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BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile

With a GDP per capita of USD 21,530 (IMF, 2021), the average Slovak consumer is less wealthy than their neighbours to the north and the west (Austria and Czech Republic), but significantly richer than all other neighbours (Poland, Ukraine, Hungary). The population growth rate has nearly stood still for the last few years while the population is ageing at the same time (young population aged 0-24 accounting for 25.19% of the total population - CIA World Factbook, 2020 est.).

There are not significant income differences between different parts of the country or social groups and the country has one of the lowest Gini indexes in the world (22.8 points in 2019 - Eurostat, latest data available). Economic growth is improving Slovak living standards, which remain nonetheless below the European average. Slovak consumers have grown conscious of their health and the environment. They also prefer local products to foreign products.

Consumer Behaviour

Price remains an essential factor in the purchasing process of Slovak consumers. However, there is growing interest in buying high-quality products that is in line with the growth in personal income. Slovak consumers are becoming increasingly aware of the composition of the product (contents of artificial ingredients and colourants) and the origin of the product (local, EU, overseas), as healthy lifestyles and fair-trade patriotism are fashionable. Consumers that once welcomed large stores (upon entering the EU) now turn to smaller specialist stores. They also value grocery retailers that feature Slovak products, which had become under-represented with the increase in product diversity. Online shopping has become a significant medium of sales for retailers, with e-commerce seeing a 22% growth rate in 2020 (ecommerceDB) and representing 21% of enterprises' total turnover (EU average being 20%) (Eurostat, 2020).

Consumers Associations

[Slovak Consumer Association \(website only in Slovak\)](#)

IMPORTING & DISTRIBUTING

Import Procedures

Slovakia's import requirements are fully harmonised with EU law and its regulations. When introducing goods into Slovakia, exporters shall fill in a Declaration of Exchange of Goods or Intrastat declaration. When the country of origin of the goods exported to Slovakia is not part of the European Union, customs duties are calculated Ad

valorem on the CIF value of the goods, in accordance with the Common Customs Tariff (CCT).

As part of the 'SAFE' standards set forth by the World Customs Organisation (WCO), the European Union has set up a new system of import controls, the 'Import Control System' (ICS), which aims to secure the flow of goods at the time of their entry into the customs territory of the EU. This control system, part of the Community Programme eCustoms, has been in effect since 1 January 2011. Since then, operators are required to pass an Entry Summary Declaration (ENS) to the customs of the country of entry, prior to the introduction of goods into the customs territory of the European Union.

A new system, the Union Customs Code (UCC), entered into force in October 2013 as part of the modernisation of customs.

For more information, please visit the [Slovak Customs website](#).

Distribution market players

Hypermarkets are the most popular type of mass retailer, closely followed by supermarkets. Discounters witnessed the fastest growth rate in recent years, and have had great success owing to the low-income level of Slovak households. Convenience stores are the third-largest retailers. Online retail is becoming increasingly popular.

- **Tesco** is the leader in the retail sector, with a 16.7% value share and 150 stores. It operates under the Tesco (hypermarket and supermarket) and Tesco Express (convenience store) brand name.
- **Lidl** is the second-largest retailer, with an 11.2% value share and 135 stores
- **Kaufland** is the third-largest retail chain, with a 10.7% value share and 70 stores
- **Coop Jednota Potraviny** has a 10.2% market share
- **Coop Jednota Supermarket** has a 7.5% market share
- **Billa** (supermarket and hypermarkets) has a 6.8% market share with 132 stores
- **Metro Cash&Carry** is the fifth-largest retailer with 6 hypermarkets

(Source: USDA, latest data available)

In the non-food sectors, national retailers are among the largest actors; for instance, the consumer electronic goods sector is dominated by two local companies:

- **Nay**
- **DAtart**

OPERATING A BUSINESS

Type of companies

Spolocnost rucenim obmedzenym is a Private Limited Company

Number of partners: 1 to a maximum of 50 partners.

Capital (max/min): EUR 5,000, with a minimum of EUR 750 per shareholder. In case there is only one member, the whole capital must be paid. Otherwise, 30% of the capital must be paid.

Shareholders and liability: Liability is limited to the shares.

Public Limited Company

Number of partners: No minimum.

Capital (max/min): EUR 25,000 (10% must be released at the constitution)

Shareholders and liability: Liability is limited to the amount of capital contributed.

Verejna obchodna spolocnost is a General Partnership

Number of partners: Minimum 2 partners/shareholders.

Capital (max/min): No minimum capital.

Shareholders and liability: Liability is unlimited.

Komanditna spolocnost is a Limited Partnership

Number of partners: At least one unlimited partner and one limited partner.

Capital (max/min): No requirement. The deposit of the partner with limited liability must be at least EUR 250.

Shareholders and liability: The liability of the active partners is unlimited. The liability of the silent partners is limited to the amount of capital contributed.

Setting Up a Company	Slovakia	Eastern Europe & Central Asia
Procedures (number)	7.0	5.3
Time (days)	21.5	11.8

Source: Doing Business - Latest available data.

Cost of Labour

Minimum Wage

According to data from Eurostat, the minimum wage is EUR 623 per month in 2021.

Average Wage

In 2021, the average monthly gross wage is EUR 1,177 per month according to the National Office of Statistics of Slovakia.

Social Contributions

Social Security Contributions Paid By Employers: 35.2%

Social Security Contributions Paid By Employees: 13.4%.

Intellectual Property

National Organisations

Patents are granted by the [Office of industrial property](#) (the period of validity varies and may go up to 20 years). The AOC name exists in Slovakia and comes under the same Office. The Slovak organization for the protection of copyright is the Copyright Office which is dependent on the [Ministry of Culture](#).

Regional Organisations

Slovakia is a member of the [European Patents Office \(EPO\)](#) and of the Office of Harmonization for the Internal Market (OHMI).

International Membership

[Member of the WIPO](#) (World Intellectual Property Organization)

[Signatory to the Paris Convention](#) For the Protection of Intellectual Property

[Membership to the TRIPS agreement](#) - Trade-Related Aspects of Intellectual Property Rights (TRIPS)

TAX RATES

Consumption Taxes

Nature of the Tax

[Dan z pridanej hodnoty](#) (DPH) - Value Added Tax (VAT)

Tax Rate

20%

Reduced Tax Rate

A reduced rate of VAT of 10% applies to basic foodstuffs (such as meat, fish, milk and bread, certain types of vegetables); some pharmaceutical products; some medical equipment for disabled persons; books (excluding e-books); certain goods and services related to social welfare; hotel and accommodation.

Certain supplies and services are exempt without credit entitlement (certain postal services, financial and insurance services, education, public radio and TV broadcasting services, health and social services, the transfer and leasing of real estate (with exceptions), services related to sports and physical education; social welfare and lottery services); others are exempt but give the right to credit ("zero-rated" - financial and insurance services provided to extra EU customer, supply of goods to other EU member states, certain import of goods, and export of goods and services).

Other Consumption Taxes

[Excise duties](#) are levied on tobacco products, wine, spirits, beer, mineral oil, electricity, coal, and natural gas.

A [vehicle tax](#) applies to vehicles that are registered in the country and used for business purposes. The taxpayer is the entity that uses the vehicle for business purposes. The tax rate varies according to engine capacity, vehicle size, etc.

Corporate Taxes

Company Tax

21%

Tax Rate For Foreign Companies

Residents are taxed on worldwide income; non-residents are only taxed on Slovak-source income.

Capital Gains Taxation

Capital gains are included in the CIT base and are taxed at 21% (or 15% for micro-taxpayers). The tax treatment of capital losses depends on the type of asset on which they arose, and in some cases, capital losses cannot be deducted.

Income from the sale of shares in joint-stock companies, ownership interests in limited liability companies, or limited partnerships may be exempt from corporate income tax purposes if the sale of the participation arises no earlier than 24 months after the acquisition date of at least a 10% direct interest in the registered capital.

Main Allowable Deductions and Tax Credits

Expenses are generally tax-deductible if incurred to generate, secure, and maintain the entity's taxable income. However, certain costs are explicitly not tax-deductible, including entertainment costs, various provisions (e.g. provisions for tangible and intangible assets, certain bad debt provisions), and various expenses in excess of statutory limits (e.g. employee travel expenses and meal allowances).

Road tax, real estate tax, and most other such taxes are tax-deductible. Social security contributions paid by an employer with respect to employees are also tax-deductible. VAT charged to profit and loss is tax-deductible only if certain conditions are met. Contributions to supplementary pension savings made by the Slovak employer on behalf of the employee are tax-deductible (capped at 6% of the employee's gross salary). Start-up expenses are tax-deductible in the period when incurred.

In general, interest expenses incurred in order to generate taxable income can be treated as tax-deductible, subject to thin capitalisation rules.

Charitable contributions are treated as gifts, hence are not tax-deductible. Subject to conditions, expenses incurred by the employer on transporting employees to and from work can be deducted.

Certain expenses for practical education provided to students can be deducted (capped at EUR 3,200/student/year).

Tax losses can be carried forward in equal amounts over a period of four years. The carryback of losses is not permitted. From 1 January 2020, a company or branch may carry forward and utilise a tax loss equally over a period of five years following the year in which the tax loss arose, capped at half of the tax base in the respective tax period. From 1 January 2021, micro-taxpayers (total income or revenues up to EUR 100,000) may carry forward and utilise a tax loss equally over a period of five years following the year in which the tax loss arose up to the amount of the tax base in the respective tax period.

Other Corporate Taxes

Other taxes include:

- immovable property tax, which is divided into land tax, building tax, and tax on apartments, calculated based on the area of the real estate, its location, and its type, as well as the tax rate of each self-governing region (between EUR 0.89 and 9 per square metre)
- social security contribution: employer's health insurance and social security contributions total 35.2% of employee remuneration (capped at EUR 7.931 per month). Employers also contribute 0.8% of salary for work injury insurance. The minimum monthly social security contribution for self-employed is set at EUR 180.99 in 2022
- a special tax from activities of entities in regulated industries (e.g. energy, insurance and reinsurance, public healthcare insurance, electronic communications, pharmaceuticals, postal services, railway transport, public water distribution and sewerage, air transport). The tax is calculated as a multiple of the tax base, coefficient, and tax rate. The liability to pay this special tax arises in case the accounting profit exceeds EUR 3 million. The current effective rate is set at 4.356% per year in 2022

- an insurance premium tax (IPT) of 8% applies to non-life insurance premiums in Slovakia and is payable by insurance companies
- a motor vehicle tax calculated according to parameters like engine capacity, vehicle size, etc.

Other Domestic Resources

[Slovak Fiscal Administration](#)

[Consult Doing Business Website](#), to obtain a summary of the taxes and mandatory contributions.

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed

[See the list of double taxation treaties signed by Slovakia](#)

Withholding Taxes

Dividends: 0 (distributed by a Slovak-resident entity out of profits generated from 2017 onwards to another Slovak-resident entity)/35% (for residents of countries that have not concluded a tax treaty or exchange of information agreement with Slovakia), 7% (for dividends distributed to individuals by a Slovak-resident entity out of profits generated from 2017 onwards);

Interest: 0 (under the EU interest and royalties directive and on loans and borrowings paid to a resident)/19% (standard rate)/35% (payment made to a resident of a non-treaty state);

Royalties: 0 (under the EU interest and royalties directive; paid to residents)/19% (non-residents)/35% (payment made to a resident of a non-treaty state).

