

MOORE STEPHENS



Doing business in the Slovak Republic 2014

Moore Stephens Europe

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Introduction

The Moore Stephens Europe Doing Business In series of guides have been prepared by Moore Stephens member firms in the relevant country in order to provide general information for persons contemplating doing business with or in the country concerned and/or individuals intending to live and work in that country temporarily or permanently.

Doing Business in the Slovak Republic 2014 has been written for Moore Stephens Europe Ltd by BDR, spol. s r.o. In addition to background facts about the Slovak Republic, it includes relevant information on business operations and taxation matters. This Guide is intended to assist organisations that are considering establishing a business in the Slovak Republic either as a separate entity or as a subsidiary of an existing foreign company. It will also be helpful to anyone planning to come to the Slovak Republic to work and live there either on secondment or as a permanent life choice.

Unless otherwise noted, the information contained in this Guide is believed to be accurate as of January 1 2014. However, general publications of this nature cannot be used and are not intended to be used as a substitute for professional guidance specific to the reader's particular circumstances.

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Bratislava, 2014

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1. The Slovak Republic at a glance

1.1. Geography

The Slovak Republic lies within the territory of Central Europe, with an area of 49,035 km². It is bordered by Austria in the West, the Czech Republic in the North-West, Poland in the North, Ukraine in the East and Hungary in the South.

Seats and population

Bratislava is the capital city of Slovakia. It is the capital not only for historical reasons, but also due to its strategic location. It lies 68 km from Vienna, 325 km from Prague and 177 km from Budapest.

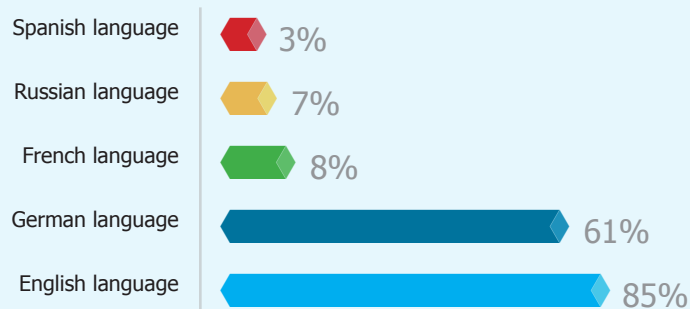
There are 2,891 self-administration municipalities in Slovakia, out of which 138 are towns. The largest cities as regards the number of citizens are Bratislava and Košice, followed by Prešov, Žilina, Nitra, Banská Bystrica and Trnava. The Slovak Republic is divided into eight regions: Banskobystrický, Bratislavský, Košický, Nitriansky, Prešovský, Trenčiansky, Trnavský and Žilinský.

The population of the Slovak Republic is 5,416,727 people, 51.3% of whom are female.

The official language in Slovakia is Slovak. Hungarian, Roma, Ruthenian, Czech, and other languages, are spoken in some regions. Furthermore, the majority of the population are able to communicate in English and German.



Knowledge of foreign languages



Airport services

Presently, there are six international airports in Slovakia. They are located in Bratislava, Košice, Poprad, Žilina, Sliač and Piešťany. Passengers also often use the airports of neighbouring states, such as Vienna, Krakow, Budapest and Prague, to travel to and from Slovakia.

Pipe transport

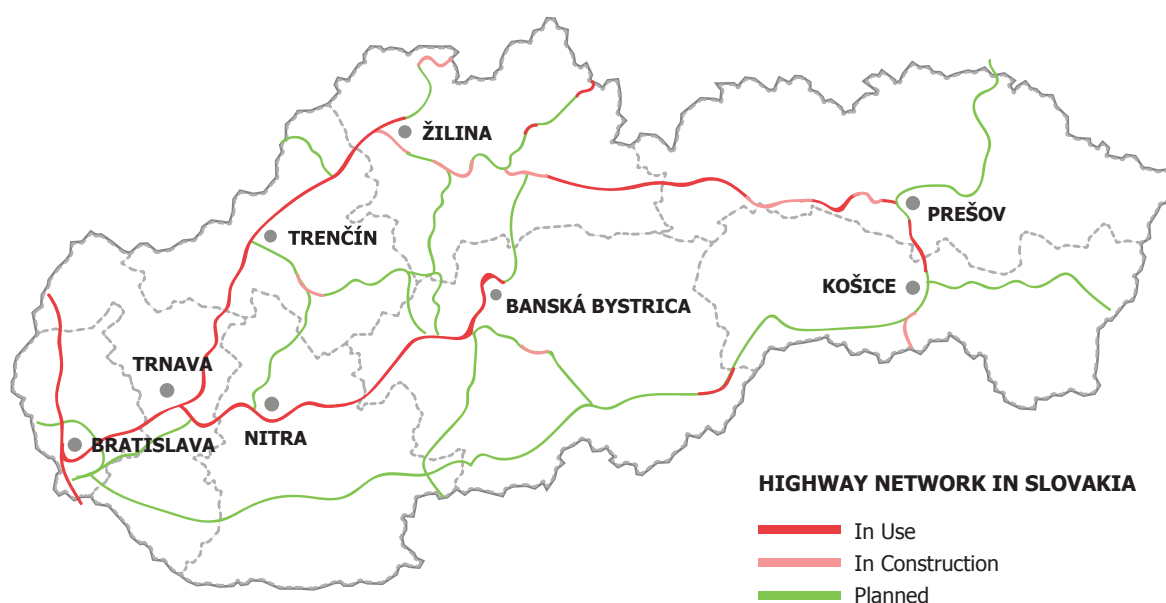
There are two pipelines which go through Slovakia: Družba (506.6 km) and Adria (8.5 km).

Rail transport

ŽSR (Railways of the Slovak Republic) manage 3,690 kilometres of railways of varying track widths and 1,923 km of tracks with safety equipment. Moreover, they manage 1,159 railway crossings with signal lights, 8,773 rail switches, 76 tunnels with a combined length of 43.3 km, 2,238 bridges with a total length of 46.7 km and 2,344 railway crossings. ŽSR is the state railway operator in the Slovak Republic, in compliance with the law. The most important railway junctions are: Bratislava, Žilina, Košice, Zvolen and Nové Zámky.

Road transport

The total length of the road network is 42,993 km. Of this, 37,533 km is paved (including 415.5 km of highways and 259 km of dual carriageways) and 5,460 km of unpaved country roads.



Water transport

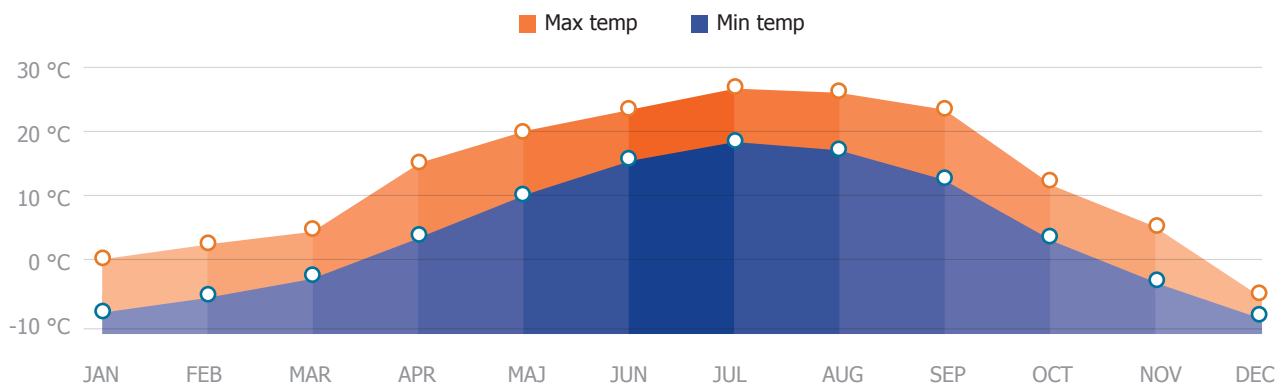
Water transport in Slovakia occurs on the River Danube (172 km), which flows through Bratislava, the capital of Slovakia, Váh (78.8 km) and Bodrog (7.8 km).

River harbours are located in Bratislava and Komárno. Other water bodies are used mainly for recreation and sailing.

1.2. Climate

Slovakia has a continental climate with hot summers and cold winters. Average summer temperatures are over 20 °C, but can be as warm as the mid 30s. Winter temperatures usually hover around 0 °C, but can plummet to -15 °C.

Average temperatures



1.3. History

The first significant preserved documents on settlements in Slovakia come from the end of the Palaeolithic Age, circa 250 thousand years ago. The first farmers appeared circa 5,000 - 4,000 years BC. At the end of the 4th century BC, the first known ethnic group - the Celts - came to Slovakia, in several waves. The written references exist in Roman information sources about the presence of the Celts. In the 1st century BC, the Dacians came to Slovakia, the Celts retreated further North and the Celtic and Dacian populations and cultures mixed. At the beginning of our era, Dacian and Celtic tribes were suppressed by German tribes. For example, the Vannius kingdom (Regnum Vannianum) was temporarily established in a current Slovak territory. Furthermore, the Danube formed one of the borders of the Roman Empire.

At the end of the 4th century, the Nation's Movement started, and many nations shifted within Slovakia. The first state of Slavs in the territory of present-day Slovakia was Samo's Empire (7th century), later the Principality of Nitra (the beginning of the 9th century), which joined the Moravian Principality and established Great Moravia in 833. From the middle of the 10th century till the end of the 11th century, the territory of Slovakia was gradually included in Hungary, which became part of the Austrian monarchy (Habsburg's Monarchy) in 1526, and was called Austria- Hungary from 1867. After the disintegration of Austria- Hungary in 1918, Slovakia became part of Czechoslovakia till 1993 (except for the period of independence during the first Slovak Republic in 1939-1945). On 1st January 1993, the independent Slovak Republic was established by the division of that state formation.

The Slovak Republic is a parliamentary democracy and the state language is Slovak. From 1st May 2004, Slovakia has been a member of the European Union; and from 21st December 2007 it has been a member of the Schengen Area. On 1st January 2009, it became the 16th member of the European Monetary Union to join the Eurozone, with the euro becoming the official currency, succeeding the Slovak crown.

1.4. Politics

The Slovak Republic was established on January 1, 1993 as one of the successors to the Czech and Slovak Federal (Federative) Republic. It is a parliamentary democracy, and its Constitution guarantees equal rights for all citizens regardless of gender, religion, race, national origin, social status or political conviction.

The National Council of the Slovak Republic is a unicameral parliament and the country's main legislative body. The National Council has 150 members elected for 4 year terms in direct elections. The electoral system is proportional representation. Parties have allocated seats in the Parliament according to the percentage share of the votes they get in parliamentary elections. Only a party with at least 5 % of votes can obtain seats in the Parliament.

The President of the Slovak Republic is the Head of State elected for a five-year term in a direct two-round election. The same person can be elected President for a maximum of two consecutive 5 year terms. The current Slovak President is Mr. Andrej Kiska.

The Government of the Slovak Republic is the highest tier of executive power and consists of the Prime Minister, Deputy Prime Ministers and Ministers. The Government is formed on the basis of parliamentary elections. The Prime Minister is appointed and can be dismissed by the President. Upon the advice of the Prime Minister, the President appoints and dismisses other members of the Government. The Government is collectively responsible for the exercise of governmental powers to the Parliament, which may hold a vote of no confidence at any time. The Parliament can hold a vote of no confidence in a single member of the Government as well.

1.5. Time zone, weights & measures

Slovakia uses Central European Time (UTC+1) and in 'summer', UTC+2 CEST (Central European Summer Time). The metric system and the Celsius temperature scale are in use.



1.6. General economic Outlook

On 1st May 2004, Slovakia became a member state of the European Union. Several years later, on 1st January 2009, it adopted the euro and became the 16th member of the European Monetary Union. The official exchange rate was 30.1260 SKK/EUR. Slovakia's membership of the Eurozone brought stricter fiscal discipline, which resulted in economic stabilization. The Slovak Republic is also a member of OSN, NATO, OECD and WTO.

The Slovak economy slowed down in 2013, but it should achieve the expected growth of 2.2% in 2014 and it is forecasted to achieve 3.1% in 2015. The composition of the growth is still balanced, with the main driving force moving from net exports to domestic demand. The unemployment rate will fall only slightly in the near future, and inflation will remain low. The public finance deficit will remain just under 3% of GDP.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Inflation	8.4%	7.5%	2.8%	4.3%	1.9%	3.9%	0.9%	0.7%	3.9%	3.6%	1.5%
Nominal wage inflation	6.3%	10.1%	9.2%	8.6%	7.4%	8.1%	3.0%	3.2%	2.2%	2.4%	1.4%
Level of unemployment	15.2%	14.3%	11.6%	10.4%	8.4%	7.7%	11.4%	12.5%	13.2%	14%	14.2%
GDP growth	4.7%	5.2%	8.5%	8.5%	10.4%	6.4%	-4.7%	4.0%	3.3%	3.4%	0.9%

The Slovak Republic is proud of its industrial heritage, which provides a stable base for the development of some sectors, such as the automotive and the electronics industries. During the last few years, the global corporations representing various sections have chosen Slovakia as the best place for their expansion in the Central and Eastern European region.

Automotive

The Slovak automotive industry is blessed with three very different types of car producers: German VW Slovakia, French PSA Peugeot Citroen and Korean KIA. They are surrounded by well-established automotive parts contracting networks, all of which are effectively interconnected. The sector produces various categories of vehicles, such as Volkswagen Touareg Hybrid, Porsche Cayenne, Peugeot 207, Kia Sportage and Cee'd.

Electronics

Since 2000, Electronics has become the fastest growing industrial sector in Slovakia. Electronics has become the second mainstay in the Slovak economy, after the car production, and the second largest employer and exporter. Sony Foxconn, Samsung and AU Optronics are among the key electronics companies in Slovakia.

SSC (shared services center) / ICT

The present centres of shared services, the so-called "hotspots", are Košice and Banská Bystrica, while Trenčín, Žilina and Nitra are the likely shared service hubs of the future.

2. Doing business

2.1. Main forms of business organisation

The general partnership (v.o.s.)

The general partnership is the typical personal company established by a minimum of two persons (legal/natural) with the purpose of doing business under a common business name. The company business name must contain the appendage "general partnership", short version or the "ver. obch. spol." or abbreviation "v.o.s.". The company is liable for its obligations to the extent of all its property, while the partners guarantee the company's obligations to the extent of all their property, jointly and severally. The company does not create a basic capital pursuant to law, but the partners can have a depositing duty, if agreed in the partnership contract.

Method of profit and loss distribution

The profit determined for distribution is divided between the partners equally. The profit share is determined on the basis of the annual financial statement, which is due within three months of the approval, if not otherwise amended in the partnership contract. Considering the variable amounts of deposits in the company, and in particular the different amount of property of partners, by which the partners guarantee the obligations of the company, it is advisable for the partners to deviate from the legal distribution of the company's profit (for example, according to the amount of paid-up deposits).

If the profit is distributed equally among the partners, they are entitled to the interest from the value of their paid-up deposit in the agreed amount; otherwise, the interest applies pursuant to the Commercial Code (Sec. 502). The claim for the interest prevails over the claim for the share of profit, and is also established in the event of a loss detected in the annual financial statement, unless otherwise amended in the partnership contract.

Any loss detected in the annual financial statement is borne equally by the partners; this amendment may be deviated from in the partnership contract.

Determining statutory body and business leadership of company

All partners are authorised to act on behalf of the company, as well as to act as the business leaders of the company, unless otherwise amended in the partnership contract. It is possible to authorise only certain partners to act as business leaders, and to amend the business leadership to the collective leadership of all/several partners, while each partner has one vote, unless otherwise amended in the partnership contract.

Advantages	Disadvantages
The basic capital is not necessary.	Minimum of two partners during the whole duration of company.
Personal involvement of owners in managing the company.	Unlimited liability of partners for obligations of the company.
Taxation at the level of partners, not at company level.	
Easier access to external sources of financing.	

The limited partnership (k.s.)

The so-called limited partnership or mixed limited liability company has the features of a personal and corporate company. The business name of the company must contain the appendage „limited partnership“, or in short: „kom. spol“ or abbreviation „k. s. “. Partners in the company can be natural and legal entities, and the company has two types of partners, who must always be represented during the whole lifetime of the company. The first type of partner is the unlimited partner, who is in general partnership, and forms the statutory body of the company. The second type of partner is the limited partner, who has limited liability. He personally does not participate in the business management of the company, but is liable for the company's obligations only to the extent of his unpaid deposit. The limited partner has a deposit obligation by law to the amount of a minimum of EUR 250, but the limited partnership does not create basic capital, which creates certain application problems in practice.

Profit distribution method

The profit in the limited partnership company is not taxed as a whole. Firstly, it is divided into two halves: the first one belongs to unlimited partners, and the second to the limited partners. The profit for unlimited partners is then equally distributed among them, and proportionately, according to the amount of paid-up deposits, from the limited partners. The method of profit distribution can be differently amended in the partnership contract.

This prescribed method of profit distribution may not be suitable for partners (in particular, for unlimited partners who are liable for the company's obligations to the extent of all their property). Therefore, it is advisable for the partners to agree on the scheme of profit distribution.

Determining the statutory body

The statutory body of a limited partnership is made up of all the unlimited partners. In other matters they decide together with limited partners by a majority of votes (each partner has one vote), unless otherwise amended in the partnership contract. The limited partners are entitled to look into the company's accounting books and accounting documents.

Advantages	Disadvantages
Despite the depositing duty of unlimited partner, the company does not establish basic capital.	Complicated profit distribution.
The combination of elements of corporate enterprise and personal enterprise enables the partners to choose between personal participation at management and participation only via deposit.	Unlimited liability of unlimited partners for obligations of the company.
Taxation of profit belonging to unlimited partner exclusively at the level of the partner.	

The limited-liability company (s.r.o. / spol. s r.o.)

The most common form of business in Slovakia. The company's business name must contain the appendage "limited liability company", in short, v "spol. s r.o." or the abbreviation "s.r.o.". The limited liability company can be established by one person only (an exclusive natural entity), and each natural person can be the single partner in a maximum of three companies. The maximum number of partners is limited to fifty. The basic capital pursuant to the law is created to the amount of a minimum EUR 5,000, as well as a contingency fund from profits of up to 10% of the basic capital. The minimum deposit of a partner is EUR 750, and the deposit can be monetary or non-monetary (expert assessment needed,) rateable in money. Partners are liable for the obligations of the company only to the amount of unpaid deposits to the basic capital.

Profit distribution method

Partners are entitled to a share of the profits in proportion to their paid-up deposit, unless otherwise amended in the partnership contract. The company can pay profit shares, decreased for contributions to the contingency fund, or other funds the company creates pursuant to the law, and for unpaid losses from previous periods. The company must not pay interest from company deposits, or profit share advances.

Corporate Bodies

The highest body is the General Assembly; it is composed of partners and meets at least once a year. It approves financial statements, decides on the most important issues of the company's life, such as partnership contract changes, basic capital changes, appointments/revoking/remuneration of executives, as well as on winding up and transformation of the company. One or more executives, who can exclusively be a natural person, act as the statutory body of the company. An optional body is the Supervisory Council, which mainly supervises statutory body activity, reviews the financial statements and submits the reports on its activity to the General Assembly.

Advantages	Disadvantages
Limited liability and low basic capital.	Physical natural person can be the single partner in maximum of three companies with limited liability.
Personal participation of a partner at company management is not necessary.	Obligation to create contingency fund and limited ways of its use.
Only one establisher suffice, who can be natural person.	Partner can not leave the company by one-sided act.

The joint-stock company (a.s.)

joint-stock company is the typical corporate enterprise. The company's business name must contain the appendage "joint stock company", in short „akc. spol." or the abbreviation "a.s.". It can be established by at least two persons (natural/legal) or by one legal entity. Its basic capital is distributed through shares with a nominal value, and the sum of share values is equal to the basic capital. The minimum basic capital of the company is EUR 25,000. The company creates a contingency fund to the amount of a minimum 10% of the basic capital. The company is obliged to supplement this fund annually with the amount determined in the Articles of Association, which is a minimum of 10% of net profit, calculated in the ordinary financial statement set in the Articles of Association, but a minimum up to 20% of basic capital.

Joint-stock companies are divided into public and private companies. The public ones are the companies where all the shares, or part of the shares, are accepted for trading on a regulated market, located or operated in any contracting states of Agreement in a European Economic Area. Stricter conditions apply to public joint-stock companies for summoning the General Assembly and informing shareholders.

Rights and duties related to shares

A share is a security giving the shareholder the right to participate in profit-sharing, management and liquidation balance. The shareholder also has the pre-emptive right of share subscription of basic capital in proportion to the nominal value of shares to the amount of present basic capital. The company is liable in the event of a violation of its obligations for the whole of its property. The shareholder is not liable for the obligations of the company.

Rights	Duties
Indirect participation at management of the joint stock company via elected company bodies - Management Board and Supervision Council.	Pay up the rate of issue of shares in determined period.
Share of profit (dividend) and liquidation balance.	Liability for company obligations up to the amount of unpaid deposit.
Pre-emptive right of subscription of new shares/convertible bonds.	

Profit Distribution

The shareholder has the right to a share in the company's profits (dividends), determined by the General Assembly for distribution according to profit/loss. Unless otherwise determined in the provisions of the Articles of Associations, in relation to shares with different claims to the share of profits, this share is determined by the proportion of the nominal value of one's shares to the nominal value of shares of all shareholders. The right to dividends can be the subject of an independent transfer from the day of the General Assembly's decision on the distribution of profits to shareholders. The shareholder is not obliged to return the dividend received in goodwill to the company. The company must not return its deposits to shareholders.

Corporate Bodies

The top body of the joint -stock company is the General Assembly of shareholders. It is summoned at least once a year by the Management Board. Its responsibilities include the most important issues of the company's life, such as the change of the Articles of Associations, the approval of financial statements, the approval of remuneration of the members of corporate bodies and transformation/winding-up of the company. In contrast to some neighbouring states, there is no quorum in law for the General Assembly, and the Assembly makes decisions through its current shareholders' votes. It is, however, possible to deviate from this amendment in Articles of Association.

The statutory body of the joint -stock company is the Management Board. Only a natural person can be a member of the Management Board. The Management Board has at least one member, and it decides on all the issues of the company, which were not entrusted to the competence of the General Assembly for decisions. The Board presents financial statements for approval and reports the business activities of the company, and the status of property, to the General Assembly. It is obliged to inform the Supervisory Council of all facts which could considerably affect the development of business activity and the status of property, in particular, liquidation.



The inspection body of the company is the Supervisory Council, which supervises the activities of the Management Board. It must have a minimum three members, who must be 'natural' persons, and they must not be members of the Management Board. If the company has more than 50 employees, the employees elect one third of the Supervisory Council.

Advantages	Disadvantages
Shareholder is not liable for obligations of the company.	It is more demanding for staff, because the Supervisory Council must have at least three members and the Management Board minimum one.
Ban on competition for members of Management Board and Supervisory Council.	High basic capital and costs for operation in comparison to other business companies.
It exists independently of owners and management.	Necessity of formal organisational structure.
Maximum number of shareholders is not determined.	Lower flexibility in decision-making of the company considering its size.
Transferability of shares	Creation of Contingency fund at establishment of the company.

2.2. Other entities

Cooperative

The cooperative is a legal entity with a long tradition in Slovakia. It is a community of an unlimited number of persons, established with the purpose of doing business or providing the economic, social or other needs of its members. The business name of the cooperative must contain the description "cooperative". The cooperative must have a minimum five members, which does not apply if at least two members are legal entities. The addition of other members, or the termination of present memberships, does not affect the duration of the cooperative, if the cooperative meets the conditions in the previous sentence. The cooperative is liable for its obligations to the extent of all its property. Individual members are not liable for the obligations of the cooperative. The cooperative creates basic capital by law, which is the accumulation of deposits of its members, who are obliged to pay-up. However, there is a difference between the basic capital and registered basic capital (minimum EUR 1,250); the amount of registered capital (set in the Articles of Association) is registered in the Commercial Register. Therefore, the cooperative enables a high level of flexibility, because it is possible to enter it and withdraw from it without the need to change the registered data in the Commercial Register. At its establishment, the cooperative is obliged to establish an undivided fund to a minimum amount of 10% of the registered basic capital. The cooperative must supplement this fund with a minimum of 10% of the annual net profit until the undivided fund reaches the sum equal to half the registered basic capital of the cooperative. The Articles of Associations can determine the creation of a higher indivisible fund, or other security funds.

Profit distribution method

Members' meetings decide on profit, which is to be distributed among the members when they negotiate individual financial statements. Unless otherwise amended in the Articles of Association, a member's share of the profits is proportionate to the amount of their paid-up deposits, to the paid-up deposits of all members. The share is decreased accordingly for members whose membership lasted for only a part of the year. The Articles of Association, or resolution of Members' Meeting, if the Articles of Association allow it, can determine a different method of setting the share of profits for its members.

Cooperative bodies

The highest body of the cooperative is the Members' Meeting, which meets in periods set in the Articles of Association, normally at least once a year. The competencies of the Members' Meeting include, for example, the change of the Articles of Association, the election and recall of members of the Management Board and Inspection Commission, the approval of ordinary individual financial statements, as well as the transformation/cancelling of the cooperative.

The Management Board manages the activities of the cooperative and decides on all matters of the cooperative, which are not in competencies of a different body pursuant to law or the Articles of Association. The Management Board is the statutory body of the cooperative and it fulfils the resolutions of the Members' Meeting, and it is answerable to it for its activities. Unless otherwise amended in the Articles of Association, the Chair or Vice-chair acts on behalf of the Management Board. If a legal form is stipulated for a legal act carried out by the Management Board, the signatures of a minimum of two members of the Management Board are needed.

The Inspection Commission is authorised to check all the activities of the cooperative and to discuss the complaints of its members. It only answers to the Members' Meeting and is independent of the other bodies of the cooperative. The Inspection Commission has a minimum of three members. The Inspection Commission gives opinions on financial statements; the cooperative is obliged to prepare pursuant to specific regulations, and to the proposal of profit distribution or the proposal to settle the loss of the cooperative. The Inspection Commission notifies the Management Board about the detected insufficiencies and requests the amendment thereof. The Inspection Commission meets as needed, but at least a minimum of once every three months.

The Articles of Association in a cooperative with less than 50 members can determine that the competence of the Management Board and the Inspection Commission are fulfilled by the Members' Meeting. In that case, the statutory body is the Chair, or another member authorised by the Members' Meeting.

Advantages	Disadvantages
Openness - more simple entrance and withdrawal of members	Complicated calculation of settlement share.
Ban on competition for members of Management Board and Inspection Commission.	Staff demanding to fill Management Board and Inspection Commission in larger cooperatives.
Possibility of simpler operation for small cooperatives.	Necessity of formal organisational structure.
Low registered basic capital	Less flexible in decision-making of cooperative with higher number of members.

Supranational legal forms of enterprise

After the Slovak Republic joined the EU, the opportunities of enterprise were extended to so-called "supranational forms" of enterprise. Supranational legal forms of business subjects are primarily regulated by EU regulations, which are legally binding for all EU countries.

European Economic Interest Grouping - EEIG

European Economic Interest Grouping (EEIG) must be created by a minimum of two business companies or other legal entities, which are governed by public or civil law, by two natural persons, one business company or other legal entity and one natural person, if the headquarters of the business companies and other legal entities are located in the EU, and the natural persons perform any activity or freelance occupation in the EU. The establishment is the subject of so -called international items expressing the impact of at least two legal orders of EU states on the entities. The headquarters of the grouping must be located in the EU, and can be relocated within the EU.

The purpose of EEIG is to simplify, develop and improve the economic activity of its members and its results. The purpose is not to make a profit. Eventual profits from the activities of the grouping are considered as profits of the members, and are divided among them proportionally as set in the Deed of Establishment, or by equal share. If the expenses of the grouping exceed the incomes, the grouping's members contribute to paying the difference in a proportion stipulated in the Deed of Establishment, or equally.

The disadvantage is also the unlimited, joint and severe liability of members, limiting the number of members to 20 and number of employees to 500. The grouping cannot become a member of another grouping, which can also be considered as a disadvantage. The basic distinguishing feature of EEIG and business companies is the objective, which is the primary deepening of cooperation between the members and increasing the activity and not achieving a profit. The European Economic Interest Grouping belongs to the least demanding forms in Europe in relation to capital. It is not necessary to create basic capital to establish it. The European Economic Interest Grouping can be established by legal or natural persons, and for them it means the opportunity to joint together and to gain a legal identity. The advantage is the simple structure of management and acting via intermediaries.



European company (Societas Europaea SE)

A European company is pursuant to Regulation on SE in every member state considered as a joint-stock company established pursuant to the law of that member state, where it resides; but the Commercial Code considers the SE as a legal entity established pursuant to EU law. Each SE must be registered in the member state, where it has the headquarters; in SR it is registered in the Commercial Register as a legal entity and it gains legal identity at establishment. The notice on recording SE and deletion of SE is published in the Official Journal of European Communities.

The basic capital of the European Company (SE) must be divided into shares, the subscribed basic capital must be a minimum of EUR 120,00. European company can be established by the fusion or merger of two and more joint-stock companies, as a holding of at least two companies, as a daughter company of business companies, by changing joint -stock company residence in the EC or operating in the EC, if it has a daughter company for a minimum of two years in a different state, and in all cases, the presence of an international feature is required.

A specific feature of a European Company (SE) which is different from a Slovak joint-stock company, is the participation of employees in management. Employees can, via their representatives or constituted committee, affect the decision-making of SE bodies, they are entitled to information, they have the right to vote and be elected to SE bodies. A European Company (SE) is capitally the most demanding of all supranational legal business forms. The biggest disadvantage of SE is that it cannot be established by natural persons, and the participation of employees at company management level is necessary.

European cooperative (Societas cooperativa europaea - SCE)

European cooperative (hereinafter as "SCE") has the basic objective to satisfy the needs of its members or the development of their economic or social activity. SCE can be established by five or more natural persons, , business companies, cooperatives and other legal entities managed by public or civil law, business companies or cooperatives and other legal entities governed by the public or civil law, by merger or fusion of cooperatives established pursuant to law of EU member states, by the change of the legal form of cooperative established pursuant to EU member state law, which has an organisational branch or daughter company in a different member state for a minimum of two years, while in all cases the presence of international features is required.

The basic capital must be a minimum of EUR 30,000 and is expressed in national currency. The basic capital of the European Cooperative (SCE) is composed of membership shares, while the SCE can issue more than one type of membership share. The Articles of Association can determine that various types of membership shares, which establish various rights for dividing profit. A Member of the European cooperative (SCE) is liable for only up to his membership deposit, he was bound to pay-up, unless otherwise stipulated in the Articles of Association.

3. Finance and investment

3.1. Business regulation

Business in Slovakia is mainly regulated by the Slovak Commercial Code. This Code regulates business activities, which are defined as systematic activities conducted independently by an entrepreneur in their own name and under their own responsibility for the purpose of making a profit.

In general, foreign persons can conduct business activities in Slovakia under the same conditions and to the same extent as Slovak persons. Almost without exception can a business entity (resident or non-resident) carry out any „for profit“ business activity on a regular basis without having the appropriate trade license, which is required for a particular business activity. In Slovakia, such a trade license is issued either by the respective trade licensing office or by the special state authorities and it is being regulated by the Trade Licensing Act. This Act distinguishes between regulated trades, craftsman trades and free trades.

Under the Slovak law, a legal entity ceases to exist as of the date of its de-registration from the Commercial Registry. The shareholders of a legal entity shall decide on cancellation of the legal entity with/without liquidation, if the legal entity's assets and liabilities are transferred to its legal successor. Liquidation shall not be required, if the legal entity has no assets, if the bankruptcy petition has been rejected due to a lack of property, or if bankruptcy proceedings were cancelled because the entity's property is not sufficient to cover the expenses and remuneration of the bankruptcy administrator, or if there are no assets left after the bankruptcy.

Under the Act on Bankruptcy and Restructuring, the legal entity is obliged to file for bankruptcy, if it is insolvent or over-indebted. A debtor is insolvent if unable to meet at least two financial obligations of more than one creditor for more than 30 days from maturity date. A debtor is over-indebted if it is required to maintain accounting books according to the Act on Accounting, it has more than one creditor and the value of its liabilities exceeds the value of its assets.

Slovak legislative environment has several competition and antitrust laws. The Commercial Code defines unfair competition as behavior which is contrary to standard competition practices and which may be detrimental to other competitors or consumers. These practices include f.e.:

- deceptive advertising,
- deceptive misrepresentation,
- bribery,
- disparagement,
- violation of trade secrets,
- endangering consumer health or the environment, etc.

Furthermore, other forms of unlawful restrictions of competition and business may not:

- Abuse a dominant position within the market (e.g. predatory pricing, applying different conditions for similar entrepreneurs under similar contracts, etc.);
- Enter into agreements restricting competition (e.g. agreements on prices, division of the market, limitation of productions, etc.);
- Proceed with the creation of concentration (e.g. mergers of separate entrepreneurs, acquisitions of entrepreneurs or the establishment of a joint venture) without the prior consent of the Antimonopoly Office.

3.2. Banking & finance

The main regulatory body in the banking sector is the National Bank of Slovakia ("NBS"). It is responsible for implementing the Eurozone's monetary policy, the stability of the financial system and payments system regulation.

The commercial banks operating in the Slovak Republic provide the majority of standard banking services and are free to participate in virtually all forms of financial services. There is also a wide range of merchant banks operating in the Slovak Republic.

Share trading is carried out on the Bratislava Stock Exchange (Burza cenných papierov v Bratislave), which was founded in 1991.

3.3. Exchange controls

The Slovak Republic does not operate any restrictions on foreign currency exchange or the import or export of capital with the exception of businesses seeking to trade in foreign exchange assets and/or provide foreign exchange services.

3.4. Import / Export controls

The Slovak Republic strives to maintain a high degree of trade freedom. At the moment, the import and export of a limited number of goods (e.g. firearms, military materials) are subject to licenses issued by the Slovak Ministry of Economy. Moreover, certain imported goods must be subject to a mandatory certification procedure in order to confirm that the goods are compatible with Slovak technical standards. This certification procedure is done via the Slovak customs.

Furthermore, being an EU member state and a member of the WTO it has undertaken not to raise tariffs above levels agreed to in trade discussions.

3.5. Incentives to investment

The Slovak Republic offers a variety of investment incentives under various conditions. The limits for state aid are determined by the EU regulations and are driven by the relative development of the country or region in which an investment project is located, the unemployment rate and the minimum investment volume. The limits are set as a percentage of the eligible costs of an investment project. The Bratislava region is mostly excluded from such grants and incentives. Investment incentives include:

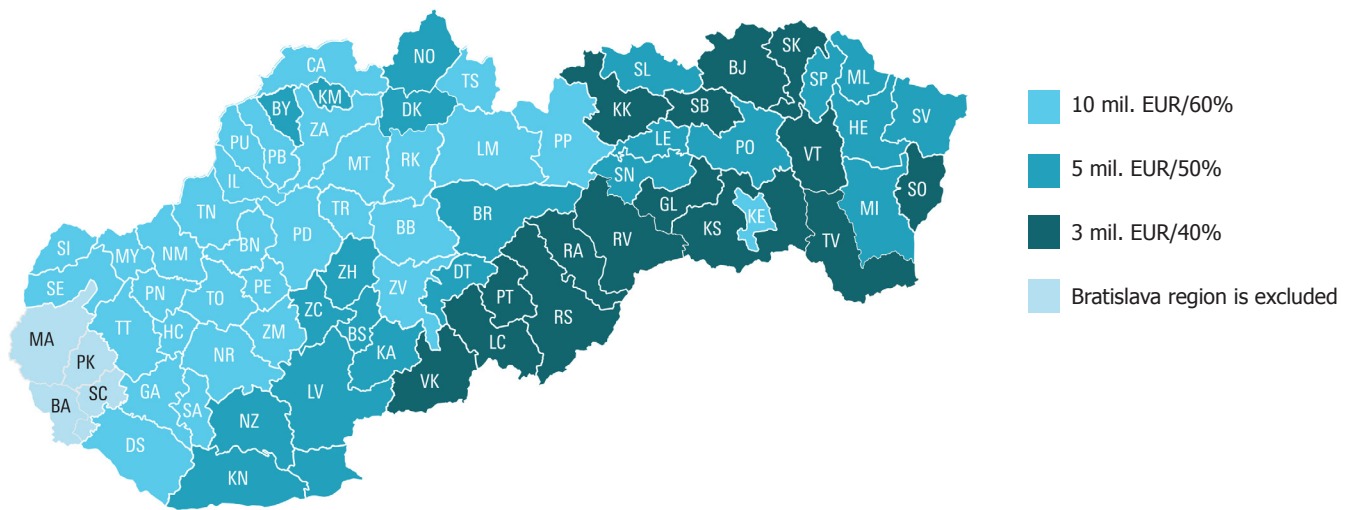
Indirect forms	Direct forms
Tax relief	Cash grants for the acquisition of fixed assets
Transfer of immovable state-owned assets at a lower price than the market price	Cash grants for newly created jobs
	Cash grants for training

In order to qualify for the above mentioned investment aid, applicants must meet the conditions under the Slovak Investment Aid Act and the European legislation, which include several general conditions as well as specific conditions.

These specific conditions depend on type of project, which include:

Manufacturing projects

- Minimum investment of EUR 10 million on the fixed assets (50% covered by the applicant);
- 60% of the overall costs of the acquired assets must be spent on acquisition of new machinery for production purposes;
- Minimum 40 newly created jobs.



Technology centers

- Minimum investment of EUR 500 thousand on the fixed assets (50% covered by the applicant);
- The company must employ at least 70% of employees having university education;
- Minimum 40 newly created jobs.

Shared service centers

- Minimum investment of EUR 400 thousand on the fixed assets (50% covered by the applicant);
- The applicant must employ at least 60% of employees having university degree;
- Minimum 40 newly created jobs.

Tourism

- Minimum investment of EUR 10 million on the fixed assets (50% covered by the applicant);
- 40% of the overall costs of the acquired assets must be spent on the acquisition of new machinery for the purposes of provision of services;
- Minimum 40 newly created jobs.

Approval of the aid

An applicant must submit a request for investment aid to the relevant authorities. The request will be reviewed for compliance with both the general and specific conditions according to the Investment Aid Act. If the conditions have been fulfilled, the Ministry of Economy issues a confirmation on meeting the conditions and the work on the project may be initiated. In case the project capital expenditures exceed EUR 50 million, the European Commission must approve the funding.

National and Local Incentives

EU Structural funds

The Slovak Republic is entitled to draw support from the Structural Funds and Cohesion Fund in the budget period 2014 – 2020. It is expected that most of the funds will be drawn by public institutions and only a minor part will be made available for private business purposes. Further substantial EU funds will be made available for research and innovation under the program name "Horizon 2020".

Municipal support and industrial parks

Municipalities are entitled to use state budget funding for infrastructure projects, the development of industrial parks or they can also offer minor tax exemptions. Whereas infrastructure projects and tax exemptions would, in general, qualify as regional state aid, the advantages offered by industrial parks do not, in general, qualify as state aid.

SARIO

The Slovak Investment and Trade Development Agency (SARIO) is the main government-funded allowance organization that works under the supervision of the Ministry of Economy of the Slovak Republic. Its mission is to design and use all kinds of stimuli to increase the influx of foreign investment and provide investors with comprehensive information about Slovak business environment.

Trade Marks

In Slovakia, there is a specialised institution for the protection of intellectual property – Industrial Property Office of the Slovak Republic.

The Act on Trade marks defines the conditions for the so-called registrability of a trademark. The law specifies in details the exclusions from registration as well as the signs that can not serve as a trademark.

Any natural person or legal entity may file the application for the registration of a trademark.

The term of protection of the registered trademark is 10 years as from the filing date of the trademark application. Upon the request of the trademark owner and subject to payment of administrative fee the Office shall renew the term of protection for another ten years.

4. Accounting

4.1. Accounting regulations

Slovak GAAP and IFRS

Slovak accounting standards are governed by the Act No. 431/2002 on Accounting and the Slovak Generally Accepted Accounting Principles (GAAP), which regulates general accounting principles. Where certain specific criteria are met, the financial statements are to be prepared under International Financial Reporting Standards as adopted by the EU ("IFRS"). The Slovak GAAP are almost identical with IFRS, although there are a number of differences in the treatment of specific issues.

Chart of Accounts

There are separate statutory charts of accounts and accounting procedures for:

- Entrepreneurs
- Banks
- Insurance companies
- Municipalities and institutions that are financed from the state budget
- Non-entrepreneurs (e.g. non-for-profit organisations, etc.)

The chart of accounts for entrepreneurs contains the following classes:

Class	Description
0	Non-current assets
1	Inventory
2	Financial accounts
3	Debtors and creditors, other assets and short-term liabilities
4	Capital accounts and non-current liabilities
5	Expenses
6	Revenues
7	Closing and off-balance sheet accounts
8 and 9	Internal accounting

Entities are permitted to create other synthetic account codes for balance sheet accounts that are not prescribed in the chart of accounts. Accounts must be kept in currency EUR and the books in the Slovak language.

Basic accounting principles

Accounting has to be kept, correctly, completely, consistently, continually with assumption of going concern basis, with accrual and matching concept, materiality and individual and prudent valuation. Special accounting principles apply to liquidations.

Accounting law define 'accounting period' as a calendar year or a fiscal year, i.e., a period of 12 consecutive calendar months beginning on the first day of any calendar month other than January. An accounting entity is obliged to announce a change of the accounting period to the relevant tax authorities in writing within thirty days of the entity's establishment or fifteen days prior to the change of the accounting period. Any change in the accounting period may only be effected as of the first day of a calendar month.

Financial statements

Annual individual financial statements consist of a balance sheet, profit and loss statement and notes to the financial statements, including a cash-flow statement if necessary. The notes has to contain such information as is necessary to assess the entity's assets, liabilities, financial position and results.

Individual financial statements must be submitted together with the corporate income tax return to the tax office within the deadline for filing the tax return, which is generally the 31 March, but can be prolonged to six months after the end of the reporting period. Consolidated financial statements must be submitted during the subsequent accounting period. Listed companies on the stock exchange are also required to prepare half-yearly and quarterly financial statements as well as consolidated financial statements.

Moreover, financial statements must be filed with the Commercial Register within 30 days of their approval by the shareholder's meeting. An annual report must be prepared if an entity must have its financial statements audited by an independent auditor.

There are several criteria for defining whether an accounting entity has to submit individual financial statements under IFRS and consolidated financial statements.

4.2. Audit requirements

According to the Act on Accounting, following entities are required to have their financial statements audited:

Business entities which obligatorily have registered capital (i.e. limited liability companies, joint-stock companies limited partnerships), if they meet any two of the following conditions in the accounting period preceding that the one for which the financial statements are to be audited:

- Total gross value of the entity's assets as stated in the balance sheet exceeds EUR 1 million,
- The entity's net turnover generated from the sale of products, goods and services exceeds EUR 2 million,
- The average number of employees exceeds 30;

Listed companies:

- Entities that are obliged to prepare financial statements in accordance with IFRS;
- Other entities that are required to be audited according to special legislation;
- Certain organizations that are stipulated by law as beneficiaries of percentage of income tax in case the annual amount of the income tax donations exceeds EUR 33 193,92.

Consolidated financial statements must be audited as well.

The audit of the financial statements must be performed by the end of the year following the year for which the financial statements or annual report were prepared.

5. The tax system in the Slovak Republic

5.1. Overview

The tax system in the Slovak Republic is comparable to taxation systems in other EU member states and it includes income taxes for natural and legal entities, as well as value added tax. Similarly the other taxes, which are levied on various assets, such as real estate tax, motor vehicle tax, as well as the system of consumer taxes levied on certain goods, such as alcohol and tobacco products.

Legislatively, the tax system in the Slovak Republic is stipulated in the Income Tax Act, the Value Added Tax Act, and five acts on consumer taxes (each consumer tax separately amended in an act) and the Local Taxes and Local Fees Act.

5.2. Prospective changes

The Slovak Ministry of Finance has issued a draft amendment to Act on Income Tax, which if approved by the parliament, should take effect on 1 January 2015. Should the parliament approve the proposed amendment, it will have a significant impact on the taxable base of the taxpayers. Here are some of the proposed changes:

Tax depreciation of motor vehicles – in the case the taxpayer does not achieve a sufficient profit, tax depreciation will be allowed only up to a maximum amount of EUR 48,000 which will be regarded as the acquisition cost of a car.

6 tax depreciation groups (instead of current 4):

- Group 1 – 4 years (e.g. personal cars etc.)
- Group 2 – 6 years (e.g. various equipment and machinery)
- Group 3 – 8 years (e.g. electric engines, turbines, metallurgy machines, air-conditioning system, etc.)
- Group 4 – 12 years (e.g. mounted constructions from concrete and metals, if not connected to utilities, etc.)
- Group 5 – 20 years (e.g. buildings and engineer constructions with the exception of buildings and constructions in the group 6)
- Group 6 – 40 years (e.g. residential buildings, administrative buildings, etc.)

Accelerated tax depreciation will be possible only in the case of assets included in the 2. and 3. tax depreciation groups.

Interruption of tax depreciation of tangible assets will not be possible via a supplementary income tax return anymore.

Services – taxable income of non-residents providing services, which will not be rendered via a permanent establishment in Slovakia, will be regarded as having their source in Slovakia and thus be subject to withholding tax. Double taxation avoidance treaty is applicable in these cases.

Transfer pricing – transfer pricing rules will also apply to Slovak persons (individuals and companies) connected to Slovak persons and these taxpayers will have to prepare transfer pricing documentation. If the TPD will not be submitted to the tax authorities within 15 days of their request, the taxpayers may expect sanctions of up to EUR 3,000 (also repeatedly).

Several changes in the **tax deductible expenses and costs**:

- In the case of assets, which are also for personal use, such expenses will be tax deductible only up to the level of the generated taxable income from such assets;
- Financial lease – minimum lease period of 3 years should be cancelled;
- Costs for marketing and other studies, for market research and costs for obtaining norms and certifications will be in the taxable base evenly over 36 months;
- Expenses from the acquisition, use, repairs and maintenance of assets which are listed in attachment 6 will be tax deductible only up to 80% of these costs (only if the taxpayer proves that the assets are used only for the generation and assurance of income than 100% may be deducted);
- Special regulation of deduction for research and development costs;
- Mortgages and construction loans – interests paid on mortgages and construction loans, which were not capitalized in the acquisition price of the assets will have to be included in the assets price;
- Promotional items – alcoholic beverages and cigarettes with acquisition value of up to EUR 17 per piece will be excluded from possible promotional items;
- The cost of expired goods will in general be tax non-deductible.

Carry forward of tax losses will be possible only evenly for four years.

Reserves for supplies of goods and services which invoices were not yet received by the taxpayer, as well as reserves for the preparation and audit of financial statements and annual reports and reserves for the completion of tax returns will be tax non-deductible.



6. Taxes on business

6.1. Corporate income tax

Subject of tax

For taxpayers with unlimited tax liability, the subject of taxes are worldwide incomes, proceeding pursuant to relevant international contracts to avoid double taxation, Taxpayers with limited tax liability are taxed only on incomes from the source within the Slovak Republic.

For example, the following incomes are not subject to tax:

- Income gained from gifts or inheritance,
- Income related to procuring new shares due to the increase of basic capital from undistributed profit from previous periods, as well as income deriving from the exchange of shares after fusion, merger or dividing of the company.

Tax rate

For 2014, the rate of income tax for legal entities is 22%. 2014 is considered as a taxable period from 1st January 2014.

Definition of residence

The taxpayer with unlimited tax liability - the tax resident - is a legal entity with a residence or actual business within the Slovak Republic; the actual business is the place where management and business decisions of the statutory and supervisory bodies of the legal entity are made, even if the address of this place is not registered in the Commercial Register. The taxpayer with a limited tax liability - the tax non-resident - is a legal entity who does not meet the definition of a taxpayer with unlimited tax liability.

Taxable people

The taxpayer is a legal entity.

Taxable period

The taxable period is a calendar year or financial year (i.e. different from the calendar year - 12 successive months).

Tax base

The tax base is, in general, the operating result determined pursuant to the Act on Accounting, amended for tax purposes.

For the taxpayer, who is obliged to report the profit/loss pursuant to IFRS, the tax base is set from:

- Profit/loss pursuant to IFRS amended for tax purposes by the method determined by the Ministry of Finance of the SR (so called IFRS bridge), or
- Profit/loss, which would be calculated, if accounted in the system of double-entry bookkeeping according to Slovak accounting standards.

In the case of tax non-residents, who do not have the obligation to keep the accounts, and they decide not to do so as well, the base is set from the difference between incomes and expenses, or after agreement with tax office, another alternative can be used for the method of calculating the tax liability.

Exempt income

In case of management companies, investment and share funds, legal entities, who are not established with the purpose of business, general partnerships and limited partnerships, only a part of the achieved income is subject to taxation. The income of the interest groupings of legal entities, professional chambers, civil societies, including professional organisations, political parties, religions acknowledged by the state and higher territorial units, budgetary and contribution organisations, universities and non-profitable organisations, is exempt from tax, if the income is from activities for which the subjects were established. The interest from government bonds, provided interest, loans and financial means derived from grants, are exempt from income tax.

Deductions

The tax base is determined by the difference between income and expenses, or from the profit/loss, which is amended further.

Tax can be decreased by the tax loss, which the entity can use evenly for a maximum of four consecutive taxation periods, after the period when the tax loss was generated. Tax losses incurred for 2009 can be carried forward in 2014 for the last time. A company wound up without liquidation is allowed to transfer the right to carry forward its tax losses to its legal successor.

The tax base can be further decreased for eventual tax expenses, which in general are expenses (costs) for achieving, securing and maintaining incomes demonstrably spent by the taxpayer, properly recorded in the accounts of the taxpayer or registered in taxpayer evidence. The depreciation of movable and immovable assets is an example of such a tax expense.

Tax Depreciation

Tax depreciations are applied for long-term tangible and intangible assets. Tangible assets are included in four depreciation groups with depreciation periods as listed in the table:

Depreciation group	Depreciation period (years)	Annual depreciation	Example
1	4	1/4	Motor vehicles, computers
2	6	1/6	Engines, some processing machines and equipment
3	12	1/12	Air-conditioning equipment, lifts, turbines, furnaces
4	20	1/20	Buildings, constructions

An example of depreciation calculation: The company acquires a computer in the value of EUR 4,000, which belongs to the first depreciation group and will be depreciated for four years. The amount of annual depreciation is the sum of EUR 1,000 (because $4,000/4 = 1,000$ EUR).

The company may decide in favour of accelerated depreciation.

Depreciation group	Index of accelerated depreciation		
	First year of depreciation	Following years of depreciation	For increased depreciated price
1	4	5	4
2	6	7	6
3	12	13	12
4	20	21	20

Depreciation in the 1st year - Acquisition price/depreciation index in the 1st year. For example, computer for EUR 4,000 will be depreciated in the first year by EUR 1,000 (because $4,000 / 4 = 1,000$ EUR).

Depreciation in the following years of depreciation - (Twice residual value) / (depreciation index in the following years - number of years for which the assets were depreciated). For example: the depreciated price is EUR 3,000 after the first year. Next year, EUR 2,000 will be depreciated (because $(2 \times 3,000) / (4 - 1) = 2,000$ EUR).

The following is not subject to depreciation in Slovakia:

- Land;
- Cultivation areas of perennial crops with a production period longer than three years, which did not reach the end of the production period;
- Protective dams;
- Works of art, which are not part of constructions and buildings;
- Movable national cultural monuments;
- Surface and underground waters, forests, caves, measurement marks, signals and other equipment of selected geodetic spots and printing materials of state map works;
- Museum and gallery exhibits and other objects of value;

Dividends

Dividends are not subject to taxation in the Slovak Republic.

Capital gains

Capital gains from securities are, in general, included in the tax base for income tax of legal entities.

Withholding tax and collateral tax

The subject of deduction tax from Slovak taxpayers' payments to foreign entities are included in the following items:

	Standard rate	Non-contracting state
Payments for services (if not provided by permanent operation)	19%	35%
Licence fees		
Interests from loans and deposits		
Rented movable assets		

Interest and licence fees paid to related companies, which are residents in EU countries, are not subject to withholding tax, in case certain conditions are met.

Since 1st March 2014, the tax rate of 35% applies in the case of income paid to residents of states with which the Slovak Republic does not have a signed treaty on avoiding of double taxation, or a contract on exchange of information related to taxes.

The treaty on avoiding of double taxation can decrease the rate of withholding tax. Some taxpayers can consider the tax deducted from some types of incomes as a tax advance, and deduct it in the income tax return. Natural or legal entities can be obliged to deduct the sum for securing the tax from certain incomes of Slovak non-residents from a source within Slovak Republic, if these are not tax residents in a different EU member state. On the basis of an application, the tax office will issue a certificate on payment of withholding the tax and securing of the tax.

Group taxation

There is no possibility of group taxation of legal entities in the Slovak Republic.

Losses

The taxpayer can deduct the tax loss evenly from the positive tax base during a maximum of four successive taxation periods.

Thin capitalisation

The thin capitalization rules were abolished in Slovakia as of 2004, hence thin capitalization rules do not apply in Slovakia at the moment.

Transfer pricing

Act on Income Tax contains transfer pricing rules which are largely based on OECD principles. The rules for drafting and keeping the required documentation on transfer pricing are issued by the Ministry of Finance of the SR by means of secondary legislation.

A related natural or legal entity is a closely related person, or an economically, or otherwise, related person (this relationship is established if companies created business relationships exclusively on purpose to decrease their tax base).

For the purposes of income tax for legal persons, the prices among dependent (or related) persons must be set at the market value level. If the price agreed with a foreign related party differs from the usual price applied between independent enterprises in comparable circumstances and if such a difference decreases the tax base of the Slovak taxpayer, then the tax base should be adjusted by this difference.

The documentation on transfer pricing must be submitted to the tax authorities within 15 days of their request, otherwise the tax authorities may impose penalties on the taxpayer, also repeatedly.

Taxpayers can request approval from the tax office of its pricing method and, from 1st September 2014, they will be obliged, together with an application, to pay to a fee of between 4,000 and 30,000 EUR.

Permanent establishments

The term permanent establishment is a term used solely in the tax legislation in order to define a fixed place of taxable business within the territory of Slovakia. A permanent establishment can be either a branch which has to be registered in the Commercial Register or an unregistered unit that has no legal status. At the moment, a permanent establishment is constituted when:

- Services have been performed in the territory of Slovak Republic for more than six months within a period of 12 consecutive calendar months;
- A person who acts on behalf of a foreign company and repeatedly enters into agreements on its behalf, under a power of attorney;
- A fixed place through which the activities of the foreign entity are carried out in the Slovak Republic is available.

Once a permanent establishment is established, it must be registered within 30 days of the date when the permanent establishment was constituted.

Income tax return, tax maturity and advances

Income tax returns are submitted by the end of third month, after the end of the taxation period. The tax administrator can extend this period for the next three months. The last day to submit the income tax return is also the last day of the tax maturity. Tax for payment is mature in regular or extended periods for submitting the income tax return. Companies, with tax liability for the taxation period exceeding EUR 2,500 are obliged to pay advance payments of income tax for legal entities.

Tax advances payments are paid:

- Quarterly (1/4 of the last known tax duty), if the last known tax duty liability was more than EUR 2,500 EUR and less than EUR 16,600 EUR; or
- Monthly (1/12 of the last known tax duty), if the last known tax duty liability was more than EUR 16,600 EUR.

6.2. Value added tax

Taxable entities

The taxable person is any person who performs any economic activity independently (i.e., an enterprise). Economic activity (enterprise) is any activity from which the income is generated, and which includes the activity of producers, businessmen, service suppliers, including mining, construction and agricultural activity, freelance work, intellectual creative activities and sports. Enterprise is also the use of tangible and intangible assets for the purpose of earning income from this asset. Each person, who occasionally delivers new transport vehicles from their home country to a different member state, and this new transport vehicle is sent by a company or buyer to their account, or transported to the buyer, is a taxable person for the purposes hereof.

The Slovak Republic implemented the EU Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax as well as other amending EU VAT Directives.

VAT grouping

In Slovakia, it is possible to create VAT groups, which enable people who are organisationally, financially and economically related, and have their residence or operation in Slovakia, to become a VAT payer. Therefore, the transactions within the VAT group are not subject to VAT.

VAT rates and exemptions

The VAT rate in Slovakia is 20%, and applies to goods and services; the decreased rate of 10% applies to some pharmaceutical products, medical aids (in accordance with the rates tariff).

Services, which are not subject to VAT

Services, which are not subject to VAT are postal services, medical care, social aid services, educational services, financial and insurance services, radio and television broadcasting, delivery and rent of real-estate (with exceptions) and the operation of lotteries and other similar games.

Registration

Every taxable person with a residence, business or operation in Slovakia has the duty to register for VAT purposes if they have achieved a turnover to the amount of 49,790 EUR for a maximum of twelve consecutive calendar months. Foreign people, who do not have a residence or operation in Slovakia, are obliged to register for VAT purposes before performing an activity, which is subject to tax in Slovakia. The duty to register for VAT belongs to the foreign person who delivers goods to Slovakia in the form of a forwarding business to people, who are not registered for the purposes of Slovak VAT, and the total value of delivered goods during the calendar year reaches 35,000 EUR. The taxable people, who deliver construction materials, its part or building plot, who are not exempt from the tax pursuant to law, and the turnover achieved from the delivery is 49,790 EUR, are automatically registered for VAT. From 1st January 2014, automatic registration will occur in certain cases for tax security.

Registration thresholds in Slovakia

Standard Rate (%)	Reduced Rate(s) (%)	Reduced Rate Applies to (examples):	Registration Threshold	Non-Established Business Registration Threshold	Distance Selling Threshold	Intra-Community Acquisitions Threshold
20	10	Books; certain pharmaceutical and medical products.	49,790 €	No threshold; immediate registration required	35,000 €	13,941.45 €

VAT returns

VAT returns are submitted monthly within 25 days of the end of the taxation period, and the tax duty must be paid at the same time. The VAT payer is, in some cases, liable for tax listed in the invoice, if this was not paid by the supplier to the tax office, or the supplier was unable to pay the tax and the payer knew, or could have known that the tax would not be paid.

Blacklist of VAT payers

The Financial Directorate of the SR publishes the list of tax debtors in the first half of the current year as of 31st December of the previous year.

The list, published by the Financial Directorate of the Slovak Republic, contains the following:

- Name and surname of the natural person, permanent residence or place of business, if it is different from the permanent residence;
- Business name or name of the legal entity and its place of residence;
- Sum of tax debts.

This list is publicly available on the internet site of the Financial Directorate. Entrepreneurs can verify the trustworthiness of their business partners, considering their duty to pay value added tax. Entrepreneurs who are published on this black list are considered as potentially risky tax entities, and you should be careful when doing business with them. If your supplier is such a risky entity, and he lists VAT on an invoice which is then not paid, the duty to pay the VAT is transferred to the customer.

Refunds

Foreign taxable persons which are not VAT registered in Slovakia and who are established and registered for VAT in another EU Member State can claim a refund of Slovak VAT invoiced to him by a Slovak supplier, as according to the conditions set out in Council Directive 2008/9/EC laying down detailed rules of the refund of value added tax.

Foreign persons established outside of the EU can claim the Slovak VAT in line with rules set out by the 13th Council Directive 86/560/EEC. A person with no residence in any EU country, exporting goods from Slovakia, can file a request for a VAT refund of Slovak VAT if:

- The amount of goods purchased exceeds EUR 175;
- The person possesses a document on purchase of goods issued by a taxpayer;
- Export is carried out within 3 months following the end of the month of purchase;
- The Customs Office certifies the export of goods.

Slovak VAT refund claim rules				
Foreign persons established	Deadline for application	Minimum amount	Form of application	Period for refund
Within the EU	30 September	EUR 50/400	Electronic	4/8 months
Outside the EU	30 June	EUR 50	In paper	6 months

Double taxation avoidance treaties

Australia	Indonesia	Romania
Austria	Ireland	Russia
Belarus	Israel	Serbia
Belgium	Italy	Singapore
Bosnia-Herzegovina	Japan	Slovenia
Brazil	Kazakhstan	South Africa
Bulgaria	South Korea	Spain
Canada	Latvia	Sri Lanka
China	Libya	Syria
Croatia	Lithuania	Sweden
Cyprus	Luxembourg	Switzerland
Czech Republic	Macedonia	Taiwan
Denmark	Malta	Tunisia
Estonia	Mexico	Turkey
Finland	Moldova	Turkmenistan
France	Mongolia	Ukraine
Germany	Montenegro	United Kingdom
Georgia	The Netherlands	USA
Greece	Nigeria	Uzbekistan
Hungary	Norway	Vietnam
Iceland	Poland	Egypt
India	Portugal	(still to be signed or ratified or published)

Source: Financial Directorate of the Slovak Republic, <http://www.frsr.sk>, 2014

7. Personal taxation

Tax base and subject of tax

The tax base is calculated as a sum of partial tax bases in relation to separate types of income. Income, which is subject to income tax for 'natural' persons is divided into the following four groups:

- Income from dependent activity (e.g. income from employment, income of partners and executives in companies with limited liability and unlimited partners in limited partnerships).
- Income from enterprise and other independent income activity, from rent and use of work and artistic performance (e.g. income of partners in general partnership and unlimited partners in limited partnership).
- Income from capital property (e.g. income from bills, income from securities, from units, interests).
- Other income (e.g. income from the occasional rent of movable assets, income from the transfer of ownership of immovable assets, income from the sale of movable assets, income from the transfer of options, income from the transfer of securities).

Location and residence

The tax resident is a 'natural' person who has permanent residence in Slovakia, or who usually resides in Slovakia, which means the person continually or periodically resides in Slovakia for a minimum of 183 days per year.

Taxable period

The taxable period is one calendar year.

Items deductible from the tax base

Every taxpayer is entitled to a tax-free minimum:

Tax-free minimum			
Annual tax base	below 19,809 €	19,809 € to 35,022.31 €	Over 35,022.31 €
Tax-free minimum	3,803.33 €	Progressive decrease	0 €

Tax residents living in a common household with a spouse and tax non-resident; if incomes achieved from sources in the SR exceed 90% of his total income, after meeting certain conditions:

Tax-free minimum for spouse			
Annual tax base	below 35,022.31 €	35,022.31 € - 50,235.62 €	Over 50,235.62 €
Tax-free minimum	Positive difference between 3,803.33 € and income of spouse	Progressive decrease	0 €

For each supported child living with a tax resident in a common household, the resident can apply for a tax bonus, it is possible if the resident achieves a minimum taxable income of 2,112 EUR, and for a tax non-resident, if the income achieved from the sources in the SR exceed 90% of his total income. The amount of bonus for one child is 21.41 EUR.

A natural person employed for a minimum of 6 months during the calendar year, who only receives income from dependent activity; the total employment bonus belongs to a person who worked 12 months in the calendar year.

Employee bonus			
Taxable income	2,112 € - 4,224 €	4,224 € - 4,391.84 €	Over 50,235.62 €
Employee bonus	27.62 €	Progressive decrease	0 €

The amount of demonstrably voluntarily paid contributions towards retirement savings is the tax-free part of the taxpayer's tax base from 1st January 2013 till 31st December 2016. For 2014 the maximum amount of tax-free part of the demonstrably paid contribution up to 2% of the tax base from active incomes, but a maximum of EUR 966.

The amount of demonstrably paid contributions towards additional retirement savings is the tax-free part of the taxpayer's tax base, after meeting legally stipulated conditions. For 2014, the maximum amount of tax-free part are the demonstrably paid contributions up to EUR 180.

Exempt income

For example, the following income is exempt from tax:

- From the sale of real-estate, after five years from the day of its acquisition it or the day of its exclusion from the business property.
- From sale of real-estate acquired by inheritance in direct line or by one of the spouses, if at least five years has lapsed from the day of acquisition.
- From the sale of movable assets, except for income from the sale of movable assets which were included in the business property, and this within five years from its exclusion from the business property; security is not considered as a movable asset for the purposes of this act.

Exempt income include, for example, social income and transfers, scholarships, except graduate scholarships, accepted indemnifications, interest and other revenues from deposits, revenues from government bonds and financial means resulting from grants.

Tax rates

Amount of tax base	Tax rate
up to and including EUR 35,022.312	19%
over EUR 35,022.312	25%
Calculation: EUR 198.09 (living wages) x 176.8 = EUR 35,022.312	

Returns and administration

The taxpayer is obliged to submit a tax return and settle the tax liability by 31st March, unless otherwise agreed with the tax administrator. Income tax from dependent activity is deducted from the employee by the employer every month, and other advances are paid according to the amount of the last tax liability (unless the amount was higher than EUR 1,901 for 2014).

Inheritance and gift taxes

There is no inheritance tax or gift tax in Slovakia.

Wealth tax

There is no wealth tax in Slovakia.

8. Other taxes

8.1. Consumer taxes

The producer or seller will include the consumer tax in the sale price. In Slovakia, the following consumer taxes are recognised:

A consumer tax on alcohol, beer and wine - the subject of the tax is wine, beer or alcohol produced in, or delivered to, Slovakia. The category of consumer tax on alcohol also includes, apart from distillates and liqueurs, wines, with the amount of alcohol exceeding the legally stipulated standard.

A consumer tax on tobacco products - the subject of tax is tobacco products produced in, or delivered to, Slovakia. These include cigarettes, cigars and tobacco.

A consumer tax on mineral oils - the subject of tax is mineral oils produced in, or delivered to, Slovakia from abroad. The following, for example, is defined as mineral oil:

- Motor spirit,
- Gas oil,
- Heating oil,
- Liquid hydrocarbon gases (such as fuel or gas),
- Natural gas (such as fuel or gas).

In Slovakia, the consumer tax on electricity, coal and natural gas has been enacted. This consumer tax has, to some extent, environmental tax features.

8.2. Customs duties

Goods imported from third world countries are subject to a customs procedure. Goods exported from the EU must be considered carefully within an export customs procedure. The declarant is a person responsible for the payment of a customs debt, and also for submitting a customs declaration on his own behalf or on the behalf of a person submitting the customs declaration. In addition to import or export duty payments, other payments payable for the export and import of goods are import VAT, consumer taxes and charges set by the Common Agricultural Policy. The tax offices require the declarants to provide custom security to cover eventual custom debts, which could arise. Custom security can be paid in cash or by the assurance of a guarantor. For the purposes of communication with the customs offices, each person must be identified with EORI (Economic Operator Registration and Identification Number), which is allocated by the Customs Administration on application. EORI registration is obligatory for the customs procedure. The customs procedure in export is done on the basis of the electronic exchange of information. The customs procedure in import is partially electronic in the Slovak Republic.

8.3. Local taxes

Real Estate Tax	Taxpayer	Subject of tax	Tax base	Tax rate
Land tax	Owner of land or administrator of land in state ownership.	Lands in SK territory	Conjunction of lands size in m2 and value of land in m2	0.25% / year
Property tax on buildings	Owner of buildings or administrator of buildings in state ownership.	Buildings in SK territory	Conjunction of size of buildings in m ² and value of buildings in m ²	0.033 EUR/year for every m2 (even started one)
Tax from apartments and non-residential premises in apartment house	Owner of apartment/ non-residential premises or administrator of apartment/non-residential premises in state ownership	Apartments and non-residential premises	Size of floor area in m2	0.033 EUR/year for every m2 of apartment or non-residential premises (even started one)

	Taxpayer	Subject of tax	Tax base	Tax rate
Dog tax	Dog owner	Dog older than 6 months	Number of dogs	Municipality will stipulate by generally binding legal regulation
Tax for the use of public premises	Person, who uses the premises	Specific use of public premises	Size of used public premises in m2	
Accommodation tax	Person, who temporarily resides in accommodation facility for a charge	Temporary accommodation of a person for a charge	Number of nights	
Vending machines tax	Operator of vending machines	Machines delivering goods for a charge	Number of vending machines	
Tax on non-payout slot machines	Operator of non-payout slot machines	Machines, which turn on for a charge	Number of non-payout slot machines	
Tax for access to and parking of motor vehicles in historical part of city	Person, who owns a motor vehicle	Access and parking of motor vehicle	Number of days of access and parking of motor vehicle	
Nuclear facility tax	Holder of permit for introduction of nuclear facility in operation and permit for operation of nuclear facility for production of electrical energy	Nuclear facility, where fission reaction is operated in nuclear reactor and electrical energy is produced	Exchange of built-on land of municipality in m2, which is in the area endangered by nuclear facility, approved by the Nuclear Regulatory Authority of the Slovak Republic	
Motor vehicle tax	Holder of a motor vehicle or person using the vehicle subject to conditions stipulated in law	Holder of a motor vehicle or person using the vehicle subject to conditions stipulated in law	Holder of a motor vehicle or person using the vehicle subject to conditions stipulated in law	Holder of a motor vehicle or person using the vehicle subject to conditions stipulated in law

9. Health and social insurance

9.1. Health insurance

Contributions to health insurance are obligatory for natural persons, who:

- Have a permanent residence in Slovakia;
- Do not have a permanent residence in Slovakia, (they have, for example, temporary residence in Slovakia) are not insured in another EU member state, or in the European Economic Area, or in Switzerland, and who, at the same time, have terminated an employment contract with a Slovak employer, or with a foreign employer who has a permanent operation established in Slovakia;
- Do not have a permanent residence in Slovakia, are not insured in another EU member state, or in the European Economic Area, or in Switzerland, and who do business in the Slovak Republic, or have permission to do business in the Slovak Republic.

9.2. Social insurance

The system of social insurance is composed of five independent insurance systems which are operated by Social Insurance:

Sickness insurance

Sickness insurance serves for the provision of income in the event of the loss or decrease of income from gainful activity due to a temporary working inability, need of treatment or care, pregnancy or maternity.

Pension insurance

Two sub-systems exist in pension insurance:

- Old age insurance: insurance for securing an income in old age; and in the event of death.
- Disability insurance: insurance for cases of a decrease in the ability to perform gainful activity as a result of the insured person being in a long-term unfavourable health state; and in the event of death.

Accident insurance

Accident insurance covers in cases of health damage or death, as a result of an accident at work or occupational illness.

Guarantee insurance

Guarantee insurance serves for cases of employer insolvency to satisfy the claims of the employee, and for covering contributions to the old age pension savings unpaid by the employer.



Unemployment insurance

Unemployment insurance serves in cases of the loss of income from the employee's gainful activity as a result of unemployment, and for the provision of income in this period. Unemployment benefit is provided from unemployment insurance.

Apart from compulsory insurance, voluntary insurance exists as well, in the system of:

- Health insurance,
- Pension insurance,
- Unemployment insurance.

Rates for individual types of insurance, and in the contingency solidarity fund, are set as a percentage rate from the asset base achieved in a certain period.

Overview of contributions to health and social insurance

	Taxpayer	Subject of tax	
	Rate		Maximum monthly base
Health contribution	1.4 %	1.4 %	4,025 €
Pension contribution	4 %	14 %	4,025 €
Disability contribution	4 %	3 %	4,025 €
Unemployment insurance	4 %	1 %	4,025 €
Health insurance	4 %	10 %	4,025 €
Accident insurance	-	0.8 %	No limit
Guarantee insurance	-	0.25 %	4,025 €
Contingency fund	-	4.75 %	4,025 €
Total	13.4 %	35.24 %	

10. Labour relations & working conditions

10.1. Employment relations

Legal Framework

Act No. 311/2001 Coll., the Labour Code as amended is the principal legislative act governing employment relationships in the Slovak Republic.

The other relevant legislative act is the Act on Collective Bargaining (Act. No. 2/1991, as amended).

Citizens of the countries within the European Economic Area and Switzerland may work in the Slovak Republic without any restrictions. However, if the foreign citizens stay in Slovakia for more than 3 months, they are obliged to register at Slovak Foreigner Office. Moreover, the Slovak employer is also obliged to inform the labour authorities about the foreign employee within seven working days of the commencement or the termination of the individual's activities. Other citizens of a third country (e.g. non-EEa residents) are obliged to apply for a work permit and temporary residence prior to their arrival. The labour office can grant either a work permit for a period of two years or the so-called Blue Card, which covers both a work and temporary residence permit. This Blue Card guarantees that its holder is a highly qualified specialist with a university diploma or over five years professional experience.

Labour legislation (as according to the Labour Code) includes among other things following stipulations:

Initial probationary period of a maximum of 3 months and 6 months in the case of certain managerial positions that cannot be further extended

Fixed employment contracts may be concluded for a maximum of two years and prolonged only twice within the above 24 months period

The maximum length of the working week is 40 hours

Overtime work of maximum 150 (+ 250 extra hours in health care sector) per calendar year

Minimum annual paid leave is four weeks, employees aged above 33 years are entitled to five weeks of annual paid leave

Both employee and employer can terminate an employment contract by serving notice and a minimum notice period of one month has to be given

An employment contract can be terminated at any time upon the mutual agreement of both parties

If the employee is found guilty of a deliberate criminal offence or is found to be in serious breach of working discipline, the employer can terminate the employment contract immediately

The employer is obliged to provide the employee with a severance payment in the event of termination of the employment contract due to organisational reasons or due to specific health reasons, should the employment have lasted above two years. There is no obligatory severance payment if employment relationship lasted less than 2 years

Employers are required to notify the appropriate labour office of a mass redundancy 30 days prior to issuing notices to their staff

The employer is a legal or natural person who employs at least one natural person in labour relations, and if stipulated in specific regulation, also in analogous labour relations. The employer is also an organisational unit of employer, if stipulated in specific regulations, or the Articles of Association pursuant to specific regulations. (If the employer is party in a labour relation, it cannot be an organisational unit at the same time, and vice versa). The Employer enters into the labour relations in his own name and has the responsibility for establishing these relations.

Labour Market

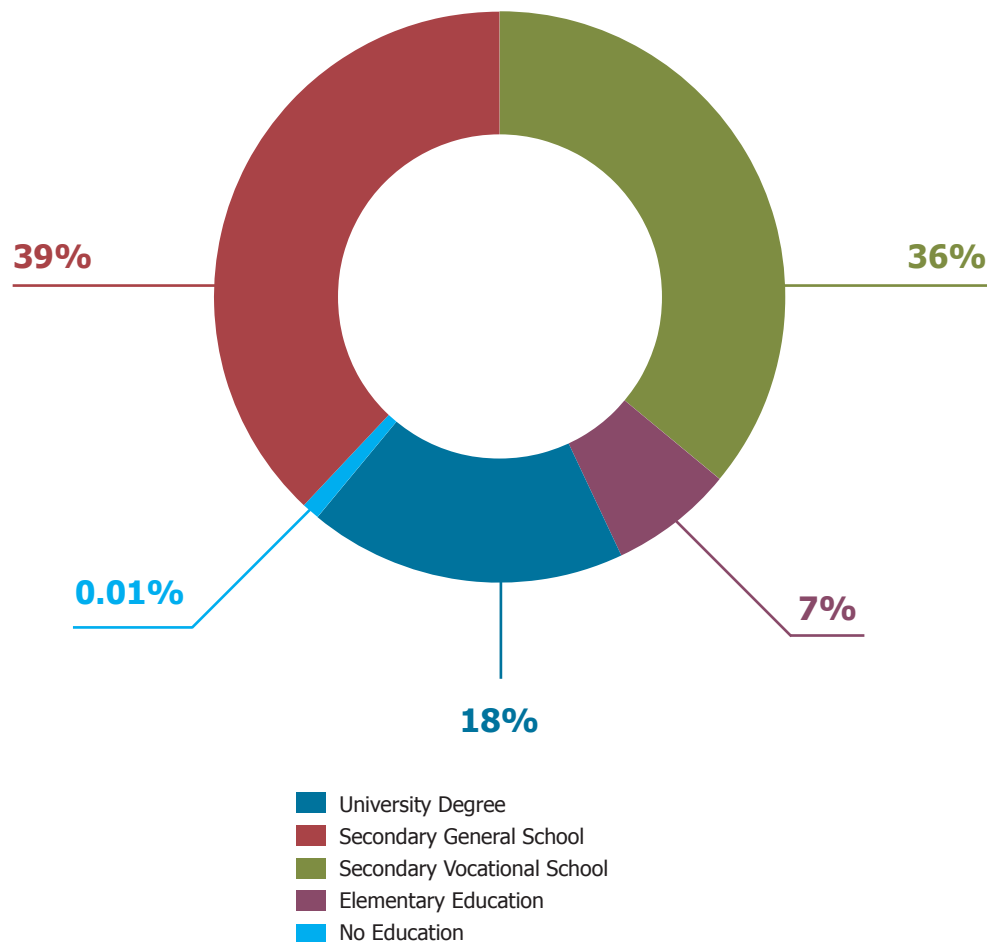
The Slovak Republic belongs to the leaders in labour productivity, expressed both per hour and per person.

As of 1 January 2014, the minimum monthly wage is EUR 352.00 and the minimal hourly wage is EUR 2,023. The average gross monthly salary was EUR 824 in 2013. However, average salaries wages can vary significantly depending of the region. Average salaries in Eastern Slovakia were as low as EUR 636 per month in 2013.

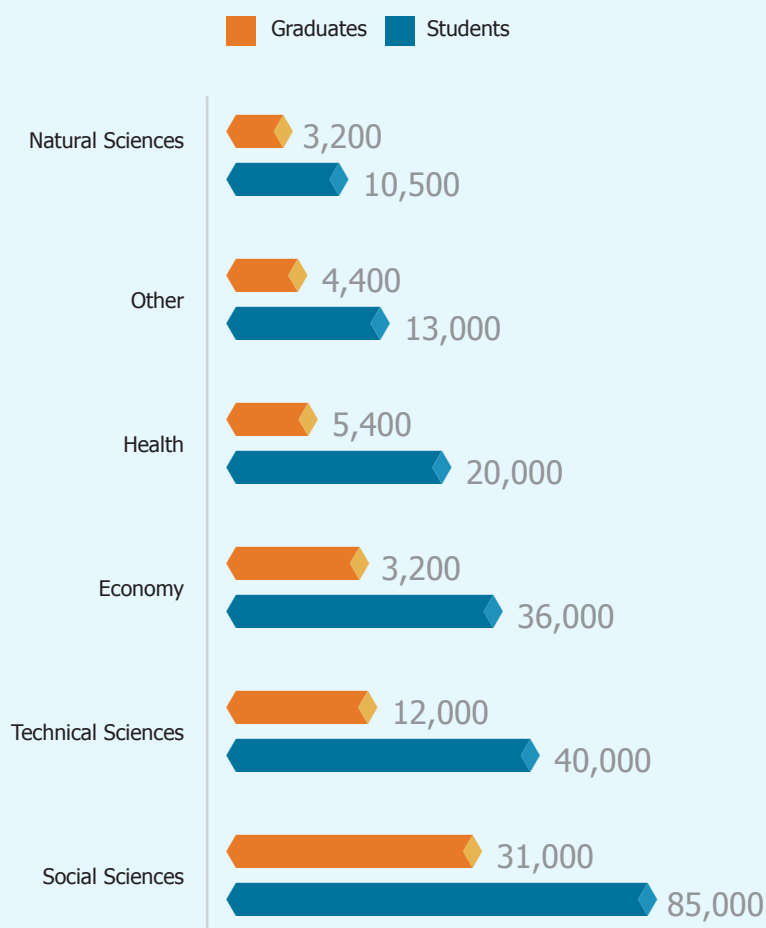
Education

There is an educated and qualified labour force in Slovakia. 93% of the Slovak workforce has secondary or higher education and 97% of the Slovak population speaks a language other than their mother tongue, which are one of the highest of all European countries. There are 36 universities in Slovakia across the country with approx. 205 thousand students enrolled at these universities in the academic year 2013/2014. English is the most common foreign language spoken, followed by German and French.

Education degree



Subject of studies



The employer is a legal or physical entity who employs at least one physical person in labour relations, and if stipulated in specific regulation, also in analogous labour relations. The employer is also an organisational unit of employer, if stipulated in specific regulations, or the Articles of Association pursuant to specific regulations. (If the employer is party in a labour relation, it cannot be an organisational unit at the same time, and vice versa). The Employer enters into the labour relations in his own name and has the responsibility for establishing these relations.

10.2. Labour Contract

Labour relations are based on written labour contracts between employer and employee. The employer is obliged to give one written issue of the labour contract to the employee. The employer is obliged to agree with the employee on the fundamentals in the labour contract as follows:

- Type of work, for which the employee is recruited, and brief description.
- Place of work (the district, or part of the district, or otherwise determined place).
- The starting date.
- Wage terms, if not agreed in the collective agreement.

The working conditions can be agreed in the collective agreement. In such cases, a reference to the provisions in the collective agreement will suffice. The agreed content of the labour contract may only be amended if the employer and employee agree about its change. The employer is obliged to issue the change in the labour contract in writing.

10.3. Probationary Period

The probationary period agreed in the labour contract can last a maximum of three months. For an employee in a managerial position of a statutory body, or member of a statutory body, it is a maximum of six months. The probationary period cannot be extended or changed in cases of concluded labour relations.

10.4. Employment for a limited period

Employment for a limited period may be agreed up to a maximum of two years. Employment for a limited period may only be extended or renegotiated twice within two years. The employment contract must expressly stipulate the duration of labour relations for a limited time period.

10.5. Other labour relations - agreement

Other labour relations are established by one of the agreements on work performed outside the labour relations:

- Work agreement.
- Agreement on work activities.
- Agreement on temporary student work.

Agreements on work performed outside the labour contracts are rarely concluded. If the work bears the signs of dependent work, the employer must conclude the labour contract with the employee.

10.6. Employer's duties

The employer's duties are amended by a number of provisions in the Labour Code. The basic ones include the duties before and after concluding the labour contract.

Employer's duties before concluding the labour contract

Before concluding the labour contract, the employer is obliged to inform a natural person as follows:

- About the rights and duties the person has in the labour contract;
- About the working conditions at the workplace;
- About the wage conditions for the work performed.

Employer's duties at the commencement of work

At the start of the job, the employer is obliged to inform the employee about the following:

- Working code;
- Collective agreement;
- Legal regulations related to the performed work, and other regulations for ensuring health and safety at work, which the employee must observe at work;
- Provision of rules of equal treatment.

The employer is also obliged to inform juvenile employees, or their legal representatives, about the possible risks of performing the work, and about health and safety at work.



Employer's duties from the day of starting labour relations till the end

From the day of the establishment of labour relations (the day agreed in the labour contract as the start day), the employer is obliged to:

- Give the employee work according to the labour contract.
- Pay wages to the employee for the work done.
- Create suitable conditions for performing the work tasks.
- Observe other working conditions stipulated in the legal regulations, collective agreement and labour contract.

Each employee must be acquainted with the working code. The working code must be available for each employee.

11. Moore Stephens in the Slovak Republic

Moore Stephens in Slovakia is represented by BDR, spol. s r.o.

BDR is a Slovak auditing and consulting company registered in the Slovak Chamber of Auditors, and it has the licence SKAu No. 6. It was established in 1991, which shows that it was one of the first auditing companies in the Slovak Republic.



We provide auditing, accounting and consultancy services to companies in various sectors of business and also to non-profit organisations.

Clients of our company belong to the following areas: power engineering, metallurgy, electrotechnical, construction, mining, chemistry, textile, leather industry, paper and timber industry, services, transport, health care, financial services, informatics, food industry, etc.

BDR, spol. s r.o.	
Address:	Bratislava, Černyševského 26, 851 01 Banská Bystrica, M. M. Hodžu 3, 974 01
Tel.:	00421 (0)905 281 613
Fax:	00421 (0)2 68 20 41 10
Contact:	Mag. Martin Kiňo
Languages:	German and English
Email:	bdr@bdrbb.sk
Internet:	www.bdrbb.sk , www.moorestephens.sk

