceed the amount under Section 11 subsection 1a) above in the previous tax period,

d) that he/she claims a tax allowance pursuant to Section 11 subsection 1c) and d) and that he/she satisfies the criteria for such allowances defined in Section 11 subsection 5 above,

e) that with respect to the tax period, for which the annual clearing should be performed, he/she is not obliged to increase the tax base due to frustrated satisfaction of the criteria for claiming tax allowances defined in Section 11 subsection 5 above.

(5) The employer, who is the taxpayer,¹²²⁾ shall perform the annual clearing pursuant to the subsections 1 and 2 above with reference to records concerning the taxable wages (Section 35 subsection 1 above), which it must keep pursuant to this Act (Section 39 below), to documents evincing the entitlement to tax allowances and to the tax bonus, to certificates of the aggregate income from dependent activities, which has been earned, and the related tax advances, which have been paid, to the certificates of the tax due with respect to any taxable income paid in kind, and to the tax bonuses awarded and paid by all the employers, who are taxpayers. The employee must submit the documents above for the previous tax period to the employer, who is the taxpayer, by the fifteenth day of February after the last day of the tax period. If the employee requests the employer, who is the taxpayer, to perform the annual clearing of tax advances, and fails to submit the documents above by the prescribed date, he/she shall be bound to file a tax return (Section 32 above).

(6) The employer, who is the taxpayer,¹²²⁾ shall perform the annual clearing and calculate the tax due by March 31 after the last day of the tax period. The difference between the tax advances withheld and the tax calculated,

which is in favor of the employee, shall be released to the employee, while the tax bonus or its part (up to the amount prescribed by this Act) shall be paid to the employee by the employer, who is the taxpayer,¹²²⁾ after completing the annual clearing, but not later than the date of posting the March wages in the year, in which the annual clearing of tax advances is performed. Any difference so released shall be deducted by the employer, who is the taxpayer,¹²²⁾ from any tax advances (taxes) payable thereby not later than the last day of the calendar year, in which the annual clearing is performed, or the employer shall proceed as provided in Section 35 subsection 7 above. If the employer, who is the taxpayer,¹²²⁾ proceeds as provided in Section 36 subsection 5 above, it shall deduct from the tax advances (taxes) payable thereby also any tax bonuses, not later than the last day of the calendar year, in which the annual clearing is performed, or it shall proceed as provided in Section 35 subsection 7 above.

(7) Any taxes in arrears resulting from the annual clearing, shall be deducted by the employer, who is the taxpayer,¹²²⁾ from the taxable wage of the relevant employee by the last day of the tax period, in which the annual clearing is performed. If the employer, who is the taxpayer,¹²²⁾ proceeds as provided in Section 36 subsection 5 above, any taxes in arrears resulting from the annual clearing shall be reduced by the tax bonus. The employer, who is the taxpayer,¹²²⁾ shall transfer any amounts so withheld to the tax administration by the next date of payment of tax advances.

(8) In case it is impossible for the employee under subsection 1 to make a request to perform the annual clearing, since the employer, who is the taxpayer,¹²²⁾ has been wound up and there is not any successor-in-law, the employee shall file a tax return as provided in Section 32 above.

Duties of Employers, who are Taxpayers

Section 39

(1) Any employer, who is the taxpayer,¹²²⁾ is bound to keep, with respect to its employees, wages cards (except as provided in subsection 4 below) and payroll-sheets, including a summary thereof for each calendar month, as well as for the entire tax period.

(2) The wages card shall contain, for tax purposes, the following data:

- a) the current and any previous name and surname of the employee,
- b) the birth certificate number of the employee,
- c) the address of the permanent residence of the employee,

d) names, surnames and birth certificate numbers of persons claimed by the employee for the tax allowances purposes [Section 11 subsection 1b) above] and for the tax bonus purposes,

e) the individual tax allowances, together with the justification thereof, f) separately for each calendar month:

1. number of working days,
2. total taxable wages paid thereby, regardless whether paid in cash or in kind,
3. any items exempt from the tax,
4. any insurance premiums and contributions payable by the employee,
5. the tax base, the tax allowances, the taxable wage, the tax advances,
6. the tax bonus,

g) the data under paragraph f) above summarized for the entire tax period,

(3) The data under subsection 2a) through d) above need not be included with respect to persons, to whom special reporting procedures apply pursuant to special legislation.¹³²⁾

(4) If the employer, who is the taxpayer,¹²²⁾ does not keep wages cards with respect to those employees, who earn only income in kind referred to in Section 5 subsection 3 above, it shall be obliged to keep a register with the current and the previous name and surname of the employee, the birth certificate number of the employee, the permanent residence of the employee, the duration of the dependent activity, and the aggregate wages paid in kind referred to in Section 5 subsection 3 above.

(5) The employer, who is the taxpayer,¹²²⁾ is bound to prepare a document relating to the period, during which taxable wage has been paid to its employees, containing the summary data from the wages card, or from the register kept pursuant to the subsection 4 above, that are relevant for the calculation of the taxable wage, the tax advances, the tax due, and the tax bonus for the respective tax period. Such a document shall be delivered to each of the employees not later than:

- a) March 10 of the tax period, in which the tax return is filed, or
- b) by the last day of April of the year, in which the employer, who is the taxpayer,¹²²⁾ performs the annual clearing, or
- c) February 10 after the last day of the tax period, in which or with respect to which the employer, who is a taxpayer,¹²²⁾ paid income from dependant activities to the employee, who requests annual clearing from another

employer, who is the taxpayer,¹²²⁾ as long as the delivery of the document is requested not later than February 5 after the last day of the tax period.

(6) The employer, who is the taxpayer,¹²²⁾ shall be obliged, within ten days after the receipt of a request of the employee, for whom the annual clearing has been performed, to issue a proof of annual clearing, specifying the settlement of any taxes in arrears or tax overpayments, or the tax bonuses resulting from such annual clearing.

(7) The employer, who is the taxpayer,¹²²⁾ shall be obliged, upon request of the employee, to issue also a proof of payment of the tax for the purposes of Section 50 below.

(8) The employer, who is the taxpayer,¹²²⁾ shall be obliged to keep copies of the documents under subsection 1 and subsections 4 through 6 for the term prescribed by special legislation.¹⁾

(9) The employer, who is the taxpayer,¹²²⁾ shall be obliged to file, with the tax administration having jurisdiction, by the date prescribed in Section 49, the following documents:

a) an overview of any advances for the account of the tax on income from dependent activities earned by its employees, which have been withheld and paid thereby, and of any tax bonuses for the previous calendar quarter (hereinafter referred to only as „overview“),

b) a report on the clearing of the tax, and the aggregate income from dependent activities less the amounts under Section 5 subsection 8 above, and less the tax bonuses (hereinafter referred to only as „report“), which have been paid to the individual employees in the previous tax period, regardless, whether such income was paid in cash or in kind, together with any tax advances, which have been withheld. The report shall include also the name, surname, permanent residence, and the birth certificate number of any person, to whom the income was paid, the tax advances, which have been withheld, any tax bonuses, which have been awarded and paid, any taxes, which have been withheld, and the tax base. The above shall not apply to persons, to whom special reporting procedures apply pursuant to special legislation.¹³²⁾

(10) The overview and the report mentioned in subsection 9 above shall be filed using a form, which shall be approved by the Ministry of Finance of the Slovak Republic (hereinafter referred to only as „Ministry“).

Section 40

¹³²⁾ Section 267 of the Act 73/1998 Coll. (Public Service of Members of Police Corps, Slovak Information Services, Prison and Justice Wards Corps and Railway Police Act).

(1) The employer, who is the taxpayer,¹²²⁾ and who withheld tax from its employees in excess of the tax, which should have been withheld under this Act, shall refund the tax overpayment to the employees, provided that not more than three years have elapsed from the last day of the tax period, in which the tax overpayment arose. If such employer withholds from the employees, in the current tax period, tax advances in excess of the amount due under this Act, the overpayment shall be refunded to the employees in the next calendar month, but not later than March 31 of the next year, unless the annual clearing was performed or a tax return was filed by such date.

The tax overpayment or the tax advances overpayment refunded to the employees shall be deducted by the employer, who is the taxpayer,¹²²⁾ from the immediately next payment of tax advances to the tax administration.

(2) The employer, who is the taxpayer,¹²²⁾ and who awarded and paid, for any tax period, a tax bonus lower than the bonus, which should have been awarded and paid under this Act, shall refund the difference to its employees, provided that not more than three years have elapsed from the last day of the tax period, in which the difference arose. If the employer, who is the taxpayer,¹²²⁾ awards and pays, in the current tax period, a tax bonus lower than the bonus, which should have been awarded and paid under this Act, the difference shall be refunded to the employees in the next calendar month, but not later than March 31 of the next year, unless the annual clearing was performed or a tax return was filed by such date. The difference refunded to the employees shall be deducted by the employer, who is the taxpayer,¹²²⁾ from the immediately next payment of tax advances to the tax administration, or the employer shall proceed as provided in Section 35 subsection 7 above, unless such a difference is paid as part of the annual clearing (Section 38 above) or under a tax return filed by the employee (Section 33 subsection 6).

(3) If the employer, who is the taxpayer,¹²²⁾

a) fails to withhold from its employees the tax in the amount prescribed in this Act, it shall be allowed to subsequently withhold the same, but only if not more than 12 months have elapsed from the date of incorrect withholding,

b) fails to withhold from its employees the tax advances in the amount prescribed in this Act, it shall be allowed to subsequently withhold the same, but not later than March 31 of the next year,

c) awards or pays a tax bonus for an amount other than due under this Act, it shall be allowed to withhold the difference from its employees by increasing the tax advance or the tax due, but only if not more than 12

months have elapsed from the date of incorrect awarding or payment of the tax bonus.

(4) If the employer, who is the taxpayer,¹²²⁾ proceeds as provided below due to a fault of any employee:

a) it fails to withhold the tax or withholds the tax for an incorrect amount, it shall withhold the same, including the accessories, within three years after the last day of the tax period, in which the incorrect tax was withheld, or in which no tax was withheld,

b) it awards and pays a tax bonus for an amount higher than prescribed by this Act, it shall withhold the difference, including the accessories, from the employee by increasing the tax advance or the tax due, within three years after the last day of the tax period, in which the incorrect tax bonus was paid.

(5) If the employer, who is the taxpayer,¹²²⁾ is not able to withhold, from the taxable wage of any employee, any tax arrears, which arose as provided in subsection 4a) above, or any tax arrears, which arose out of the annual clearing, or if it cannot withhold from the employee any tax bonus difference, which arose as provided in subsection 4b) above, or any tax bonus difference, which arose out of the annual clearing, either because no wage is being paid to the employee any more, or because the amount cannot be withheld pursuant to special legislation, the tax arrears or the tax bonus difference shall be collected by the tax administration having jurisdiction according to the employee's residence. For this purpose the employer, who is the taxpayer,¹²²⁾ shall send to the tax administration all the necessary documents within 30 days after the date, on which the relevant fact occurred, or after the date the difference was established by the employer.

The employee shall be obliged to pay any tax arrears, which arose due to his own fault, including its accessories, and any tax bonus difference, including its accessories, to the tax administration having jurisdiction by the last day of the tax period, in which the tax administration took the relevant action, or in which the employee received a decision requesting the payment of the tax arrears or the tax bonus difference. The above shall apply only if the tax arrears or the tax bonus difference is higher than 100 Sk.

(6) The tax withheld or collected subsequently or the tax advances withheld or collected subsequently pursuant to subsections 3 and 4 shall be paid, by the employer, who is the taxpayer,¹²²⁾ to the tax administration by the next tax advances payment date, unless it proceeds as provided in Section 35 subsection 7 above, and unless it uses the tax bonus difference referred to in subsections 3 and 4 above to award a tax bonus to another employee.

(7) If with respect to any tax period the employer, who is the taxpayer,¹²²⁾ delivers to its employee, who filed a tax return for such a tax period, or who filed a subsequent tax return, or for whom another employer performed the annual clearing as provided in this Act (Section 38 above), the document mentioned in Section 39 subsection 5 above containing erroneous data, the employer shall be obliged to deliver to such employee a corrective document not later than one month after the date, on which a subsequent tax precept issued to such employer, who is the taxpayer,¹²²⁾ by which a tax or a tax difference is levied from the employer, becomes final and non-appealable. In such a case the procedure defined in special legislation^{132a)} shall not apply in connection with the income under Section 5 above with respect to those employees, who file tax returns or subsequent tax returns for the relevant tax period.

(8) If the employer, who is the taxpayer,¹²²⁾ pays tax advances or the tax for an amount higher than the amount due, and if it cannot deduct the difference from any tax advances, it shall request the tax administration to refund the difference. The same shall apply to any differences arising out of the annual clearing. The tax administration shall refund the amount so requested to the employer, who is the taxpayer,¹²²⁾ within one month after the receipt of the request.

PART TWO CORPORATE INCOME TAX

Section 41 Tax Return and Tax Period

(1) Tax returns for the previous tax period shall be filed by taxable parties by the date set forth in Section 49 below. Those taxable parties, who are not established or founded to conduct business, the National Bank of Slovakia and the Slovak National Property Fund, need not file any tax returns, provided they only earn income, which is not liable to the tax, or income, the tax on which is withheld as provided in Section 43 below. Civic Associations need not file any tax returns, provided they only earn income, which is not liable to the tax, or income, the tax on which is withheld as provided in Section 43 below, or income exempt from the tax as provided in Section 13 subsection 2b) above. State-funded and State-subsidized

^{132a)} Sections 35 and 35b of the Act 511/1992 Coll., as later amended.

organizations need not file any tax returns, provided they have, other than the income, the tax on which is withheld as provided in Section 43 below, only income exempt from the tax.

(2) A successor-in-law shall file a tax return with respect to any taxable income earned by the taxable party, which was dissolved without liquidation. The trustee in bankruptcy shall file a tax return with respect to the taxable party, against which a bankruptcy order was made.

(3) If the dissolution of any taxable party is preceded by its liquidation, the tax period, which started prior to the entry of the taxable party into liquidation, shall end on the date immediately preceding the date of entry into liquidation.

(4) The tax period of a taxable party in liquidation starts on the date of entry into liquidation and ends on the date of closure of the liquidation.¹³³⁾ In case the liquidation is not closed prior to or on December 31 of the second year following the year of entry into liquidation, such a tax period shall end as of December 31 of the second year following the one, in which the taxable party entered into liquidation. If the liquidation is not closed prior to December 31 of the second year following the year of entry into liquidation, then the tax periods shall coincide with the calendar years up to the closing date of the liquidation. If the liquidation is closed in the course of the calendar year, the last day of the tax period shall coincide with the closing date of the liquidation. If a bankruptcy order is made against a taxable party in liquidation, the tax period shall end on the date preceding the date of the bankruptcy order.

(5) If a bankruptcy order is made against the taxable party or if an arrangement with creditors is authorized, the tax period shall end on the date immediately preceding the date of the bankruptcy order, or the authorization of the arrangement with creditors.

(6) The tax period of a taxable party, against which a bankruptcy order was made, starts on the date of the bankruptcy order, and ends on the date of closure of the bankruptcy proceedings. If the bankruptcy proceedings are still pending as of December 31 of the second year following the date of issue of the bankruptcy order, such a tax period shall end as of December 31 of the second year following the date of issue of the bankruptcy order. If the bankruptcy is not closed prior to December 31 of the second year following the date of issue of the bankruptcy order, then the tax periods shall coincide with the calendar years up to the closing date of the bankruptcy. If the

¹³³⁾ Section 75 subsection 1 of the Commercial Code.

bankruptcy is closed in the course of the calendar year, the last day of the tax period shall coincide with the date of closure of the bankruptcy. Following the closure of the bankruptcy proceedings, the tax period will start on the date following the date of closure of the bankruptcy and end on December 31 of the calendar year, in which the bankruptcy proceedings were closed.

(7) The tax period of a taxable party, the arrangement with creditors of which was authorized, starts on the date, on which the arrangement is authorized, and ends on the date of closure of the arrangement with creditors. If the arrangement is still pending as of December 31 of the second year following the date of authorization of the arrangement with creditors, such a tax period shall end as of December 31 of the second year following the date of authorization of the arrangement. If the arrangement is still pending as of December 31 of the second year following the date of authorization of the arrangement, then the tax periods shall coincide with the calendar years up to the closing date of the arrangement. If the arrangement is closed in the course of the calendar year, the last day of the tax period shall coincide with the date of closure of the arrangement. Following the closure of the arrangement with creditors, the tax period will start on the date following the date of closure of the arrangement and end on December 31 of the calendar year, in which the arrangement is closed.

(8) If the corporate form of a taxable party changes, the tax period shall end on the date preceding the date of registration of the change in to the Companies Register. The new tax period shall commence on the date of registration of the change into the Companies Register up to the date, on which the tax period would end of no change of corporate form occurred. Upon occurrence of the above financial statements shall be prepared pursuant to special legislation^{133a)} as of the date preceding the date of registration of the change in the Companies Register. The above shall not apply to a reorganization of a limited liability company as a joint-stock company or cooperative, or reorganization of a joint-stock company as a limited liability company or a cooperative, or reorganization of a cooperative as a limited liability company or a joint-stock company.

(9) If following the closure of the bankruptcy proceedings:
a) a liquidation starts, then the tax period of the taxable party in liquidation shall start on the date of entry into liquidation and end as provided in subsection 4 above,

^{133a)} Section 16 subsection 4 and Section 17 subsection 6 of the Act 431/2002 Coll.

b) the liquidation pursues, then the tax period of the taxable party in liquidation shall start on the date following the closing date of the bankruptcy and end on December 31 of the year of closure of the bankruptcy; the provisions of subsection 4 sentence three and four shall apply.

(10) In case of winding up of a taxable party as a result of a petition in bankruptcy dismissed due to insufficient assets, the tax period shall end on the day immediately preceding the date of dismissal of the petition in bankruptcy due to insufficient assets.

(11) If a taxable party starts to use a financial year rather than a calendar year as a tax period (or vice-versa), it shall be obliged to file a tax return for the tax period ending on the date preceding the change. Such a tax return shall be filed by the term set forth in Section 49 subsection 2 below.

(12) If pursuant to special legislation¹³⁴⁾ the accounting period is replaced by a financial year, such a financial year shall be treated as a tax period. The provisions of this Act applicable to the dates of filing of the tax return shall apply to the date, by which the tax return must be filed, *mutatis mutandis*. If the tax period, which coincides with the calendar year, is replaced by a financial year, then the period between the starting date of the calendar year and the date preceding the date of change of the tax period, shall be treated as a separate tax period.

Section 42 **Payment of Tax Advances**

(1) Those taxable parties, whose tax due for the previous tax period calculated in accordance with subsection 6 below exceeded 500.000.-Sk, are liable to pay monthly tax advances, starting from January of the next tax period, amounting to $\frac{1}{12}$ of the tax due for the previous tax period. The monthly advances shall be paid by the last day of each calendar month. The taxable parties shall settle the yearly tax payable thereby by the date prescribed for the filing of the tax return.

(2) Those taxable parties, whose tax due for the previous tax period calculated in accordance with subsection 6 below exceeded 50.000 Sk, but did not exceed 500.000.-Sk, are liable to pay quarterly advances for the account of the tax due in the current tax period, amounting to $\frac{1}{4}$ of the tax due for the previous tax period. The quarterly advances shall be paid by the

¹³⁴⁾ Section 3 subsections 6 and 7 of the Act 431/2002 Coll.

last day of each calendar quarter. The taxable parties shall settle the yearly tax payable thereby by the date prescribed for the filing of the tax return.

(3) Unless the tax administration orders to pay tax advances as provided in subsection 11 below, no tax advances need to be paid by:

a) those taxable parties, which booked a tax for the previous tax period (calculated as provided in subsection 6 below) lower than 50.000 Sk,

b) those taxable parties, which were in liquidation, bankruptcy, or arrangement with creditors during the tax period referred to in Section 41 subsections 4, 6 and 7,

c) the taxable parties referred to in subsections 8 and 9 below.

(4) Those taxable parties, which have been incorporated in the course of the calendar year (otherwise than through reorganization, merger or split) shall be liable to pay tax advances for the amount and by the dates based on the expected tax. The taxable party is bound to advise the tax administration of its expected tax by the end of the second month following the month of its incorporation, by the date of payment of tax advances for such a period. If the taxable party has been incorporated in the course of the last three months of any one calendar year, it shall not pay any tax advances in the calendar year of its incorporation. Those taxable parties, which in the course of any one calendar year:

a) change their corporate form, shall keep paying tax advances for the amount calculated with reference to the tax for the tax period preceding the tax period of change of the corporate form,

b) were incorporated as a result of a merger of wound-up taxable parties, shall pay tax advances for the amount calculated with reference to the aggregate taxes payable by the wound-up taxable parties for the tax period preceding the tax period of winding up;

c) took over another taxable party, shall pay tax advances for the amount calculated with reference to the aggregate taxes payable by:

1. the wound-up taxable party for the tax period preceding the tax period of its winding up,

2 the taking over taxable party for the tax period preceding the tax period of the take-over,

d) were incorporated as a result of a split, shall pay tax advances for a prorated amount calculated with reference to the tax payable by the wound-up taxable party for the tax period preceding the tax period of winding up, depending on the ratio of the equity of the wound-up taxable party taken over by the non-wound up taxable party.

(5) If the tax due for the previous tax period relates solely to one part of the tax period, the taxable party shall, for the purpose of payment of tax advances, recalculate the tax liability so that it relates to the entire tax period. The calculation shall be the following: the tax relating to only one part of the tax period shall be divided by the number of the months between the taxable party's incorporation and the last day of the tax period, multiplying the result by 12. Any taxable party, which existed in the previous tax period for less than 3 months, shall pay tax advances with reference to the expected tax, the amount of which shall be notified by the last day of the third month of the tax period, for which the tax advances are to be paid, while any tax advances for the period above, shall be due for payment by the date above.

(6) The term "tax for the previous tax period" shall mean the tax calculated with reference to the tax base specified in the tax return filed for the tax period immediately preceding the one, for which the tax advances are paid, applying the rate set out in Section 15 above, which is in force in the tax period, for which the tax advances are paid, and reduced by any taxes paid abroad, and by any taxes withheld as provided in Section 43 below and treated as a tax advance.

(7) Prior to the date of filing of the tax return showing the tax due for the previous tax period, the taxable party shall be paying tax advances calculated with reference to the last known tax liability reported in the tax return filed for the tax period preceding the previous tax period. Those taxable parties, which pay tax advances as provided in subsection 4b) and c) above, shall pay, up to the date of filing of the tax return, tax advances for the amount and by the dates determined with reference to the expected tax.

(8) The taxable party filing its first tax return shall not pay, in the tax period, in which the tax return is to be filed, any tax advances up to the date prescribed for the filing of the tax return. The tax advances payable by the date prescribed for the filing of the tax return shall be paid not later than the date prescribed for the filing of the tax return, with reference to the amount of the tax specified in its tax return.

(9) If the tax advances paid pursuant to subsection 7 above are lower than the tax advances calculated with reference to the tax return for the previous tax period, the taxable party shall pay the difference due to the lower tax advances paid since the beginning of the tax period, within 30 days after the date prescribed for the filing of the tax return. In case the tax advances paid are higher than the payment due, they shall be set-off against any future tax advances or shall be refunded upon request of the taxable party.

(10) The tax administration may order payment of tax advances to taxable parties having their registered offices abroad, who are engaged, in the territory of the Slovak Republic, in civil engineering or assembly activities, as long as the place or the facility used for such activities is treated as a permanent established pursuant to Section 16 subsection 2 above.

(11) The tax administration may deviate from the provisions concerning the payment of tax advances above also if they are calculated with reference to the expected tax pursuant to subsections 3 and 4 above, or if the tax reported in the tax return (with reference to which the tax advances are paid) was reviewed by a decision of the tax administration or by filing a subsequent tax return. The tax administration may also deviate from the provisions concerning the payment of tax advances above, if the tax advances do not reflect the expected tax, for the account of which the payment is to be made.

(12) If the tax calculated in the tax return exceeds the tax advances paid, the taxable party must pay the difference by the date prescribed for the filing of the tax return.

PART THREE

JOINT PROVISION GOVERNING THE COLLECTION AND PAYMENT OF TAXES

Section 43

Withholding Tax

(1) The tax on the income listed in subsections 2 and 3 below shall be withheld, applying the tax rate set forth in Section 15 above.

(2) The tax on the income originating from sources in the territory of the Slovak Republic, which is earned by taxable parties with limited tax liability, other than any income earned by a permanent establishment of such taxable parties (Section 16 subsection 2 above), shall be withheld, as long as such income falls under any of the categories specified in Section 16 subsection 1c), d) and e), indent one through three above, or such income corresponds to interest accruing on debentures and treasury bonds.

(3) The tax on the following categories of income originating from sources in the territory of the Slovak Republic, which is earned by taxable parties with limited and unlimited tax liability, shall be withheld:

a) interest, winnings and other income from passbook deposits, including interest from deposits in a term deposit and current accounts, except if the

beneficiary earning the interest or other income is a mutual fund,⁶⁶⁾ a supplementary pension fund,³⁵⁾ a bank or a branch of a non-resident bank,⁹⁴⁾ or the Slovak Export-Import Bank,⁹⁵⁾

b) income from participation certificates, certificates of deposit, deposit letters and treasury bonds, except if the beneficiary earning the income is a mutual fund,

c) prizes in cash won in lotteries and other similar games, and prizes in cash won in advertisement contests and drawings, except for prizes exempt from the tax pursuant to Section 9 above,

d) prizes in cash won in public competitions, or in competitions, in which the number of competitors is restricted by the terms of the competition, or the competitors in which are selected by the competition manager, or sporting competitions, except for prizes exempt from the tax pursuant to Section 9 above,

e) any income earned under a supplementary pension savings scheme pursuant to special legislation³⁵⁾ [Section 7 subsection 1d) above],

f) any indemnities paid under an insurance policy for the attainment of a certain age [Section 7 subsection 1e) above],

g) income from tenancy of non-residential premises, joint premises of a house, or joint facilities of a house earned by owners of apartments and non-residential premises, which is treated as an allocation to the fund for the operations, maintenance, and repairs,¹³⁵⁾

h) income of authors for their articles for newspapers, magazines, radio, or television, unless they are treated as artistic performances¹³⁶⁾ [Section 6 subsection 2a) above],

i) interest accruing on debentures and treasury bonds, which is earned by individuals and taxable parties referred to in subsection 6 below.

(4) As regards the tax to be withheld from the income under subsections 2 and 3 above, the tax base shall correspond to the income alone, unless subsection 5 below applies. Both the tax base and the tax shall be rounded as provided in Section 47 below. As regards bank accounts denominated in foreign currencies, the tax base shall be determined in the foreign currency without rounding.

(5) As regards the tax to be withheld from the income:

a) under subsection 3e) and f), the tax base shall correspond to the payment, less any contributions or insurance premiums paid. As regards pensions, the

¹³⁵⁾ Act of the National Assembly of the Slovak Republic 182/1993 Coll., as later amended.

¹³⁶⁾ Section 45 of the Act 383/1997 Coll.

contributions and insurance premiums previously paid shall be spread throughout the term of the pension. If the term of the pension is not defined, such a term shall be calculated as a difference between the average life expectancy announced by the Slovak Statistic Office, and the age of the taxable party at the time, when the first pension is received,

b) under subsection 3h), the tax base shall correspond to the income, less 25%, as provided in Section 6 subsection 10 above.

(6) The tax liability shall be regarded as fully settled upon withholding of the tax, as long as the tax is withheld by a taxpayer¹²²⁾ on behalf of a taxable party, which was not established or founded to conduct business (Section 12 subsection 2), the Slovak National Property Fund, the National Bank of Slovakia, or a taxable party with limited tax liability, who does not conduct business in the territory of the Slovak Republic through a permanent establishment, or, if using a permanent establishment, such income is apparently not related to the permanent establishment. The tax liability shall be regarded as fully settled upon withholding of the tax also with respect to the income under subsection 3g) above.

(7) Except for the cases referred to in subsection 6 above, any tax withheld shall be treated as a tax advance, and the taxable party shall be allowed to deduct such tax advances from the tax in its tax return. If the tax, which was withheld, exceeds the tax calculated by the taxable party in its tax return, the taxable party shall be entitled to a refund of the tax overpayment.¹²⁶⁾

Similarly, a partner in a general commercial partnership or a general partner of a limited partnership shall be allowed to deduct the prorated tax, which was withheld from the general commercial partnership or the limited partnership, applying the ratio, which applies to the distribution of profits among the partners or the general partners under the memorandum of association, otherwise in equal parts. The spouses, who earn income liable to the withholding tax from their tenancy by the entirety, shall be allowed to deduct a prorated part of the tax, applying the same ratio, which applies to the taxation of the income.

(8) The taxable party, who is allowed, pursuant to subsection 7 above, to deduct the tax, which has been withheld, and who, at the determination of the tax base, proceeds as provided in Sections 17 through 29 above, shall include any income, the tax on which has been withheld, into the tax base for the tax period, in which the tax was withheld.

(9) If any income from securities is earned by the beneficiary from a mutual funds management company,⁶⁶⁾ the tax base to be used for the calculation of the withholding tax shall correspond to the income from the participation

certificates, less any income received by the management company, which is liable to the withholding tax, including any shares of profits received by the management company, which are not liable to the tax.

(10) The tax shall be withheld by the taxpayer¹²²⁾ at the time, when the payment is made, remitted, or credited in favor of the taxable party. As regards any income from securities, which is earned by the beneficiary from mutual funds management companies, the tax shall be withheld even if no income is paid, not later than June 30 of the year following the tax period, with respect to which a tax base has been booked in accordance with subsection 9 above.

(11) The taxpayer¹²²⁾ shall transfer any tax withheld thereby to the tax administration by the fifteenth day of each month for the previous calendar month. A notice of any such a payment must be given by the taxpayer¹²²⁾ to the tax administration, unless the tax administration decides otherwise upon request of the taxpayer. The tax shall be withheld from the payment or from the amount credited in favor of the taxable party. Any performances in kind shall also be treated as a payment.

(12) If the taxpayer¹²²⁾ fails to withhold the tax or to pay the tax withheld in a timely fashion, the tax shall be enforced as its own tax liability. The same applies if the tax withheld is lower than the prescribed amount.

(13) Unless this Act provides otherwise, as regards the income liable to the withholding tax, the tax liability of the taxable party shall be regarded as fully settled upon due withholding of the tax.

(14) As regards the income under subsection 3g) above, the taxpayer,¹²²⁾ shall be the association of owners of apartments and non-residential premises¹³⁵⁾ or the individual or the legal entity, with which the owners of apartments and non-residential premises enter into an agreement for the administration of such premises.¹³⁵⁾ Such a taxpayer shall transfer the tax to the tax administration not later than the fifteenth day after the last day of the calendar year, in which the income above was allocated or credited in favor of the fund of operations, maintenance and repairs.¹³⁵⁾

Section 44 Tax Security

(1) The tax administration may order to individuals and legal entities to withhold, upon any payment made to another taxable party, an amount corresponding to 50% of the tax rate under Section 15 above. Any amount so withheld to secure the tax shall be treated as a tax advance.

(2) In order to secure the tax on taxable income (other than income, the tax on which is withheld), the payers, who pay, remit, or credit payments in favor of a taxable party with limited tax liability, shall be obliged to withhold from such payments, as a tax security, an amount corresponding to the tax rate under Section 15 above, except if the tax advance is withheld as provided in Section 35 above. In case of a partner's share in the profits of a general commercial partnership or a general partner's share in the profits of a limited partnership, or shares of profits of a member of an European association of economic interests, the tax security shall be withheld regardless of the actual payment of the share in the profits not later than three months after the last day of the tax period. As regards any income from tenancy of real estate, which is earned by an individual, for the purposes of the calculation of the tax security, the taxable income shall be reduced by 25%, as provided in Section 6 subsection 10.

(3) The tax security under subsections 1 and 2 above shall be transferred to the tax administration having jurisdiction by the fifteenth day of each calendar month for the previous calendar month. The above must be advised by the payer of the income to the tax administration having jurisdiction over the taxable party, unless the tax administration decides otherwise upon request of the income payer.

(4) The payer of the income shall not withhold the tax security pursuant to subsection 2 above, if the taxable party submits a certificate issued by the tax administration confirming the payment of tax advances pursuant to Sections 34 or 42 above, unless the tax administration decides otherwise.

(5) Unless the taxable party files a tax return, the tax administration may decide that the tax liability of the taxable party has been fully settled by the payment of the tax security pursuant to subsections 1 and 2 above.

(6) If any payer of the income fails to withhold the tax security as required by the subsections above, or if it withholds less than due, or if it omits to pay the tax security so withheld in a timely fashion, it shall be liable for the tax, which should have been secured, as if it were its own tax due.

Section 45 **Avoidance of Double Taxation**

(1) If a taxable party with unlimited tax liability earns income originating in a country that has signed a treaty on avoidance of double taxation (hereinafter referred to only as “treaty”) with the Slovak Republic, double taxation shall be avoided in accordance with the treaty. If the treaty

provides for a set-off of the tax, any tax paid in the other contractual State shall be set-off against the tax payable under this Act up to the amount, which may be collected in the other country according to the treaty, while the maximum set-off shall be equal to the tax payable with respect to the income originating from sources abroad. The aggregate income (tax base) liable to the tax abroad, with respect to which the tax is to be set-off under the treaty, shall be rounded down to whole Slovak Crowns. For the purposes of set-off of the tax, the term “tax base with respect to the income liable to the tax abroad” shall mean the tax base calculated pursuant to Section 5 subsection 8 above, or the difference between the taxable income originating from sources abroad, and the tax expenses calculated pursuant to Section 17 subsection 14 above. The percentage ratio between the income originating from sources abroad and the aggregate tax base for the tax period, shall be rounded to two decimal places. The maximum tax paid abroad, which may be set-off, shall be rounded up to whole Slovak Crowns. Only such tax may be set-off, which relates to the income included in the tax base for the relevant tax period. If the treaty provides for exclusion of income, the tax base with respect to the income liable to the tax abroad shall be, for the purposes of exclusion of the income, equal to the tax base calculated pursuant to Section 5 subsection 8 above, or the difference between the taxable income originating from sources abroad, and the tax expenses calculated pursuant to Section 17 subsection 14 above.

(2) If the taxable party earns income originating from sources in a country, in which the tax period differs from the tax period in force in the Slovak Republic, and the taxable party fails to have available, by date prescribed for the filing of a tax return in Section 49 below, a document proving the payment of the tax, which would be issued by the tax administration abroad, the taxable party shall declare in its tax return the expected income originating from sources abroad and the tax payable on such income for the tax period, for which the tax return is filed.

(3) The method of exclusion of income pursuant to subsection 1 above shall be used if a taxable party with unlimited tax liability earns income from dependent activities:

- a) as a consideration for his/her work performed for the European Communities or the institutions thereof, which is documented as taxed in favor of the general budget of the European Union, or
- b) from sources in a country, with which the Slovak Republic has not entered into any treaty, as long as such income is documented as taxed abroad.

Section 46 **Minimum Tax**

No tax shall be levied and paid if it is less than or equal to 500.-Sk for any tax period, or if the aggregate taxable income of a taxable party, who is an individual, does not exceed 50% of the amount under Section 11 subsection 1a) for any tax period. The above shall not apply if the taxable party claims a tax bonus pursuant to Section 33 above, or if the tax is withheld as provided in Section 43 above, or if tax advances are withheld pursuant to Section 35 above, or if tax security is withheld pursuant to Section 44 above.

Section 47 **Rounding**

(1) The tax base, the taxable wage (Section 35 above), the tax (Sections 15 and 43 above), the tax advances (Sections 34, 35, 42, and 44 above), and the amount corresponding to 2% of the paid tax referred to in Section 50 below, shall be rounded down to whole Slovak Crowns.

(2) The calculation of the tax rate for the purposes of the tax set-off (Section 45 above) and other calculations shall be calculated to two decimal places. No gradual rounding in two or several stages shall be allowed. The numbers under this subsection shall be rounded in the following way: any figures following the second decimal figure of the rounded number shall be omitted. The second decimal figure will then be adjusted depending on the figures that follow:

- a) if the rounded figure is followed by a figure lower than 5, it shall remain the same,
- b) if the rounded figure is followed by a figure equal to 5 or higher, it shall be increased by 1.

Section 48 **Non-resident Taxpayers**

(1) As regards the tax under Sections 35, 43, and 44 above, the term "taxpayer"¹²²⁾ shall mean the individual resident abroad, or the legal entity having its registered office abroad, which has a permanent establishment in the territory of the Slovak Republic, or which employs employees in the

territory of the Slovak Republic for more than 183 days, either continuously or spasmodically during any period of twelve consecutive months; the above shall not apply to the provision of services specified in Section 16 subsection 1c) above, and to foreign embassies and consulates established in the territory of the Slovak Republic.

(2) In cases referred to in Section 5 subsection 4 above, the taxpayer shall not be the individual resident abroad, or the legal entity having its registered office abroad.

Section 49 **Dates of Filing of Tax Returns, Overviews and Reports**

(1) Tax returns (Sections 32 and 41 above), overviews [Section 39 subsection 9a) above] and reports [Section 39 subsection 9b) above] shall be filed by the taxable party with the tax administration having jurisdiction.

(2) The tax return and the report shall be filed not later than three months following the last day of the tax period, unless this Act provides otherwise. The overview shall be filed not later than 30 days after the last day of the calendar quarter. The taxable party shall pay the tax by the date prescribed for the filing of the tax return.

(3) The tax administration may, upon request of the taxable party or *ex officio*, extend the term prescribed for the filing of the tax return by not more than three months. If the income reported in the tax return includes also any income originating from sources abroad, the tax administration may extend the term prescribed for the filing of the tax return by not more than six months. No appeal may be filed against the decision concerning the extension of the term above.

(4) If the taxable party dies, the tax return shall be filed, for the respective fraction of the year, by his/her heir. If there are more heirs, the tax return shall be filed by one of the heirs designated thereby. If they fail to reach an agreement as to who shall file the tax return, the tax administration shall designate one of the heirs. If the heir is the Slovak Republic, no tax return shall be filed. The tax return shall be filed within three months after the decease of the taxable party, while the period above may be extended by the tax administration upon request of the heir.

(5) If the taxable party was obliged to file a tax return for the tax period preceding his/her decease and the tax was not levied, the heir (other than the Slovak Republic) shall file a tax return on behalf of the deceased taxable party within three months after his/her decease. The period above may be

extended by the tax administration upon request of the heir, as long as there are serious reasons justifying the deferral.

(6) If the taxable party is dissolved without liquidation, the taxable party or its successor-in-law shall file, by the term set forth in subsection 2 above, which starts on the date of dissolution of the taxable party, a tax return for the elapsed fraction of the tax period up to the dissolution. Any assets and liabilities accruing between the date of winding up of the taxable party without liquidation, and the date of its dissolution, shall be treated as assets and liabilities of the successor-in-law.

(7) In case of closure of a permanent establishment in the territory of the Slovak Republic, the taxable party shall file a tax return or report not later than the last day of the month following the month of closure of the permanent establishment, for the elapsed fraction of the tax period.

(8) If a permanent establishment of the taxable party is established as provided in this Act or in the treaty in the tax period, which follows the one, in which the business was started, the taxable party shall file a tax return for such a tax period by the last day of the month following the one, in which the permanent establishment was established as provided in this Act or the treaty. As regards any tax periods, in which the taxable party continues the business, the tax return shall be filed as provided in subsection 2 above.

(9) In the tax return the taxable party shall calculate the tax on its own, shall specify any exceptions, relieves, privileges, deductions, and shall specify the amount thereof.

(10) Any facts relevant for the levying of the tax shall be considered separately with respect to each tax period.

(11) For the purposes of filing of a tax return the taxable party shall prepare its financial statements pursuant to special legislation¹⁾ as of the last day of the tax period pursuant to this Act, and shall file such financial statements with the tax administration by the date prescribed for the filing of the tax return.

(12) Special legislation¹²⁸⁾ shall apply to the filing of corrective tax returns or reports, and to the filing of subsequent tax returns or reports.

Section 50

Use of a Percentage of the Paid Tax for Specific Purposes

(1) By the date prescribed for the filing of the tax return, the taxable party may specify in the tax return, or in a statement filed with the tax administration having jurisdiction not later than April 30 after the last day

of the tax period (the latter with respect to taxable parties, for whom the employer, who is the taxpayer,¹²²⁾ performed the annual clearing) that an amount up to 2% of the tax paid thereby (hereinafter referred to only as “percentage of the paid tax”) should be granted to a legal entity falling within the categories set forth in subsection 4 below (hereinafter referred to only as “beneficiary”), while such an amount shall not be lower than:

a) 20 Sk, if the taxable party is an individual,

b) 250 Sk, if the taxable party is a legal entity.

(2) If the taxable party is an individual, who proceeds pursuant to Section 33 above, the term “tax paid thereby” shall mean, for the purposes of subsection 1 above, the tax, which was paid, less any tax bonuses.

(3) The statement of use of a percentage of the paid tax for the tax period, for which the tax was paid (hereinafter referred to only as “statement”), shall contain the following essentials:

a) exact identification of the taxable party, who filed the statement, i.e.

1. name, surname, birth certificate number, residence, and telephone number of the taxable party, if the taxable party is an individual,

2. business name or denomination, registered office, corporate form, identification number of the taxable party, if the taxable party is a legal entity,

b) the amount corresponding to the percentage of the paid tax,

c) the tax period, to which the statement relates,

d) the identification data of the beneficiary or beneficiaries referred to in subsection 4 below, i.e. its business name or denomination, registered office, corporate form, and the identification number,

e) the amount to be paid to each of the beneficiaries.

(4) The percentage of the paid tax may be granted to the following beneficiaries:

a) civic associations,¹³⁷⁾

b) foundations,¹³⁸⁾

c) non-investment funds,¹³⁹⁾

d) not-for-profit organizations providing services of general utility,¹⁴⁰⁾

e) purposeful establishments of churches and religious societies,¹⁴¹⁾

¹³⁷⁾ Act 83/1990 Coll., as later amended.

¹³⁸⁾ Act 34/2002 Coll.

¹³⁹⁾ Act 147/1997 Coll.

¹⁴⁰⁾ Act 213/1997 Coll., as amended by the Act 35/2002 Coll.

¹⁴¹⁾ Section 6 subsections 1h) and k) of the Act 308/1991 Coll. (Freedom of Religion and Status of Churches and Religious Societies Act).

f) organizations with an international component,¹⁴²⁾
g) Slovak Red Cross.

(5) The percentage of the paid tax may be granted to beneficiaries for purposes, which constitute the scope of their activities, as long as the beneficiaries are engaged in:

- a) development and protection of spiritual values,
- b) protection of human rights,
- c) protection and creation of the environment,
- d) protection and promotion of health and education,
- e) promotion of sports and their exercise by children, young and handicapped persons,
- f) provision of social aid,
- g) preservation of natural and cultural values.

(6) The tax administration referred to in subsection 1 above (hereinafter referred to only as „tax administration“) shall remit the percentage of the paid tax to the beneficiary identified in the statement, subject to their compliance with the following criteria:

- a) by the last day of the term prescribed for the filing of the tax return there is no tax in arrears payable by the taxable party (while the tax for the tax period, for which the statement is filed, is paid by the date prescribed for the filing of the tax return), neither the taxable party enjoys any deferral of payment of taxes, or the privilege of payment of taxes by installments. The taxable party, for whom the employer, who is the taxpayer,¹²²⁾ performed the annual clearing, shall submit a certificate issued by the employer and showing that the tax has been withheld from the taxable party for the tax period, for which the annual clearing was performed; such a certificate shall be issued by the employer upon request of the employee (Section 39 subsection 7 above), and shall be attached to the statement,
- b) the taxable party identifies in its statement as beneficiary:
 1. only one legal entity referred to in subsection 4 above, and the respective amount, if the taxable party is an individual, or
 2. one or several legal entities referred to in subsection 4 above, and the respective amounts, if the taxable party is a legal entity,
- c) the beneficiary is included, as of December 31 of the previous calendar year, in the Central Register of Beneficiaries kept by the Slovak Chamber of

¹⁴²⁾ Act 116/1985 Coll. (Terms and Conditions of Operation of Organizations with International Components in the Czechoslovak Socialist Republic Act, as amended by the Act 157/1989 Coll.)

Notaries (hereinafter referred to only as “Chamber”) pursuant to special legislation,¹⁴³⁾

- d) the beneficiary falls into one of the categories referred to in subsection 4 above, and is engaged in activities referred to in subsection 5 above,
- e) the beneficiary was not established later than in the course of the calendar year preceding the one, in which a proof of compliance with the criteria under d, g), and h) below was submitted,
- f) the beneficiary does not owe any tax in arrears,
- g) the beneficiary gives a proof to the effect that there are no mandatory insurance premiums overdue (by submitting a certificate issued by the relevant authority, which is not older than 30 days),
- h) the beneficiary gives a proof to the effect that it has opened an account with a bank or a branch of a non-resident bank (by submitting a certificate issued by the bank or the branch of a non-resident bank not older than 30 days and by advising the bank account number),
- i) a notary public has certified and advised the Chamber without undue delay of the identification data of the beneficiary, and of the name of the bank or the branch of a non-resident bank, in which the account of the beneficiary has been opened, together with the number of such a bank account.

(7) A notary¹⁴⁴⁾ shall certify each year, not later than December 15 of the current year, that the beneficiary has complied with the criteria under subsection 6d), e), g), and h) above since September 1 of the current year. The notary, who makes the certification above, shall be obliged to advise without undue delay the identification data of the beneficiary under subsection 3d) above, the name of the bank or the branch of a non-resident bank, in which the account of the beneficiary has been opened, together with the number of such a bank account, to the Chamber, for the purposes of registration of the beneficiary in the Register of Beneficiaries for the coming year. The Register of Beneficiaries shall include the business names or denominations of the beneficiaries, their registered offices, corporate forms, identification numbers, bank account numbers and names of the banks or branches of non-resident banks, in which their accounts are opened. The Register of Beneficiaries shall be a public register, which shall be disclosed by the Chamber in accordance with special legislation¹⁴⁵⁾ on a

¹⁴³⁾ Act of the Slovak National Council 323/1992 Coll., as later amended.

¹⁴⁴⁾ Section 10 of the Act of the Slovak National Council 323/1992 Coll., as later amended.

¹⁴⁵⁾ Act 211/2000 Coll. (Free Access to Information Act, which also amends other legislation).

yearly basis, always by January 15 of the calendar year, in which the percentage of the paid tax may be granted to the beneficiaries. By the date above, the Chamber shall deliver the Register of Beneficiaries to the Slovak Tax Headquarters.

(8) The tax administration shall, following the satisfaction of the criteria set forth in subsection 6 above, transfer the amount corresponding to the percentage of the paid tax to the bank account of the beneficiary, not later than three months after the date prescribed for the filing of the statement pursuant to subsection 1 above. If no evidence of compliance with the conditions set forth in subsection 6 above is given, or if the statement filed by the taxable party contains incorrect identification of the beneficiary, the entitlement to the receipt of the amount corresponding to the percentage of the paid tax referred to in subsection 1 above shall be extinguished. A notice of the above shall be given by the tax administration to the taxable party without undue delay. No decision pursuant to special legislation¹²⁸⁾ shall be issued by the tax administration upon its review of compliance with the criteria set forth in subsection 6 above, or upon its transfer of the amount corresponding to the percentage of the paid tax to the bank account of the beneficiary

(9) In case of winding-up of the beneficiary between the date of satisfaction of the criteria set forth in subsection 6 above and the date of transfer of the percentage of the paid tax by the tax administration, the entitlement to the receipt of the percentage of the paid tax shall be extinguished. If the beneficiary is wound up within 12 months following the transfer of the percentage of the paid tax by the tax administration, it shall refund the payment so received to the tax administration having jurisdiction according to the registered office of the beneficiary without undue delay. In case of default in the duty above, provisions of special legislation¹⁴⁶⁾ concerning the breach of budget discipline shall apply.

(10) It shall not be admissible to subsequently review the percentage of the tax paid by the tax administration to the beneficiary, if it is later established that the tax liability of the taxable party was higher. If the taxable party makes a tax overpayment, such an overpayment shall be reduced by the difference between the amount paid to the beneficiary and the amount corresponding to the percentage of the adjusted tax liability.

(11) If the beneficiary fails to use the percentage of the paid tax received thereby for activities specified in subsection 5 above by the last day of the year following the one, in which the percentage of the paid tax was received thereby, or if it uses the same in contrast with the purposes set forth in subsection 5 above, the provisions of special legislation¹⁴⁶⁾ concerning the breach of budget discipline shall apply to the beneficiary, and the beneficiary shall be obliged to transfer the percentage of the paid tax back to the State budget within 90 days after the occurrence of the relevant facts.

(12) Out of the data received from tax administrations concerning the payment of the percentage of the paid tax, the Slovak Tax Headquarters shall draw a yearly overview of beneficiaries as of December 31 of the previous calendar year. The yearly overview of beneficiaries shall specify the name of each beneficiary, its registered office and the aggregate percentages of paid tax, which were received by the beneficiary. The yearly overview of beneficiaries for the previous year shall be disclosed by the Slovak Tax Headquarters always by January 31 of the current year, and it shall also be delivered to the Chamber.

(13) Any beneficiary, which received in the aggregate, percentages of paid personal and corporate income taxes, according to the yearly overview of beneficiaries referred to in subsection 12 above, in excess of 100 000 Sk, shall be obliged to send, within 12 months after the date of publishing of the overview under subsection 12 above, a detailed specification of use of the money so received for its publishing in the Commercial Bulletin. The specification shall specify the amount, the purpose of the use of the percentage of the tax paid, the method of use thereof, and also an opinion of the auditor, if so required by special legislation.¹⁾

(14) If any beneficiary fails to proceed as provided in subsection 13 above, the Chamber shall not include the same in the Register of Beneficiaries during the three years starting from the one, in which the default under subsection 13 above occurred.

TITLE SIX JOINT, INTERIM AND FINAL PROVISIONS

Section 51

The passage from the single-entry bookkeeping system to the double-entry bookkeeping system, and vice-versa, and also any details concerning the

¹⁴⁶⁾ Section 47 of the Act of the National Assembly of the Slovak Republic 303/1995 Coll., as later amended

provisions of this Act, shall be regulated by a generally binding legal regulation to be enacted by the Ministry.

Section 52

(1) The provisions of the Act 366/1999 Coll. (Income Taxes Act, as later amended) shall apply to any tax liabilities, which accrued with respect to the year 2003 and any previous years (except for the tax liabilities under subsection 14 below), and also to the taxation of income from dependent activities and emoluments of officers posted up to December 31, 2003 in accordance with the Act 366/1999 Coll. (Income Taxes Act, as later amended), and paid by January 31, 2004, and to the annual clearing thereof. Any penalties assessed since January 1, 2004 shall be governed by the provisions of special legislation.^{146a)}

(2) The exemptions, relieves and other privileges, which may be claimed pursuant to the hitherto existing legislation, may be claimed up to the expiration of the term of the exemption, relief, or privilege. The criteria, which must be complied with in order to enjoy any tax exemptions or tax reductions (Section 4 subsection 1m), Section 5 subsection 7, Section 13 subsections 3 through 7), or in order to enjoy any flat tax relieves (Section 16 subsections 1 and 2 of the Act 366/1999 Coll. (Income Taxes Act, as later amended)), which were claimed up to December 31, 2003, shall apply also on and after the effective date of this Act. Any claims to flat tax relieves under the Act 366/1999 Coll. (Income Taxes Act, as later amended) shall be extinguished on the effective date of this Act.

(3) Those taxable parties, which were incorporated as provided in Sections 35 and 35a of the Act 366/1999 Coll. (Income Taxes Act, as later amended), shall be free to claim and draw tax relieves pursuant to the hitherto existing legislation, while they shall not be obliged to submit evidence of compliance with the criteria set forth in Section 35 subsection 1b) of the Act 366/1999 Coll. (Income Taxes Act, as later amended), according to which the contributions to the registered capital originating from sources abroad must achieve to not less than 75% for the entire term of drawing of the tax credit, and the criteria set forth in Section 35a subsection 1b) of the Act 366/1999 Coll. (Income Taxes Act, as later amended), according to which

^{146a)} Sections 35 and 35b of the Act of the Slovak National Council 511/1992 Coll., as later amended.

such a percentage must achieve 60%. The provisions of special legislation¹⁴⁷⁾ shall thereby not be affected.

(4) Tax relieves for investment incentives beneficiaries pursuant to Sections 35b and 35c of the Act 366/1999 Coll. (Income Taxes Act, as later amended) shall apply, after January 1, 2004, to those taxable parties, who were or will be delivered a decision granting investment incentives in form of tax relieves by December 31, 2006 at the latest. The right to draw relieves by such taxable parties shall remain unaffected up to their full drawing, in accordance with the terms specified in the decisions granting investment incentives. The decision above cannot be issued repeatedly.

(5) Any severance payments made pursuant to special legislation,²²⁾ which were received after the effective date of this Act, shall enjoy tax exemptions pursuant to the hitherto existing legislation, provided that the employee has served for at least five years by December 31, 2003.

(6) If the criterion of duration of service, which must be complied with to have entitlement to a severance payment pursuant to special legislation²²⁾, is satisfied only after the effective date of this Act, and if the claim to severance payment pursuant to special legislation²²⁾ accrues by:

- a) December 31, 2004, the tax base for the tax period 2004 shall include an amount corresponding to 20% of the severance payment,
- b) December 31, 2005, the tax base for the tax period 2005 shall include an amount corresponding to 40% of the severance payment,
- c) December 31, 2006, the tax base for the tax period 2006 shall include an amount corresponding to 60% of the severance payment,
- d) December 31, 2007, the tax base for the tax period 2007 shall include an amount corresponding to 80% of the severance payment.

(7) Any income from the sale of apartment acquired prior to January 1, 2004, which is earned prior to or on December 31, 2004 shall be governed by the provisions of the Act 366/1999 Coll., as later amended. Any income from the sale of apartment acquired prior to January 1, 2004, which is earned after December 31, 2004, shall be governed by Section 9 of this Act.

(8) The provisions of Section 30 above shall apply to any losses, which the taxable party may deduct for the first time after the effective date of this Act, even if such losses are booked prior to the effective date of this Act. The taxable party, which did or may have reduced the tax base by any loss booked prior to the effective date of this Act, shall pursue the deduction thereof pursuant to the hitherto existing legislation.

¹⁴⁷⁾ Act 231/1999 Coll. (Public Aid Act, as later amended).

(9) Any provisions for contingent liabilities for the repair of tangible assets, the posting of which was treated as a tax expense up to December 31, 2003, shall be used, reversed, and included in the tax base in accordance with the plan of repairs of the taxable party, starting from the first tax return filed after the effective date of this Act, but not later than December 31, 2008. Any provisions for contingent liabilities, the drawing of which should occur, in accordance with the plan of repairs of the taxable party, after December 31, 2008, shall be included in the tax base starting from the tax period 2004 on an equal basis, one fifth of the aggregate amount in each tax period. If the taxable party is dissolved without liquidation prior to or on December 31, 2008, the provisions for contingent liabilities shall be included in the tax base by the successor-in-law thereof, in accordance with sentence one above, not later than December 31, 2008. If prior to or on December 31, 2008 a bankruptcy order is made against the taxable party, such provisions for contingent liabilities shall be included in the tax base not later than December 31, 2008; if following the date of the bankruptcy order the bankrupt taxable party is wound up without any successor-in-law, the provisions for contingent liabilities shall be included in the tax base not later than the date of dissolution of the taxable party. If prior to or on December 31, 2008 the taxable party is dissolved as a result of its winding up with liquidation, the provisions for contingent liabilities shall be included in the tax base not later than the date of dissolution of the taxable party. The same applies to any provisions for contingent liabilities for the repair of tangible assets included in the depreciation category 2, the posting of which was not treated as a tax expense neither in 2003.

(10) The balances of provisions for contingent liabilities and allowances, which were treated as expenses (costs) incurred to generate, assure, and maintain the income pursuant to the hitherto existing legislation, and which were posted prior to December 31, 2003, other than provisions for contingent liabilities for the repair of tangible assets, which are dealt with in subsection 9 above, shall be brought forward to the next tax period, and shall be treated as provisions for contingent liabilities and allowances posted pursuant to this Act.

(11) The balances of provisions for contingent liabilities posted by banks, the posting of which was treated as a tax expense pursuant to the hitherto existing legislation, shall be treated as income at the time of their drawing, not later than five years after the effective date of this Act.

(12) Any income and expenses (costs), which were included, pursuant to the hitherto existing legislation, in the tax base only following the payment or

receipt thereof, and which were posted, by December 31, 2003, among revenues or expenses of the taxable party, shall be included in the tax base (except for subsection 1 above) in the tax period, in which they will be paid or received also after December 31, 2003.

(13) The hitherto existing legislation shall apply to the tax treatment of contributions in kind to the registered capital of a company or cooperative made prior to or on December 31, 2003.

(14) When filing a tax return after the effective date of this Act, the tax base shall not include any differences arising from the revaluation of the individual components of depreciated assets made pursuant to special legislation¹⁾ as of the date of winding up of the taxable party without its liquidation, and related to those assets of the taxable party, the depreciation of which is resumed by the successor-in-law. Neither shall the tax base include any goodwill or badwill posted by the transferee, or the exchange rate differences arising out of revaluation of assets and liabilities, or valuation differences arising out of revaluation of derivatives and securities, which are due to the valuation of such instruments using the fair value, if posted among expenses or revenues by December 31, 2003.

(15) If there is a change to the depreciation category with respect to any tangible or intangible assets, or a change of the term of depreciation, yearly depreciation rates, or coefficients, the taxable party shall implement such changes also with respect to any property, which used to be depreciated pursuant to the hitherto existing legislation, while any depreciation previously made shall not be retroactively reviewed.

(16) The taxable party, which acquired and depreciated, prior to December 31, 2003, means of transportation, which were characterized by a limited input price (Section 24 subsection 2a) of the Act 366/1999 Coll. (Income Taxes Act, as later amended)), or by a limited leasing charges, which could be treated as tax expenses (Section 24 subsection 3f) of the Act 366/1999 Coll. (Income Taxes Act, as later amended)), shall pursue the depreciation after December 31, 2003, while making reference to the actual input price, or it shall keep treating leasing charges as tax expenses with reference to the actual amount of the leasing charges agreed in the leasing agreement, while after December 31, 2003 it shall be allowed to treat as tax expenses only those depreciation charges and leasing charges, which are attributable to the tax periods after December 31, 2003. Any depreciation charges and leasing charges in excess of the limit, which was in force up to December 31, 2003, cannot be included in the tax base subsequently after December 31, 2003.

(17) The hitherto existing legislation shall apply to any leasing agreements with a purchase option entered into prior to or on December 31, 2003. Any changes due to the reduction of the tangible assets depreciation periods (Section 30 subsection 1 of the Act 366/1999 Coll. (Income Taxes Act, as later amended)) may only be introduced if so agreed between the lessor and the lessee.

(18) The allowances for debts receivable, which are not time-barred, with respect to which there is a risk of their full or partial default by the debtor, and which were treated as income up to December 31, 2003, while they were due for payment after December 31, 2001, shall be treated as tax expenses for the amount and subject to the conditions set forth in Section 25 subsection 1v) indent three of the Act 366/1999 Coll. (Income Taxes Act, as later amended), as long as such debts receivable arose prior to or on December 31, 2003. The provisions of Section 20 subsection 14 shall apply to any debts receivable, which arose after the effective date of this Act.

(19) The taxable party, which satisfies, on or after December 31, 2003, the conditions for the write-off of debts receivable due for payment prior to or on December 31, 2002, and their treatment as tax expenses pursuant to Section 24 subsection 2s) indent seven of the Act 366/1999 Coll. (Income Taxes Act, as later amended), shall write such debts receivable off and treat them as tax expenses in accordance with this Act, provided that the permanent waiver of the debt receivable, which was not time-barred, was posted among the costs after December 31, 2002; any assignment of such debts receivable after December 31, 2003, shall follow the provisions of Section 24 subsection 2r) of the Act 366/1999 Coll. (Income Taxes Act, as later amended). The provisions of Section 23 subsection 27 of the Act 366/1999 Coll. (Income Taxes Act, as later amended) shall apply to the inclusion of the waived debts in the tax base.

(20) The provisions of Section 4 subsection 1d), Section 10 subsection 3a), and Section 58 subsection 8 of the Act 366/1999 Coll. (Income Taxes Act, as later amended) shall apply, after December 31, 2003, to the taxation of any income from the sale of securities, which were acquired prior to the effective date of this Act.

(21) The provisions of Section 4 subsection 1h) of the Act 366/1999 Coll. (Income Taxes Act, as later amended) shall apply, after December 31, 2003, to the taxation of any income from the transfer of membership in a cooperative, or from the transfer of ownership interest in companies (other than transfer of securities), which was acquired prior to the effective date of

this Act, provided that the period between the acquisition and the sale thereof exceeds five years.

(22) The hitherto existing legislation shall apply to the taxation of any income from State bonds denominated in foreign currencies, which were issued prior to or on December 31, 2003. The provisions of Section 9 subsection 2s) and Section 13 subsection 2f) shall apply to State bonds, which were issued and registered abroad after December 31, 2003, as long as the payment, posting, or crediting of any interest accrued thereon occurs after December 31, 2004.

(23) The hitherto existing legislation shall apply to the taxation of interest, winnings, and other income from passbook deposits, current and term deposit accounts, which were credited as of December 31, 2003. The provisions of Section 36 subsection 2e) of the Act 366/1999 Coll. (Income Taxes Act, as later amended) shall apply to the taxation of interest and other income earned by individuals from deposits with the term of three years, which are not intended for business purposes, on condition that the capital and interest are drawn after the expiration of the term thereof, provided that the deposits expire not later than December 31, 2006, and also provided that interest is credited not later than December 31, 2006.

(24) The provisions of Section 3 subsection 2c) a Section 12 subsection 7c) above, which define the performances not liable to the tax, shall apply to any shares of profits, which are booked for the tax period after the effective date of this Act, and to any settlement shares and shares of liquidation balances, the entitlement to which arose after the effective date of this Act. If shares of profits for taxable periods up to December 31, 2003 are earned since April 1, 2004 by a taxable party with limited tax liability, such shares of profits shall be treated as income originating from a source in the territory of the Slovak Republic, which is liable to the withholding tax (Section 43); such income shall not be liable to the tax if earned by a taxable party having their registered office in any member State of the European Union, who holds, at the time of payment, crediting, or other posting of such income to its favor, at least 25% direct shareholding on the registered capital of the party, by which the income is paid. If shares of profits for taxable periods up to December 31, 2003 are earned by a taxable party with unlimited tax liability from a party, which has its registered office in another member State of the European Union, and if such a taxable party holds, at the time, when the income is paid, credited or otherwise posted to its favor, at least 25% direct shareholding on the registered capital of the party, by which the income is paid, such income shall not be liable to

the tax starting from the effective date of the Treaty on Adhesion of the Slovak Republic to the European Union.

(25) The provisions of Section 23 subsection 2f) above shall apply to any tangible assets, which were surrendered free of charge after December 31, 2003.

(26) The provisions of Section 48 a 51a of the Act 366/1999 Coll. (Income Taxes Act, as later amended) shall apply in 2004 to the review of compliance with the criteria for the payment of a percentage of paid tax pursuant to Section 50.

(27) The provisions of Section 17 subsection 13 above concerning the dissolution of taxable parties as a result of their winding up without liquidation upon merger, split, or takeover of a company or a cooperative having its registered office in any European Union member State, shall apply for the first time in the tax period, in which the Slovak Republic becomes a member of the European Union.

(28) The changes due to the new method of accounting pursuant to Section 86 subsection 1i) and l) of the Decree of the Ministry 23 054/2002-92, providing details concerning accounting procedures and the framework chart of accounts for businesses using double-entry bookkeeping system (published in the Collection of Laws under the number 740/2002 Coll.), and which affect the accounts 01 – Long-term intangible assets, 381 – Deferred expenses, and 382 – Comprehensive deferred expenses, shall be included in the tax base of the taxable party not later than the last day of the year 2006. The above shall apply also to any tax returns filed after the effective date of this Act.

(29) Prior to the first day of the advance period defined in Section 34 above, the taxable parties, who are individuals, shall pay, in 2004, tax advances calculated pursuant to the hitherto existing legislation.

(30) The provisions of Section 6 subsection 8a) and Section 58 subsection 9 of the Act 366/1999 Coll. (Income Taxes Act, as later amended) shall apply to any benefits in connection with loans extended prior to the effective date of this Act.

(31) Tax exemptions pursuant to the hitherto existing legislation shall apply to severance payments payable to judges and public prosecutors pursuant to special legislation¹⁴⁸⁾ on condition that:

a) they are received prior to or on December 31, 2004,

b) they are received after December 31, 2004, and

1. the judges used to serve for at least five years up to December 31, 2004, or

2. the relevant practical experience of the public prosecutor achieves at least five years up to December 31, 2004.

(32) If the condition under subsection 31b) indents 1 and 2, which must be satisfied pursuant to special legislation¹⁴⁸⁾ in order to have entitlement to severance pay, is satisfied only after December 31, 2004, and if the claim to the payment of the severance under special legislation¹⁴⁸⁾ arises after:

a) December 31, 2005, the tax base for the tax period 2005 shall include an amount corresponding to 20% of the severance payment,

b) December 31, 2006, the tax base for the tax period 2006 shall include an amount corresponding to 40% of the severance payment,

c) December 31, 2007, the tax base for the tax period 2007 shall include an amount corresponding to 60% of the severance payment,

d) December 31, 2008, the tax base for the tax period 2008 shall include an amount corresponding to 80% of the severance payment.

(33) The prorated fraction of interest accruing on debentures and treasury bonds, which was posted as revenue prior to or on December 31, 2003, and which was not included in the tax base pursuant to Section 23 subsection 4a) of the Act 366/1999 Coll. (Income Taxes Act, as later amended), shall be included in the tax base in the tax period, in which the bonds or treasury bonds are sold or in which their maturity expires after the effective date of this Act.

(34) At the filing of a tax return after the effective date of this Act, any amounts posted to provisions for contingent liabilities for non-invoiced supplies and services, holidays not taken and for bonuses and premiums, which were posted as expenses prior to or on December 31, 2003, shall be treated as tax expenses.

(35) For the purposes of calculation of the tax base pursuant to Sections 5 and 6 of this Act, it shall be allowed to deduct, in the tax period 2004, any supplementary pension insurance premiums paid by the taxable party earning income under Section 5 or Section 6 above in 2004, up to the limit and in the manner set forth in the Act 366/1999 Coll. (Income Taxes Act, as later amended), and with respect to the tax period 2005 up to the limit and in the manner set forth in this Act.

(36) The procedure of passage from the records of income, tangible and intangible assets used for business, debts receivable, debts payable, and any received and issued tax documents, which taxable parties used to keep

¹⁴⁸⁾ Act 385/2000 Coll., as later amended.

Act 154/2001 Coll., as amended by the Act 669/2002 Coll.

pursuant to Section 15 of the Act 366/1999 Coll. (Income Taxes Act, as later amended), to the single-entry bookkeeping system, or to the double-entry bookkeeping system, shall be addressed by a generally binding legal regulation to be enacted by the Ministry.

(37) Any foreign exchange differences between the nominal value of a debt receivable or payable posted at the time, when the debt arose, and the value of the debt after its revaluation at the time, when the debt receivable is collected or when the debt payable is paid, shall be included in the tax base in the tax period, in which the debt receivable is collected or in which the debt payable is paid.

(38) The taxation of interest accrued on mortgage bonds, which were issued prior to or on December 31, 2004, shall be governed, also after December 31, 2003, by the provisions applicable to the exemption of interest from the tax contained in Section 4 subsection 2p) and in Section 19 subsection 2e) of the Act 366/1999 Coll. (Income Taxes Act, as later amended).

(39) The provisions of Section 17 subsection 17 in effect after December 31, 2004 shall apply to the filing of tax returns after December 31, 2004. If a taxable party decides not to include any foreign exchange differences into the tax base for the first tax period, for which a tax return is filed after December 31, 2004, the notice of non-inclusion of foreign exchange differences into the tax base pursuant to Section 17 subsection 17 for that tax period shall be delivered to the tax administration by the date prescribed for the filing of the tax return for that tax period. Any foreign exchange differences, and differences arising out of revaluation of securities and derivatives, which were not included in the tax base, shall be included in the tax base not later than the tax period ending on December 31, 2007, starting from the tax period, for which a tax return is filed after December 31, 2004.

(40) The provisions of Section 2s), Section 17 subsection 15, Sections 18, 19 and 26, Section 19 subsection 2i), Section 19 subsection 3o), Section 20 subsection 9a), Section 23 subsection 1e), Section 24 subsection 1a), Section 25 subsection 6, Section 26 subsection 8, Section 32 subsection 2b), Section 32 subsection 4c), and Section 45 subsection 3 in effect after December 31, 2004 shall apply to the filing of tax returns after December 31, 2004.

Section 52a

This Act transposes the legislation of the European Communities and the European Union listed in Annex 2 hereto.

Section 53

The following legislation shall be rescinded:

1. Act 366/1999 Coll. (Income Taxes Act, as amended by the Act 358/2000 Coll., Act 385/2000 Coll., Act 466/2000 Coll., Act 154/2001 Coll., Act 381/2001 Coll., Act 561/2001 Coll., Act 565/2001 Coll., Act 247/2002 Coll., Act 437/2002 Coll., Act 472/2002 Coll., Act 473/2002 Coll., and by the Act 163/2003 Coll.),
2. Act 368/1999 Coll. (Provisions for Contingent Liabilities and Allowances for the Purpose of Determination of the Tax Base Act).

Section 54

This Act shall come into force on January 1, 2004.

Pavol Hrušovský, in his own hand
Mikuláš Dzurinda, in his own hand

**Annex 1
to the Act 595/2003 Coll.**

**CLASSIFICATION OF TANGIBLE ASSETS INTO DEPRECIATION
CATEGORIES**

Depreciation category 1

Item1)	KP2)	Description3)
1-1	01.21.11	Oxen for inbreeding and for raising
1-2	01.22.11	Sheep for inbreeding and for raising
1-3	01.22.12	Geese for inbreeding and for raising
1-4	01.22.13	Only: asses, he and she-mules for inbreeding
1-5	01.23.10	Swine for inbreeding and for raising
1-6	01.24.1	Poultry for inbreeding and for raising: only gees and ganders
1-7	25.24.25	Protective headgear: hats and other headgear from caotchouc or plastic materials
1-8	25.24.27	Stationery and school equipment from plastic materials
1-9	26.15.23	Laboratory glass, glass for health care and pharmaceutical purposes
1-10	26-24-1	Chemical and other laboratory equipment
1-11	26.81.11	Millstones, grinding stones, grinding discs and similar products
1-12	28.62	Tools with the exception of 28.62.50 - other tools
1-13	29.32.14	Machines for hurling of fertilizers and manure
1-14	29.32.4	Mechanical devices for spluttering, spraying and atomizing of liquids and powders for agriculture and gardening
1-15	29.32.5	Self-loading and self-unloading trailers and semi-trailers for agricultural purposes
1-16	29.32.65	Machines and devices for agriculture, gardening, forestry management, poultry raising, apiculture not classified elsewhere
1-17	29.40.5	Manual tools pneumatic or with its own engine
1-18	30.0	Office machines and computers
1-19	32.20.11	Broadcasting devices for radiotelephone, radiotelegraph, radio and television broadcasting

1-20	32.20.12	Television cameras
1-21	32.20.20	Electrical devices for wire telephones and telegraphs
1-22	32.30.11	Radio receivers other than car receivers without external energy source
1-23	32.30.44	Receivers for radio and radiotelegraph broadcasting not classified elsewhere
1-24	33.2	Measuring, control, testing, navigation and other devices and equipment
1-25	33.3	Equipment for controlling of production processes
1-26	33.40.22	Binocular and monocular field glasses and other optical telescopes, other astronomic instruments
1-27	34.10.2	Passenger cars (including vans up to the useful weight of 1,5 tons)
1-28	34.10.3	Motor vehicles for transportation of 10 and more passengers (buses) other than trolley-buses and electro-buses
1-29	34.10.4	Motor vehicles for transportation of goods with useful weight of 1,5 tons and more
1-30	34.10.53	Motor vehicles for driving in snow, special vehicles for transportation of persons on golf courses and others, with engine
1-31	35.42	Bicycles
1-32	36.5	Games and toys: other than 36.50.4 products for fairgrounds, table or party games
1-33	36.63.2	Stationery
1-34	36.63.72	Baby carriages
1-35	36.63.74	Tools, instruments and models intended for demonstration purposes
1-36	36.63.76	Artificial flowers, leaves, fruit and their components
1-37	36.63.77	Other various products not classified elsewhere

Depreciation category 2

Item1)	KP2)	Description3)
2-1	01.22.13	Only: Horses for inbreeding, for work and for raising
2-2	17.40.2	Other ready-to-wear products

2-3	17.51.1	Carpets and floor textiles	2-22	29.24.2	Machines and equipment for cleaning or drying of bottles, packing and weighting, spluttering and spraying equipment, metal and plastic stuffing
2-4	17.52	Rope products, cords, lines, meshes, strings			
2-5	17.54	Other textile materials not classified elsewhere			
2-6	19.2	Bags and saddle products, other leather products	2-23	29.24.3	Centrifugal machines, calandria and automatic vending machines
2-66		Technical upgrade of immovable cultural monuments	2-24	29.24.4	Machines, instruments and laboratory equipment not classified elsewhere for processing of materials using technological procedures based on temperature changes
2-7	20.30.2	Assembled wooden constructions: if it is not the case of independent buildings or technological equipment (based on the decision of the competent Environmental Office)	2-25	29.24.6	Industrial dish washing machines
2-8	22.1	Books, magazines and other printing materials and recording media	2-26	29.31	Tractors for use in agriculture and forestry management
2-9	25.23.2	Assembled plastic constructions (prefabricated units): if it is not the case of independent buildings or technological equipment (based on the decision of the competent Environmental Office)	2-27	29.32	Other agricultural and forestry management machines, other than: -29.32.14 - Machines for hurling of fertilizers and manure -29.32.4 - Mechanical equipment for spluttering, spraying and atomizing of liquids and powders for agriculture and gardening -29.32.5 - Self-loading and self-unloading trailers and semi-trailers for agricultural purposes -29.32.65 - Machines and equipment for agriculture, gardening, forestry management, poultry raising, apiculture not classified elsewhere
2-10	25.24	Other plastic products, with the exception of: - 25.24.25 - Protective headgear - 25.24.27 - Stationery and school equipment made of plastic			
2-11	28.61	Cutlery			
2-12	28.63	Locks and metal work			
2-13	28.71	Steel kegs and similar containers			
2-14	28.72	Containers from insubstantial metals			
2-15	29.11.11	Outboard ship motors	2-28	29.4	Working machines other than 29.40.5 - Manual tools pneumatic or with its own engine
2-16	29.12	Pumps and compressors			
2-17	29.22.14	Only: building cranes (designed for the building industry)	2-29	29.52.1	Machines for underground mining
2-18	29.22.15	Fork-lift hayrick trucks, other trucks equipped with elevating and handling mechanism, small tractors used in railway stations	2-30	29.52.2	Machines for moving of land and open-cast mining with their own propulsion other than wheel shovels and loaders
2-19	29.22.17	Pneumatic and other elevators and conveyors for continuous movement of goods and materials	2-31	29.52.3	Other machines for open-cast mining
2-20	29.22.18	Other elevating, handling, loading and unloading mechanisms	2-32	29.52.4	Machines and equipment for assorting, grinding, mixing and simple processing of land, stones, ores and other minerals
2-21	29.23.13	Refrigerating and freezing machines, thermal pumps, other than equipment for households	2-33	29.52.5	Caterpillar tractors
			2-34	29.53.1	Machines for food processing industry and for tobacco processing

2-35	29.54	Machines for textile, clothes industry and tannery	2-52	34.10.54	Motor vehicles intended for specific purposes not classified elsewhere
2-36	29.56	Other machines intended for specific purposes	2-53	34.20.2	Trailers and semi-trailers: containers
2-37	29.6	Weapons and ammunition	2-54	34.30.20	Other independent objects for motor vehicles
2-38	29.7	Household appliances not classified elsewhere	2-55	35.12	Fun and sport boats
2-39	31.10.31	Electricity generating aggregates with piston ignition engine with internal combustion	2-56	35.20.33	Only: mining railway trucks and narrow-gauge trucks (railways having specific destination)
2-40	31.4	Accumulators, voltaic units and batteries	2-57	35.3	Aircrafts and spaceships
2-41	31.5	Electrical light sources and lamps	2-58	35.41.1	Motorcycles and trailers for motorcycles
2-42	31.62	Other electric facilities	2-59	35.43	Cars for disabled persons
2-43	32.20	Television and radio transmitters, wire telephones and telex devices, other than -32.20.11 - Broadcasting devices for radiotelephone, radiotelegraph, radio and television broadcasting -32.20.12 - Television cameras -32.20.20 - Electric appliances for wire telephones and telegraphs	2-60	35.50.1	Other conveyors not specified elsewhere
2-44	32.30	Television and radio receivers, devices for recording and reproduction of sound or video, other than: -32.30.11 - Radio receivers other than car receivers without external energy source -32.30.44 - Receivers for radiotelephone and radiotelegraph broadcasting	2-61	36.1	Furniture
2-45	33.10	Health care and surgical equipment, devices for orthopedic purposes	2-62	36.3	Musical instruments
2-46	33.20.3	Precision scales, drawing, tracing, calculation and measuring devices and tools and similar devices	2-63	36.4	Sporting facilities
2-47	33.4	Optical instruments and photographic equipment other than: -33.40.22 - Binocular and monocular field glasses and other optical telescopes, other astronomic instruments: optical microscopes	2-64	36.50.4	Products for fairgrounds, table or party games
2-48	33.50.1	Watches and clocks	2-65	36.63.1	Carousels, rocking chairs, rifle-range and other fairground attractions
2-49	34.10.3	Only: trolley-buses and electro-buses	2-66		Technical upgrade of an immovable cultural monument
2-50	34.10.51	Land tilting trunks (dampers)	Depreciation category 3		
2-51	34.10.52	Crane trucks	Item1)	KP2)	Description3)
			3-1	26.61.20	Assembled concrete constructions (prefabricated units): if it is not the case of independent buildings or technological equipment (based on the decision of the competent Environmental Office)
			3-2	28.11.10	Assembled metal constructions (prefabricated tin units): if it is not the case of independent buildings or technological equipment (based on the decision of the competent Environmental Office)
			3-3	28.21	Tanks, cisterns, tuns and similar metal containers
			3-4	28.30	Steam generators other than boilers for central heating of warm water
			3-5	28.75.21	Armored and toughen cupboards, armored drawers and doors from common metals
			3-6	28.75.22	Card-index containers, files arranging and similar devices
			3-7	28.75.24	Statues and similar decorative items, frames

		for paintings and mirrors
3-8	28.75.27	Other products from common metals not classified elsewhere
3-9	28.75.3	Swords, fangs, bayonets, spears and similar cutting and stinging arms
3-10	29.11.12	Ignition combustion piston boat engines, other engines
3-11	29.11.13	Piston ignition engines with internal combustion
3-12	29.11.2	Turbines
3-13	29.21.1	Stoves, burners and their components
3-14	29.22	Elevating and conveying equipment
3-15	29.23.11	Heat-exchangers, devices and equipment for liquefying of air or other gasses
3-16	29.23.12	Air-condition equipment
3-17	29.23.14	Machines and devices for filtering and purifying of gasses not classified elsewhere
3-18	29.23.2	Ventilators (other than desk fans)
3-19	29.24.1	Gas generators, distillation, filtration and rectifying devices
3-20	29.51	Machines for metallurgical industry
3-21	29.52.2	Only: shovel machines and wheel loaders
3-22	31.10	Electromotors, generators and transformers
3-23	31.2	Electrical distribution and switching equipment
3-24	35.11	Ships
3-25	35.20	Railway and tram locomotives, carriages and their components, other than: -35.20.33 - mining railway trucks and narrow-gauge trucks (railways having specific destination)
3-26		Perennial crops with fertility period exceeding three years
3-27		under the code 2213 Regional Court only: television and cable networks under the code 2224 Regional Court only: television and cable networks
3-28		Petty structures specified by special legislation ¹⁰⁷⁾ except for the structures referred to in Section 22 subsection 2b) indent 2.

Depreciation category 4

Item1) KS4) Description3)

4-1	1	Buildings
4-2	2	Infrastructure, other than the codes included in the depreciation category 3

Notes:

- 1) Item - Means the depreciation category (1-4) and the reference number of the item within this depreciation category
- 2) KP- Production classification code (KP) published in the Slovak Statistic Office Decree 632/2002 Coll. relevant for the classification of tangible assets into depreciation categories. In case the name of the asset is abbreviated, the Production classification wording shall prevail
- 3) Description - Verbal description of the single items and codes, using mainly the Production classification wording
- 4) Regional Court - Structures classification code announced by the Decree of the Slovak Statistic Office 128/2000 Coll., which specifies the Classification of Structures (replaces the previous JKOS).

**Annex 2
to the Act 595/2003 Coll.**

**LIST OF TRANSPOSED LEGISLATION OF THE EUROPEAN
COMMUNITIES AND THE EUROPEAN UNION**

1. Directive of the Council 69/335/EEC from July 17, 1969 on indirect taxes from establishment and increase of registered capital (Official Journal of the EC L 249 from October 3, 1969), as amended by the Directive of the Council 73/79/EEC from April 9, 1973 (Official Journal of the EC L 103 from April 18, 1973), Directive of the Council 74/553/EEC from November 7, 1974 (Official Journal of the EC L 303 from November 13, 1974) and the Directive of the Council 85/303/EEC from June 10, 1985 (Official Journal of the EC L 156 from June 15, 1985).
2. Directive of the Council 90/434/EEC from July 23, 1990 on joint system of taxation of business companies of various member States upon mergers, splits and transfers of assets and exchanges of shares involving companies of various member States (Official Journal of the EC L 225 from August 20, 1990)
3. Directive of the Council 90/435/EEC from July 23, 1990 on joint system of taxation applicable to mother companies and subsidiaries in various member States (Official Journal of the EC L 225 from August 20, 1990), as amended by the Directive of the Council 2003/123/EC from December 22, 2003 (Official Journal of the EC L 007 from January 13, 2004).
4. Directive of the Council 2003/48/EC from June 3, 2003 on taxation of income from savings in form of payment of interest (Official Journal of the EC L 157 from June 26, 2003), as amended by the Decision of the Council 2004/587/EC from July 19, 2004 (Official Journal of the EC L 257 from August 4, 2004).
5. Directive of the Council 2003/49/EC from June 3, 2003 on joint system of taxation applicable to payment of interest and royalties among associated companies of various member States (Official Journal of the EC L 157 from June 26, 2003).