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Doing Business Guide in the Slovak Republic



2024

Doing Business in the Slovak Republic 2024

Since gaining its independence in 1993, the Slovak Republic has been adopting new laws at a rapid pace. As a country in transition, its legal system continues to develop. Therefore, the Prague office of Baker McKenzie and its Slovak counsel Marek Partners have prepared the document "Doing Business in the Slovak Republic" as a general guide for any company or individual considering an investment in the Slovak Republic. In view of the fact that the Slovak legal landscape continues to be subject to frequent changes, this document should be taken as a general guideline intended to assist investors in understanding the overall investment climate of the Slovak Republic and should not be relied upon as legal advice.

The information contained herein is general in nature and is intended to only provide an outline of Slovak law and practice. It must not be relied on in relation to any transaction as a substitute to seeking specific legal advice. The law and its practice in the Slovak Republic are constantly changing and readers should be aware that any information may soon become outdated. This remains true notwithstanding the accession of the Slovak Republic to the EU on 1 May 2004 — and undertaking the process of harmonization of its laws with those of the EU.

We will be happy to provide you with updates on the material contained in this guide, or to provide you with further information regarding a specific industry or area of Slovak law in which you may have a particular interest.

This information is not offered as legal or any other advice on any particular matter. No client or other reader should act or refrain from acting on the basis of any matter contained in this document without seeking appropriate legal or other professional advice on the particular facts and circumstances at issue.

Baker McKenzie
MAREK PARTNERS s.r.o.
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1 Investment incentives and related issues

The information contained in this summary is primarily based on the following Slovak legislation, current as of the date hereof: Act No. 595/2003 Coll., on Income Taxes, as amended ("**Income Tax Act**"); Act No. 57/2018 Coll., on Regional Investment Aid and on Amendment to and Supplementation of Certain Acts ("**Investment Aid Act**"); Act No. 5/2004 Coll., on Employment Services, as amended ("**Employment Services Act**"); Act No. 193/2001 Coll., on Support for Establishment of Industrial Parks ("**Industrial Parks Act**"); and Act No. 358/2015 Coll., on State Aid ("**State Aid Act**").

Slovak legislation provides for various investment incentives for both foreign and domestic investors, including several possibilities of applying for tax and employment incentives.

1.1 Tax incentives granted under the Income Tax Act

For the purposes of the Income Tax Act, the term "taxpayer" means a natural person (individual) or a legal entity.

Section 30a of the Income Tax Act sets out the rules for tax incentives granted to the taxpayer following a decision on investment incentives issued to the taxpayer under the Investment Aid Act.

Under Section 30a of the Income Tax Act, the taxpayer may claim tax relief up to the amount specified in the Income Tax Act provided that it meets the following criteria:

- (i) The taxpayer has been issued with a decision on investment aid incorporating tax relief pursuant to the Investment Aid Act.
- (ii) The taxpayer meets the conditions laid down in the Investment Aid Act and the special conditions pursuant to the Income Tax Act.

The taxpayer may claim tax relief over not more than 10 consecutive tax periods. The first tax period for which tax relief may be claimed is the tax period in which the taxpayer was issued a decision on investment aid and the taxpayer met the conditions laid down in the Investment Aid Act and the special conditions pursuant to the Income Tax Act. However, the latest tax period for which tax relief can be claimed for the first time is the tax period in which three years have passed since issuance of the decision pursuant to the Investment Aid Act.

The special conditions referred to above are as follows:

- (i) During the tax periods for which tax relief is claimed, the taxpayer applied all the provisions of the Income Tax Act, reducing the tax base, to which the taxpayer is entitled, in particular, by means of the following:
 - o Depreciation charges under the Income Tax Act
 - o Allowances and provisions for contingent liabilities under the Income Tax Act
- (ii) During the tax periods for which tax relief is claimed, the taxpayer is obligated to deduct a tax loss or a portion of the tax loss by which the taxpayer did not reduce the tax base in the previous tax periods from the tax base in an amount corresponding to the tax base. If the tax base is higher than the amount of the tax loss by which the tax base was not reduced in the previous tax periods, the tax base will be reduced by the amount of such loss.
- (iii) The taxpayer may not claim tax relief in the case of dissolution without liquidation, upon commencement of liquidation, or if a bankruptcy order has been issued or its business license has been revoked or suspended.

- (iv) The taxpayer shall act in compliance with the provisions on adjustments of tax bases of nonresident related parties and adhere to the arm's length principle when calculating the tax base in a mutual business transaction with a related party.

If the taxpayer fails to comply with any of the conditions laid down in the Investment Aid Act or the special condition specified in subsection (iii) above, entitlement to tax relief ceases to exist and the taxpayer is obligated to file a supplementary tax return for all tax periods in respect of which the taxpayer claimed tax relief.

If the taxpayer fails to comply with the conditions specified above in subsection (i), (ii) or (iv), under certain circumstances entitlement to tax relief in the relevant tax period will be lost and the taxpayer will be obligated to file a supplementary tax return for each tax period in which the conditions were not met.

The taxpayer may claim tax relief not exceeding, in aggregate over the tax periods for which the tax relief is claimed, the value specified for this type of investment aid in the decision on the approval of investment aid issued pursuant to the Investment Aid Act. Further, Section 30b of the Income Tax Act sets out the rules for tax incentives granted following an approval decision on investment incentives issued pursuant to Act No. 185/2009 Coll., on Incentives for Research and Development, as amended.

1.2 Incentives under the Investment Aid Act

Under the Investment Aid Act, a foreign investor can apply for state aid, aimed at supporting initial investment and promoting job creation. Investment aid may be provided in all regions of the Slovak Republic, except for the Bratislava Self-Governing Region. Investment aid may be provided in the following forms:

- (i) A subsidy for acquisition of long-term tangible assets and long-term intangible assets
- (ii) Income tax relief under the Income Tax Act
- (iii) A contribution for creation of a new job under a special regulation¹
- (iv) Transfer of immovable property or lease of immovable property at a price lower than a general asset's value

In addition to the Investment Aid Act, further conditions for the provision of investment aid are set forth in Government Regulation No. 195/2018 Coll. ("**Investment Aid Government Regulation**"). For the purpose of determining applicable conditions for granting investment aid, the districts of the Slovak Republic are classified into four zones (Zones A, B, C and D), in general, on the basis of their share of available job seekers in the Slovak Republic (with Zone A having the lowest share of available job seekers). The districts of Zone D are listed in the List of Least Developed Districts under Act No. 336/2015 Coll. on Support of Least Developed Districts and on Amendment to and Supplementation of Certain Acts, as amended.²

Further, the Investment Aid Government Regulation defines the priority areas of the industrial production sector and technology centers, which are primarily supported by investment aid. The priority areas include, in particular, the high-tech sector, such as the manufacturing of computer,

¹ Section 53d of Act No. 5/2004 Coll., on Employment Services, and on Amendment to and Supplementation of Certain Acts, as amended.

² The current List of Least Developed Districts is regularly updated and published by the Central Office of Labor, Social Affairs and Family, at the following link: https://www.upsvr.gov.sk/statistiky/zoznam-najmenej-rozvinutych-okresov.html?page_id=561733&lang=sk.

electronic and optical products, machineries, motor vehicles, and chemical and pharmaceutical products.

The conditions for granting investment aid to support the implementation of an investment plan in **the industrial production sector** are the following:

- (i) The implementation of the investment plan has not commenced before making an application for investment aid to the Ministry of Economy of the Slovak Republic.
- (ii) The acquisition of long-term tangible assets and long-term intangible assets is for an amount ranging from EUR 250,000 in the priority areas in Zone D (other than large enterprises) to EUR 40 million in the priority areas in Zone A (large enterprises);³ with respect to the transfer or lease of immovable property, the required minimum amount ranges from EUR 100,000 in Zone D (other than large enterprises) to EUR 6 million in Zone A (large enterprises).
- (iii) The minimum share of the newly acquired machinery, equipment and installations, intended for production purposes, in the purchased long-term tangible and long-term intangible assets ranges between 30% in Zone D and 60% in Zone A.
- (iv) The minimum number of newly created jobs is currently set as zero; however, in order to receive a contribution for newly created jobs, the minimum number ranges from 10 in Zone D (other than large enterprises) to 200 in Zone B (large enterprises), while no contribution is provided in Zone A.
- (v) The implementation of the investment plan is in the main location of the investment plan's implementation, except for the machinery, equipment and installations located in additional locations of the investment plan's implementation.

The general conditions for granting investment aid to support the implementation of an investment plan in **technology centers** are as follows:

- (i) The implementation of the investment plan has not commenced before making an application for investment aid to the Ministry of Economy of the Slovak Republic.
- (ii) The acquisition of long-term tangible assets and long-term intangible assets is for at least EUR 200,000 in the priority areas and EUR 400,000 in other areas; with respect to the transfer or lease of immovable property, the required minimum amount is EUR 100,000 in the priority areas and EUR 200,000 in other areas.
- (iii) The employees must be paid the minimum monthly wage set out in the conditions, i.e., the employees' wage must be 2.00 times the average monthly wage in the priority areas and 1.7 times the average monthly wage in other areas based on the average nominal monthly wage in the economy of the Slovak Republic observed by the Statistical Office in the district of the main location of the implementation of the investment plan in the calendar year preceding the calendar year in which the new job was created (special conditions apply to the districts of Kosice I, Kosice II, Kosice III, and Kosice IV). The new job must be kept by a large enterprise for at least five years and by other enterprises for at least three years.
- (iv) The implementation of the investment plan will lead to the creation of at least 10 new jobs in priority areas or at least 20 new jobs in other areas.
- (v) The implementation of the investment plan is in the main location of the investment plan's implementation.

³ Please note that a subsidy for the acquisition of long-term tangible assets and long-term intangible assets is not provided in Zone A for other than the priority areas.

The conditions for granting investment aid to support the implementation of an investment plan in **the industrial production sector combined with a technology center** are the following:

- (i) The implementation of the investment plan has not commenced before making an application for investment aid to the Ministry of Economy of the Slovak Republic.
- (ii) The acquisition of long-term tangible assets and long-term intangible assets — For the technology center part, the same conditions apply as for a technology center (referred to above). For the industrial production sector part, the amount will be the difference between the amount required for the industrial production sector and the amount required for the technology center.
- (iii) For the industrial production sector part, the same additional conditions apply as for the industrial production sector (please see above).
- (iv) For the technology center part, the same additional conditions apply as for the sole technology center (please see above).

The conditions for granting investment aid to support the implementation of an investment plan in **business services centers** are as follows:

- (i) The implementation of the investment plan has not commenced before making an application for investment aid to the Ministry of Economy of the Slovak Republic.
- (ii) The acquisition of long-term tangible assets and long-term intangible assets is for an amount of at least EUR 200,000 in priority areas; in other areas, no subsidy is provided.
- (iii) The employees must be paid the minimum monthly wage set out in the conditions, i.e., the employees' wage must be 1.8 times the average monthly wage in the priority areas and 1.5 times the average monthly wage in other areas⁴ based on the average nominal monthly wage in the economy of the Slovak Republic observed by the Statistical Office in the district of the main location of the implementation of the investment plan in the calendar year preceding the calendar year in which the new job was created (special conditions apply to the districts of Kosice I, Kosice II, Kosice III, and Kosice IV). The new job must be kept by a large enterprise for at least five years and by other enterprises for at least three years.
- (iv) The implementation of the investment plan will lead to the creation of at least 20 new jobs in priority areas or at least 50 new jobs in other areas.⁵
- (v) The implementation of the investment plan is in the main location of the implementation of the investment plan.

The Investment Aid Government Regulation also sets forth limits on the maximum intensity of investment aid and maximum amount of investment aid in particular regions of the Slovak Republic.

The investment incentives are granted on the basis of a decision on granting investment incentives, which is issued by the Ministry of Economy of the Slovak Republic based on an application submitted by an investor ("**Decision on Investment Incentives**"). The Decision on Investment Incentives requires the prior approval of the government of the Slovak Republic.

⁴ No subsidy for the acquisition of long-term tangible assets and long-term intangible assets is provided for other areas.

⁵ No subsidy for the acquisition of long-term tangible assets and long-term intangible assets is provided for other areas.

Under the Investment Aid Act, an investment aid recipient is a legal entity or a natural person entrepreneur with its registered office in the Slovak Republic and registered with the Commercial Register or the Trade Licensing Register.

1.3 Employment incentives

1.3.1 Employment grants

An employer that has received investment incentives on the basis of the Decision on Investment Incentives providing for a contribution for the creation of new jobs is entitled to a contribution for the creation of jobs.

1.3.2 Training grants

An employer may ask the relevant district labor office for a contribution for general or specific training of its employees. A training grant of up to the amount set out in Commission Regulation (EC) No. 651/2014 may be granted, subject to the condition that the employee will be employed by the employer for at least 12 months from the end of general or specific training or if the training is carried out as part of measures designed to prevent or reduce mass lay-offs.

1.3.3 Transportation grants

An employer may ask the relevant district labor office for a contribution for transportation of its employees to work if the employer provides for daily transportation of its employees to work because mass transportation is demonstrably not operating at all or it is not operating to the extent appropriate for the needs of the employer. A transportation grant of up to 50% of the costs incurred with respect to transportation of the employees may be granted.

1.4 State aid legislation

The State Aid Act determines only basic rules for the provision of state aid because legislation in the area of state aid and minimal aid has been adopted by the European Union based on Article 109 of the Treaty on the Functioning of the European Union.

The State Aid Act sets forth that the authority of coordinator for aid is exercised by the Antimonopoly Office of the Slovak Republic. Moreover, pursuant to the act, the details of the provided state aid and minimal aid are recorded in the Central Register.

Please note that the investment incentives described above (including the tax incentives described in Section 1.1 hereof) are considered to be state aid under the State Aid Act. As a result, in order to be granted investment incentives, investors must also meet the conditions set forth in the State Aid Act.

1.5 Industrial parks

So-called "industrial parks," i.e., special areas equipped with the necessary infrastructure and facilities for performing industrial activities (production) or services, exist in the Slovak Republic. Such industrial parks are developed by either private investors or municipalities. Under the Industrial Parks Act, a municipality may receive certain subsidies from the Slovak government for establishing an industrial park within the territory of such a municipality.

Since the Slovak Investment and Trade Development Agency (SARIO) plays an important role in the process of municipalities establishing industrial parks and also collects information on industrial parks developed by private investors, we believe that detailed information on existing or contemplated industrial parks could be best obtained during a meeting with the representatives of SARIO.

2 Overview of business entities

The Commercial Code recognizes several forms (legal structures) of business entities available for doing business in the Slovak Republic. An incorporated business entity in the Slovak Republic is a legal entity (an artificial person) that has been incorporated through a registration process established by legislation. The legal personality of such entities is separate and distinct from that of any of its owners or management.

2.1 Principal characteristics

The purpose of the following section is to provide a general overview of the principal characteristics of Slovak business entities (companies).

(a) Statutory sources of authority

A legal entity is a creature of statute; it and its managers and agents have only the authority to act as is conferred by or pursuant to statutes (principally the Commercial Code), or legally permitted provisions of the articles of incorporation or bylaws.

Foreign entities may also establish branches in the Slovak Republic with especially favorable treatment for business entities from EU member states and OECD member countries. The most commonly used corporate forms are the limited liability company and joint stock company. Foreign individuals may also do business in the Slovak Republic on the basis of a trade license issued by the Slovak Trade Licensing Office.

(b) Foundation and incorporation

In general, both individuals and legal entities may establish a Slovak company. However, an individual or legal entity may become a shareholder (participant) with unlimited liability only in one company.

Slovak companies are established through the adoption of articles of incorporation or a foundation deed (if established by a single person), or adoption of a resolution on the establishment of a Slovak branch office (in the case of a branch office).⁶

The founders may contribute to the registered capital either in cash or through in-kind contributions (e.g., real estate, IP/IT rights, assets, etc.).

Once all statutory conditions are fulfilled (for example, a company or branch has obtained a trade license or other type of authorization to perform business activities in the Slovak Republic, or the registered capital has been paid, if required), the competent district court⁷ will register the company with the Commercial Register. A company is incorporated, and thus acquires legal personality, on the date of its registration with the Commercial Register.

(c) Entity powers, separate legal personality and criminal liability

As a separate legal entity, an incorporated business entity can enter into contracts in its own name, sue and be sued, own or transfer property, or be held criminally liable.

Under Act No. 91/2016 Coll. on Criminal Liability of Legal Entities ("**Criminal Liability of Legal Entities Act**"), a criminal act is committed by the legal entity if it is committed in its favor, in its name, in the course of its activities or through the legal entity and is committed by (i) its statutory body or a

⁶ With effect from 1 February 2023, a limited liability company as well as an enterprise or branch office of a foreign entity can be established in a simplified manner.

⁷ With effect from 1 November 2023, a limited liability company may also be registered by a notary public.

member of the statutory body or (ii) the person performing control in or supervision of the legal entity or (iii) any other person authorized to represent or decide on behalf of the legal entity.

The criminal liability of the legal entity is not conditional upon finding the individuals mentioned in the section above criminally liable.

The criminal liability of the legal entity does not cease to exist in cases where the legal entity has been declared bankrupt, has entered into liquidation, or has been wound up.

The Criminal Liability of Legal Entities Act specifically sets forth criminal acts and punishments applicable to legal entities.

(d) Licenses for performing business activities

In general, all business entities are required to hold a trade license (or one of the special licenses or authorization) entitling them to perform business activities. The established company, enterprise or branch office of a foreign entity must apply for such a license to the trade department of the relevant district office, before their incorporation.⁸

The type of business license required depends on the object(s) of business of the branch or legal entity. Certain activities such as banking, insurance and broadcasting require special licenses and permits issued directly by the relevant state authority, such as the National Bank of Slovakia (NBS).

In addition, since certain categories of activities require fulfillment of qualification and educational requirements (so-called "craft" trades (in the Slovak language: remeselné) or "qualified" trades (in the Slovak language: viazané)), when applying for the business license, a legal entity must employ a responsible person (in the Slovak language: zodpovedný zástupca), who meets the qualification criteria stipulated by the Trade Licensing Act and is a Slovak resident. The responsible person has to be an employee of the legal entity or its shareholder/participant.

No qualification criteria apply to free trades (e.g., the sale of goods and consulting services); such trades are to be notified to the Trade Licensing Office only.

Subject to obtaining the trade license or other authorization to carry on business, the company is incorporated on the date of its registration with the Commercial Register maintained by the relevant District Court. Under the Act on Commercial Register, the District Court maintaining the Commercial Register will register the new company within two business days from receipt of the complete application to incorporate/register the company.

(e) Statutory representatives

Generally, the companies are represented by their statutory representatives (i.e., a corporate body that is, by operation of law, authorized to act and sign on behalf of a company) or persons authorized to act on a company's behalf based on power of attorney.

Further, a special type of power of attorney can be granted pursuant to the Commercial Code called "Proxy" (in the Slovak language: prokúra), under which the proxyholder (in the Slovak language: prokurista) is registered with the Commercial Register and authorized, in general (subject to certain exemptions), to carry out all legal acts related to the operation of an enterprise.

⁸ With the exception of a limited liability company, as well as an enterprise or branch office of a foreign entity, established in a simplified manner, to which the relevant trade license certificate will be issued immediately after their registration in the Commercial Register (effective from 1 February 2023).

(f) Winding up of companies

With effect as of 1 March 2024, the winding up of a company may be followed by (1) a fusion or a split-up of the company or (2) its liquidation.

A fusion can take one of the following forms:

- (i) An acquisition, where the company's assets are transferred to another preexisting company
- (ii) A merger, where the company's assets are transferred to another newly established company

A split-up can take one of the following forms:

- (iii) A division, where the split-up company ceases to exist and all of its assets are transferred to (a) other preexisting companies (division by acquisition), (b) other newly established companies (division by merger), or (c) a combination of the forms under (a) and (b)
- (iv) A de-merger, where the split-up company does not cease to exist and some of its assets are transferred to (a) one or more preexisting companies (de-merger by acquisition), (b) one or more newly established companies (de-merger by merger), or (c) a combination of the forms under (a) and (b)

The company may also change its legal form.

The Commercial Code also allows for a cross-border fusion or split-up of companies and cross-border change of legal form.

Liquidation follows the decision of shareholders to wind up the company. The liquidator (in the Slovak language: likvidátor) appointed by the company performs the liquidation; if the company fails to appoint the liquidator, the liquidator is appointed by the court. The liquidator publishes a notice of the company's entry into liquidation in the Commercial Gazette (which is the official publication instrument in the Slovak Republic), in which creditors are asked to present their receivables vis-à-vis the company. The known creditors are notified of the liquidation by the liquidator. Shareholders are not entitled to any liquidation balance until all known creditors are satisfied.

(g) "Company in crisis"

A Slovak company (this applies only to limited liability companies, joint stock companies or limited commercial partnerships whose general partners are legal entities, and since 1 January 2017 also to simple joint stock companies) is deemed to be "in crisis" in either of the following circumstances:

- The company is insolvent or its insolvency is imminent (the insolvency of the company or its imminency should be assessed using the standard insolvency tests set out in the Act on Insolvency and Reorganization).
- The ratio between its equity and its liabilities is lower than 8/100.

The general rule is that if the company's shareholder (or another related party specifically defined in the Commercial Code) grants a loan (or performs a similar transaction) to the company while the company is in crisis, the company is not allowed to repay that loan while the company remains in crisis or if, as a result of the repayment, the company would again become a company in crisis. The director(s) of the company during whose term this prohibition is breached will be personally (jointly and severally) liable for repayment of the loan; along with them, the subsequent director(s) (appointed to their position only after the prohibition has been breached) who fail to request repayment of the loan will be co-liaible for the repayment.

2.2 Types of companies and business vehicles

The legally recognized companies in the Slovak Republic are as follows:

- (i) Limited liability companies (the name of the company must contain the term "spoločnosť s ručením obmedzeným" or its abbreviation "s.r.o." or "spol. s r.o.")
- (ii) Joint stock companies — the name of the company must contain the term "akciová spoločnosť" or its abbreviation "a.s." or "akc. spol." (Banks, dealers and insurance companies must be incorporated in this form.)
- (iii) Simple joint stock companies (the name of the company must contain the term "jednoduchá spoločnosť na akcie" or its abbreviation "j. s. a."); a new type of corporate form aimed at start-ups and venture capital investors
- (iv) Limited commercial partnerships (the name of the company must contain the term "komanditná spoločnosť" or its abbreviation "k.s." or "kom. spol.")
- (v) General commercial partnerships (the name of the company must contain the term "verejná obchodná spoločnosť" or its abbreviation "v.o.s." or "ver. obch. spol.")

The following are other business vehicles that are typically utilized by foreign investors:

- (i) Branch office of foreign company (in the Slovak language: organizačná zložka podniku zahraničnej osoby), which is not a separate legal entity (Many banks, insurance companies, pension funds and investment companies operate in the Slovak Republic in such a form.)
- (ii) Co-operative (in the Slovak language: družstvo)
- (iii) Sole entrepreneur (in the Slovak language: fyzická osoba - podnikateľ) under a trade license

All of the above vehicles must be registered with the Commercial Register, save for a sole entrepreneur. All filings are to be made using the standard electronic forms prescribed by the Ministry of Justice of the Slovak Republic.

In the case of statutory representatives who are not citizens of EU member countries or citizens of an OECD country, a residence permit visa will be required by the Slovak Commercial Register.

In addition, Slovak law provides for the possibility of establishing associations of individuals or legal entities (in the Slovak language: združenie) under Section 829 et seq. of the Slovak Civil Code. Such associations, however, do not need to be registered and are not legal entities.

2.2.1 Limited liability company — s.r.o. (Sections 105-153 of the Commercial Code)

The principal features of a limited liability company are as follows:

- (i) There must be a minimum of one and a maximum of 50 participants in a limited liability company ("s.r.o."). A one-man limited liability company cannot be the sole founder or sole participant of another limited liability company. An individual (physical person) can be a sole participant in no more than three limited liability companies.
- (ii) An s.r.o. is not a flow-through entity for Slovak tax purposes.
- (iii) If the s.r.o. is to have one participant only, the company can be formed on the basis of a simple deed of foundation (in the Slovak language: zakladateľská listina), with no need to prepare a detailed and lengthy constituent document (or bylaws). If there is to be more than one participant, a memorandum of association (in the Slovak language: spoločenská zmluva)

must be prepared and signed. Both the deed of foundation and memorandum of association must be signed before a notary public by the sole founder/all founders.⁹

- (iv) A limited liability company may also be established in a simplified manner by using a specific electronic form for creating a memorandum of association, provided the following legal conditions are fulfilled:
- a) The company has no more than five participants.
 - b) The company is established for the purpose of carrying out business.
 - c) The company's business activities consist of only selected activities corresponding to the list of free trades according to the Slovak Trade Licensing Act.
 - d) The company's business activities do not consist of more than 15 selected activities corresponding to the list of free trades according to the Slovak Trade Licensing Act.
 - e) The business name of the company must contain an addendum indicating the "s. r. o." legal form.
 - f) The contributions of the company's participants are exclusively monetary.
 - g) The company's director is the custodian of contributions.
 - h) The company does not have a supervisory board.

The conditions for registration of a limited liability company established in the simplified manner in the Commercial Register are the same as in the case of a limited liability company established in the standard manner.

- (v) An s.r.o. cannot be established by a Slovak founder that is on the list of tax debtors or is in arrears with social insurance contributions; this does not apply if the competent tax administrator, i.e., a tax office or customs office grants such a person consent to found the company. The consent must be submitted to the competent registration court together with other documents required for the incorporation of the s.r.o. An s.r.o. cannot be established by a person that is subject to enforcement proceedings. These rules do not apply to founders that are non-Slovak individuals or non-Slovak legal entities.
- (vi) No shares are issued to the participants; rather, the participant becomes a holder of a participation interest (ownership interest) in the s.r.o. upon incorporation of the s.r.o., or can purchase such ownership interest by a transfer agreement, which must be acknowledged before a notary public (subject to any transfer restrictions or pre-emption rights contained in the s.r.o.'s deed of foundation/memorandum of association, bylaws or the Slovak Commercial Code).
- (vii) The liability of participants in an s.r.o. is limited (up to the unpaid value of their ownership interests). No piercing of the corporate veil, as a means for attributing corporate liability to

⁹ The memorandum of association/deed of foundation must contain the following: (i) the name of the company and its seat (i.e., its registered office); (ii) names and seats/residence of the participants; (iii) scope of business activities (no catch-all purpose clause is permitted under Slovak laws); (iv) the amount of the registered capital and the amount of each participation interest and the amount paid up; assessment of the in-kind contribution — appraisal is necessary; (v) names, residences and birth numbers of the first directors and the manner in which they act and sign on behalf of the company (in the case of a non-Slovak citizen, the date of birth is used instead of birth number if no birth number has been assigned to that non-Slovak citizen); (vi) identification of the custodian of the participants' contributions; (vii) the amount of reserve fund, the amount up to which the company is obliged to supplement this reserve fund and the manner of supplementation; (viii) benefits provided to the founders of the company, if any; and (ix) likely costs and expenses necessary for establishment and incorporation of the company.

owners (shareholders or participants), of a legal entity is available. **The general rule is that participants are not liable for a company's debts.** An exception to this rule is the liability of a controlling person for the bankruptcy of a controlled person, i.e., a controlling person (as defined by the Slovak Commercial Code) is liable to the creditors of a controlled person for damage caused by the bankruptcy of the controlled person, provided that the controlling person's conduct considerably contributed to the bankruptcy of the controlled person. The controlling person may be released from such liability if it proves that it acted in an informed manner and in good faith that it was acting for the benefit of the controlled person.

- (viii) An s.r.o. is under the obligation to create a reserve fund at the time and in the amount determined in its memorandum of association/foundation deed. Unless the reserve fund was already created at the time of the s.r.o.'s incorporation, the s.r.o. is obliged to create it from the net profit reported in the annual financial statements for the first year of the s.r.o.'s profitability; it should be at least 5% of the net profit but no more than 10% of the s.r.o.'s registered capital. An amount determined in the memorandum of association/foundation deed of at least 5% of the net profit reported in the annual financial statements has to be annually transferred by the s.r.o. to the reserve fund until the reserve fund reaches the amount of the reserve fund determined in the memorandum of association/foundation deed, with such amount being equal to at least 10% of the s.r.o.'s registered capital.
- (ix) The ownership interest in the company can be divided, inherited, transferred, joined or pledged (it can serve as a security interest). The security interest over the ownership interest is validly created at the moment of its registration with the Commercial Register.
- (x) A person that is subject to enforcement proceedings may not transfer or acquire an ownership interest in an s.r.o.
- (xi) The company can acquire its own ownership interest only in certain circumstances. Further, a controlled company cannot acquire an ownership interest in the controlling company, unless it is acquired through inheritance or if the controlled company takes over all rights and liabilities of the participant — the former owner of the ownership interest.
- (xii) An s.r.o. has no board of directors. The mandatory bodies of the company are (i) general meeting of the participants; and (ii) directors — executives (one or more) who represent the company (in the Slovak language: *konateľ*).¹⁰ There is no need to establish a supervisory board — the establishment of a supervisory board is discretionary.
- (xiii) The powers of directors can only be limited by the company's memorandum or by the general meeting; however, such restrictions have no effect *vis-à-vis* third parties. Therefore, the company will be bound by the *ultra vires* activities of its directors — even if such limitations of powers were known to a third party; in such a case, however, the company would have a right to indemnification from such director(s) for any such acts exceeding the internal restrictions on their powers.
- (xiv) Any agreement(s) between the company and its directors intending to exclude or limit the director's liabilities in the event of a breach of their duty of care or duty of loyalty are prohibited. The company, however, may waive its claims for damages the company may have against the directors (or agree with them on settlement of such claims), but not earlier than three years after the claims have arisen, and only on the condition that such waiver (settlement) is approved by the company's general meeting and such approval is not formally

¹⁰ A director, acting as a statutory representative of the company, who is neither a Slovak citizen, nor a citizen of an EU member country, nor a citizen of an OECD country, must have a Slovak residence permit. A person that is subject to enforcement proceedings may not become a director of an s.r.o.

contested by the company's participants who hold in aggregate at least 10% of the contributions into the registered capital of the company.

- (xv) The minimum registered capital (i.e., the minimum capitalization) is EUR 5,000. If there is one participant, the initial capital must be fully paid by the time of submission of the petition for registration of the company with the Commercial Register. If there are two or more participants, at least 50% of the minimum registered capital and 30% of each participant's initial capital contribution must be paid by the time of submission of the petition for registration of the company with the Commercial Register. The remainder of the initial capital must be paid within five years of registration of the s.r.o. with the Commercial Register, or earlier if so stated in the memorandum of association, subject to a default interest of 20%. The amount of default interest for late payment is discretionary. The minimum capital contribution of each participant is EUR 750.
- (xvi) An amendment to the Commercial Code, which came into force on 1 January 2018, has introduced new regulations regarding "Capital fund from contributions." The creation of a "Capital fund from contributions," which is discretionary, must be regulated by the articles of association and must be approved by the general meeting, and participants must assume the obligation to make a contribution to "Capital fund from contributions" (by way of a written declaration) and transfer cash to the company. The cash in "Capital fund from contributions" must not be paid out to the participants if the company is deemed by law to be in crisis or if, as a result of the repayment, the company would become a company in crisis.
- (xvii) Changes to any information registered in the Commercial Register must be registered with the Commercial Register and the directors of the company are responsible for issuing (execution of) a complete/full memorandum of association every time such information is amended.

2.2.2 Joint stock company — a.s. (Sections 154-220a)

The principal features of a joint stock company (a.s.) are as follows:

- (i) A joint stock company may be established by one or more legal entities or two or more individuals or a combination of legal entity(ies) and individual(s).¹¹ A joint stock company may be established: (i) by a private agreement on share subscription without a public offer to subscribe shares or (ii) by a public offer to subscribe shares. Regardless of the method of establishment, the registered capital of a joint stock company must be at least EUR 25,000. The shares must be completely subscribed and a minimum of 30% of the nominal value of the shares must be paid prior to the constituent general meeting of shareholders.
- (ii) A joint stock company is not a flow-through entity for Slovak tax purposes.
- (iii) With effect as of 1 March 2024, subject to the fulfillment of certain conditions, the company may provide, directly or indirectly, financial assistance to third parties with respect to the acquisition of its shares (Section 161e).
- (iv) The shareholders are not held liable for the company's obligations; the company is liable for breach of its obligations up to the value of all its assets.
- (v) A joint stock company may exist as a **private** or **public** company. It is considered to be public if part or all of its shares are admitted to trading on a regulated market located or operated in one of the contracting states of the European Economic Area.

¹¹ One individual (physical person) cannot establish a joint stock company. After the company's incorporation, all shares could, however, be acquired by one individual. There is no maximum limit as to the number of shareholders.

- (vi) Capital stock is divided into shares, which can be issued as certificated shares (only registered form) or as book-entry shares (in a bearer or registered form) recorded in the Central Securities Depository (all bearer shares in a Slovak joint stock company must be recorded in the Central Securities Depository; therefore, no "true" bearer shares can be issued by a Slovak joint stock company).
- (vii) The registered shares of the company may also be owned by two or more persons. The company can, in certain instances and under conditions laid down in the Commercial Code, acquire its own shares.
- (viii) The shares can be divided or transferred, or the rights attached to such shares can be separately transferred or assigned. The company's bylaws may, in some manner, restrict the transfer of shares. Such restriction must be recorded and, therefore, seen on the extract from the Commercial Register.
- (ix) The company can issue voting or non-voting¹² preferred shares with the various series/manner of favoritism/priority to the dividends. The nominal value of preferred shares must not exceed 50% of the joint stock company's registered capital. The right to receive an advance on dividends is prohibited as well as the creation of any preemptive rights to receive the company's profit upon its liquidation. The issuance of shares with the right to interest, notwithstanding the economic result, is also prohibited.
- (x) The company can neither issue different classes of ordinary shares, nor it can have non-voting ordinary shares. The joint stock company may issue convertible bonds or preemptive bonds. Such bonds may be issued up to an amount equal to 50% of the registered capital (Section 207).
- (xi) The mandatory bodies of the joint stock company are: (i) the board of directors, which can consist of only one member;¹³ (ii) a supervisory board of at least three members;¹⁴ and (iii) the general meeting of shareholders.
- (xii) At least one-third of the members of the supervisory board must be elected by employees, if an a.s. has over 50 full-time employees at the time of election.
- (xiii) A joint stock company is required to create a reserve fund in the amount of 10% of the registered capital upon its incorporation, which is to be used to finance the company's losses (or the amount exceeding this statutory amount could be used, for example, for distribution to the company's shareholders, if the board of directors or the supervisory board so decides). At least 10% of the company's annual net profits must be contributed to the reserve fund, until the amount of the reserve fund is equal to the amount stipulated in the bylaws, but not less than 20% of the company's registered capital (Section 67, Section 217).
- (xiv) An amendment to the Commercial Code, which came into force on 1 January 2018, has introduced new regulations regarding "Capital fund from contributions." The creation of "Capital fund from contributions" is discretionary. The creation of "Capital fund from contributions" must be regulated by the bylaws and must be approved by the General Meeting, and shareholders must assume the obligation to make a contribution to "Capital fund from contributions" (by way of a written declaration) and transfer cash to the company. The cash in "Capital fund from contributions" must not be paid out to the shareholders if the

¹² Such non-voting preferred shares will temporarily acquire voting rights when the general meeting decides that no preferred dividends will be paid or when such payment is delayed.

¹³ A member of the board of directors who is not Slovak, nor a citizen of an EU member country or an OECD country must have a Slovak residence permit.

¹⁴ There is no need for a non-Slovak member of the supervisory board to have a Slovak residence permit.

company is deemed by law to be in crisis or if, as a result of the repayment, the company would become a company in crisis.

- (xv) The minority shareholders rights (shareholders holding shares, the nominal value of which amounts at least to 5% of the registered capital, or less if stated so in the company's bylaws, and who hold such shares for more than three months) consist of a right to **(i) request the board of directors** to convene an extraordinary general meeting with a specified agenda, request the board of directors to incorporate a matter designated by the minority shareholders into the agenda of a general meeting or request the board of directors to commence an action for payment of the issue price of shares against defaulting shareholders or in order to return payments, which the company paid contrary to the provision of the Slovak Commercial Code to its shareholders; **(ii) request the supervisory board** to inspect the performance of powers of the board of directors in certain matters; raise claims for damages or other claims in the company's favor against the board of directors; and **(iii) to commence a derivative action suit in the above** (Sections 181 and 182).

A joint stock company with variable registered capital is a special sub-type of joint-stock company for collective investment purposes (Sections 220b-200g), the principal features of which are as follows:

- (i) The registered capital is divided into a certain number of shares without any nominal value.
- (ii) The value of the registered capital is equal to the company's net worth. The minimum amount of the registered capital is EUR 125,000, unless stipulated otherwise by a special regulation. The articles of association may determine a higher amount of the minimum registered amount. The value to be entered into the Commercial Register is the value of the minimum amount of the registered capital determined by the articles of association ("**Entered Registered Capital**"); the Entered Registered Capital is stated in the articles of association instead of the registered capital.
- (iii) A shareholder's share in the registered capital of the company is determined by multiplying the value of the net worth by the relative proportion of the number of shares owned by the shareholder to the total number of issued shares. If the company creates sub-funds, a shareholder's share in a sub-fund is determined as the proportion of the number of shares owned by the shareholder to the total number of issued shares of the sub-fund.
- (iv) The business name of a joint stock company with variable registered capital must contain the designation "investičný fond s premenlivým základným imaním" (in the English language: investment fund with variable registered capital).
- (v) A joint stock company with variable registered capital does not create a reserve fund.

2.2.3 General commercial partnership — v.o.s. (Sections 76-92)

The principal features of a general commercial partnership are as follows:

- (i) A general commercial partnership is a legal entity of at least two persons who carry out business activities under the same business name. The articles of incorporation (partnership agreement) must contain the business name and the seat of the company, identification of the partners and the scope of business activities.
- (ii) Each partner is a general partner, i.e., all partners are jointly and severally liable for all obligations of the partnership (a new partner is liable for the obligations of the partnership incurred prior to their accession to the entity; however, they could require other partners to be indemnified for any payments they made and could be compensated for any associated

damages; the departing partner is liable for the obligations of the partnership incurred prior to their exit).

- (iii) No contribution or capitalization is required by law to establish a legal entity.
- (iv) Each partner is authorized, by law, to act on behalf of the partnership, unless otherwise stated in the articles of incorporation. Such statutory rights of only some of the partners are effective and may be enforced against third parties if the name of the partners entitled to act on behalf of the partnership is entered into the Commercial Register (evidenced by the extract from the Commercial Register).
- (v) The profits are shared equally among the general partners, unless otherwise stated in the articles of incorporation.
- (vi) The partnership is a flow-through entity for Slovak tax purposes.

2.2.4 Limited commercial partnership — k. s. (Sections 93-104)

This partnership has the features of a general partnership and a limited liability company. The principal features of a limited commercial partnership are as follows:

- (i) A limited commercial partnership is a legal entity with at least one limited partner (in the Slovak language: komanditista) and at least one general partner (in the Slovak language: komplementár). The articles of incorporation (partnership agreement) must contain the business name and seat of the company, identification of the partners — limited partners (the amount of their contribution) and general partners — as well as the scope of business activities.
- (ii) The minimum limited partner's statutory contribution into the initial capital of limited commercial partnership is EUR 250.
- (iii) Limited partners are liable up to the unpaid amount of their contributions; general partners face unlimited liability with respect to all obligations of the partnership.
- (iv) Only the general partner is authorized to participate in the partnership's business management and to act on behalf of the partnership as its statutory representative. In other matters, general partner(s) and limited partner(s) decide jointly by a majority of votes, unless the articles of incorporation (partnership agreement) state otherwise.
- (v) Limited partners are liable to the same extent as general partners for obligations incurred under contracts entered into without authorization (e.g., where no ad hoc power of attorney was granted by the partnership to a limited partner).

2.2.5 Branch office

The principal features of a branch office are as follows:

- (i) A branch office is not a separate legal entity; as a result, the foreign legal entity that established the branch office would be liable for all obligations and consequences resulting from the activities of the branch office in the Slovak Republic.
- (ii) There are no capitalization requirements for a branch (i.e., no statutory registered capital is required).
- (iii) The authorized representative of a branch office in the Slovak Republic (if neither a Slovak or EU country citizen, nor a citizen of an OECD country) must possess a Slovak residence permit.

- (iv) Subject to the provisions of any applicable tax treaty, a branch office would be subject to Slovak taxation on all income attributed to the activities of the branch office.
- (v) A branch is required to maintain its books on an accrual basis.

2.2.6 Co-operative

The principal features of a co-operative are as follows:

- (i) A co-operative is a legal entity established for the purpose of either undertaking business or satisfying the economic, social or other needs of its members.
- (ii) A co-operative is an association of an unlimited number of members; new members may join and existing members may leave provided the co-operative always has at least five members or at least two members that are legal entities.
- (iii) The minimum statutory registered capital is EUR 1,250.
- (iv) A co-operative is required to create an indivisible fund at least in the amount of 10% of the registered capital upon its incorporation. This fund must be replenished on an annual basis by at least 10% of the co-operative's annual net profit, until the amount of the indivisible fund is equal to one half of the registered capital of the co-operative.
- (v) The members are not held liable for the co-operative's obligations; the co-operative is liable for breach of its obligations up to the value of all its assets.
- (vi) The mandatory bodies of a co-operative are a members' meeting (in the Slovak language: členská schôdza), board of directors (in the Slovak language: predstavenstvo) and audit commission (in the Slovak language: kontrolná komisia).

2.2.7 Simple joint stock company (Sections 220h-220zl)

The principal features of a simple joint stock company are as follows:

- (i) As of 1 January 2017, a simple joint stock company has been introduced as a new business vehicle and a hybrid type of corporate form, combining various features of a limited liability company and a joint stock company. Offered under flexible rules, a simple joint stock company should be of particular interest to risk and venture capital investors and starting entrepreneurs as it enables effective internal and external arrangement of company relations.
- (ii) A simple joint stock company may be established by one or more legal entities or individuals or a combination of legal entity(ies) and individual(s). The registered capital of a simple joint stock company must be at least EUR 1.00. The registered capital of a simple joint stock company is made up of a certain number of shares of a certain nominal value. The entire amount of the registered capital must be subscribed and all contributions must be fully paid-up prior to the incorporation. The foundation agreement or the foundation deed must be drawn up in the form of a notarial deed.
- (iii) As in a joint stock company, the shareholders of a simple joint stock company are not held liable for the company's obligations; the company is liable for a breach of its obligations up to the value of all its assets.
- (iv) Shares in a simple joint stock company may only exist as book-entry shares in registered form.
- (v) The company's foundation deed, foundation agreement or bylaws may determine that the nominal value of the shares will be expressed in eurocents or as a combination of euros and eurocents.

- (vi) The company may issue ordinary shares and shares with special rights. The nature and extent of the special rights is not regulated, but the special rights may consist especially in the determining of (a) the extent of the entitlement to a share in the profit or liquidation balance other than as the proportion of the nominal value of the shares to the nominal value of the shares of all shareholders, (b) the number of the shareholder's votes other than as the proportion of the nominal value of the shares to the amount of the registered capital, (c) the extent of the right to be provided with information about the company.
- (vii) If the company issues shares with special rights, the shares must include a designation of their type, their number (i.e., volume) and a reference to the provision of the company's bylaws that regulates the special rights. Shares to which the same special rights are attached constitute one type of share. Various special rights may be attached to shares with the same nominal value.
- (viii) The company's bylaws may limit or exclude the transferability of shares or certain types of shares of the company. The provisions of the company's bylaws that relate to the limitation or exclusion of the transferability of shares and to the conditions of buying out such shares by the company may be amended only with the consent of a two-thirds majority of votes of the shareholders that are the owners of such shares.
- (ix) If the transferability of shares or of a certain type of shares is excluded, then upon the expiration of four years from paying their issue price, the shareholder will become entitled to require the company to buy out such shares.
- (x) If the company's bylaws make the transferability of shares conditional upon the company's consent, they must also set out the reasons for which the company may or must refuse its consent or is obliged to grant its consent, and the period within which the company is obliged to decide in respect of the shareholder's request for consent and to notify the shareholder of its decision.
- (xi) If a shareholder has become entitled to require the company to buy out the shares and the shareholder requests the company to buy out the shares, the company is obliged to buy out the shares for a reasonable price.
- (xii) The company's bylaws may exclude inheriting shares or certain types of shares, unless a single-shareholder company is concerned. If inheriting is excluded, the shareholder's shares shall pass to the company upon the death of the shareholder.
- (xiii) In the shareholders agreement, the shareholders of a simple joint stock company may agree on the right (a) to join in a transfer of shares, (b) to require a transfer of shares, or (c) to require an acquisition of shares. The signatures on the shareholders' agreement must be verified by a notary public. The shareholders' agreement shall not take effect prior to the day of the verification by a notary of the authenticity of the signatures of the contracting parties.
- (xiv) The right to join in a transfer of shares (i.e., tag-along) and the right to require a transfer of shares (i.e., drag-along) may also be agreed as rights that ensue upon registration under a special regulation. In such case, a notarial deed is required for the creation of such rights. The tag-along and the drag-along rights that were registered under a special regulation do not become statute-barred, and also apply to a transfer of shares under the agreement in relation to the legal successors of the owner of the shares to which the obligation corresponding to such rights is attached; if the entitled person does not exercise such rights, the rights will be effective even in relation to the legal successor of the owner of the shares to which the obligation corresponding to such rights is attached.

2.3 Choice of entity or vehicle

Most foreign investors utilize the s.r.o. (a limited liability company), the a.s. (a joint stock company) or the branch as the vehicle for carrying out their business activities in the Slovak Republic.

The principal advantage of a branch office is that there are no capitalization requirements. The disadvantage of a branch office is that it is not a separate legal entity, thus exposing the "parent company" to direct liability for the actions of the branch office.

Since 2017, investors have had the option to utilize the j.s.a. (a simple joint stock company), described in more detail in section 2.2.7 above.

The choice between an s.r.o., an a.s. and a j.s.a. often depends on the following factors:

	s.r.o.	a.s.	j.s.a.
Minimum capital (EUR)	EUR 5,000	EUR 25,000	EUR 1.00
Minimum no. of appointments required (may trigger the requirement to obtain a Slovak residence permit)	One (director)	Four (one member of the board of directors and three members of the supervisory board)	One (one member of the board of directors)
Supervisory board	Optional	Mandatory	Optional
Ability to be traded on a recognized Slovak stock exchange	No	Yes	No
Registrable at the Central Securities Depository	No	Yes	Yes
Reserve fund	Yes (once the company achieves profit) — up to 10%	Yes, upon the company's incorporation — up to 20%	Yes, upon the company's incorporation — up to 20%

3 Income taxation

3.1 General

Slovak tax legislation provides for the taxation of individuals and legal entities in the form of personal income tax and corporate tax respectively. In addition, certain sources of income are not included in either personal or corporate income tax bases and are subject to a different method of tax collection requiring the payer to withhold tax on behalf of the recipient (withholding tax).

3.2 Tax registration

Taxation is administered and collected by local competent tax offices. The supreme tax authority is the Ministry of Finance, represented by the Financial Directorate.

Legal entities and individuals (other than employees) who have been registered in the Slovak Republic in the Register of Legal Entities, Entrepreneurs and Public Authorities, will be registered for tax by the competent tax authority within 30 days following the takeover of data by the tax authority from the said register.

An individual who is not registered in accordance with the paragraph above is obligated, by the end of the calendar month following the calendar month in which they started to perform another self-employed activity in the territory of the Slovak Republic or in which they rented real estate in the territory of the Slovak Republic (except for land), to request the tax authorities to register them for tax.

Legal entities and individuals who are not registered for tax under the two paragraphs above are obligated to request the tax authorities to register them as taxpayers by the end of the calendar month following the calendar month in which they became obliged to deduct tax or tax prepayments or to collect tax. Similarly, if a legal entity or individual creates their permanent establishment in the Slovak Republic and they are not already registered for tax, they are required to apply for registration, and if they are already registered for tax, they must notify the tax authorities of such permanent establishment, by the end of the calendar month following the calendar month in which the permanent establishment was created. Unless already registered, a legal entity is required to apply for tax registration by the end of the calendar month following the month in which its actual place of management was established in the Slovak Republic. The "place of actual management" is considered the place where fundamental management decisions and business decisions are made or taken on behalf of the legal entity as a whole, even if the address of the place of actual management is not registered in the Slovak Commercial Register.

The taxpayer does not have a duty to register for tax purposes in the Slovak Republic, provided Slovak-sourced income is only subject to withholding tax, or such income is classified as generated from the taxpayer's dependent activity (employment), capital assets or other income categories (Section 5, Section 7 or Section 8 of the Income Tax Act), or from a combination of these income categories.

The tax authority competent for the tax registration of a particular legal entity or individual is the local tax authority at the place where the legal entity has its registered office or where the individual resides. If local competence cannot be established this way, particularly in the case of entities or persons that are considered nonresidents for tax purposes, it will be determined according to the location of the particular branch office or the place where the entity or person liable for Slovak tax carries out the majority of their business activities in the Slovak Republic. In all other cases, entities or persons must report all their income derived from Slovak sources to the Bratislava Tax Office.

3.3 Corporate income tax

Income generated by legal entities (with the exemption of general partnerships) is subject to a tax rate of 15% applicable to entities with an annual taxable turnover not exceeding EUR 60,000 and a tax rate of 21% applicable to entities with an annual taxable turnover exceeding EUR 60,000. Capital gains of legal entities are treated as ordinary income and, in general, taxed at the above standard rates. Further, (a) a transfer of a taxpayer's assets abroad, (b) a taxpayer's move abroad, and (c) a transfer of a taxpayer's business activity abroad are subject to a tax rate of 21%. The Income Tax Act further specifies the method of calculation of tax bases in each of these cases.

If the calculated corporate income tax is below the minimum thresholds, the legal entity is required to pay the minimum corporate income tax, ranging from EUR 340 to EUR 3,840. The amount depends on the annual taxable turnover (subject to certain exemptions).

Taxable income of Slovak legal entities is generally considered to be gross worldwide revenue. Companies whose seat or place of actual management is not located in the Slovak Republic are subject to Slovak taxation only on their Slovak-sourced income. In general, for tax purposes, branch offices of foreign companies are regarded as permanent establishments of foreign enterprises in the Slovak Republic. A branch office is a separate accounting unit and is obligated to maintain accounts in the double entry bookkeeping system under Slovak accounting rules. If it is not possible to ascertain the actual profit attributable to the activities of a branch office in the Slovak Republic, the tax authorities may deem the profit of the branch to be equal to that of a similar sized legal entity.

With effect from 31 December 2023, a new act on top-up tax to ensure a minimum level of taxation for multinational enterprise groups and large-scale domestic groups ("**Top-Up Tax Act**") has come into force. The Top-Up Tax Act is a transposition of Council Directive (EU) 2022/2523 of 15 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the union. The principle of the Top-Up Tax Act is that, if the effective taxation of the income of group entities in the Slovak Republic is below the minimum tax rate of 15%, the minimum taxation of these entities will be ensured by imposing top-up tax liability on them.

3.4 Personal income tax

Under Slovak tax legislation, individuals who have a permanent address or domicile (as defined in the Income Tax Act) in the Slovak Republic, or who are present in the Slovak Republic for more than 183 days in a given calendar year, are deemed to be Slovak tax residents. Slovak tax residents are taxed on their worldwide (local and foreign) income. When determining the tax status of an individual, the provisions of an applicable international tax treaty are taken into account.

The current income tax rate for individuals is as follows:

Income from dependent activities, rental income, income generated from the use of artwork and artistic performance and other income:

- (i) A tax rate of 19% on the tax base (taxable income) up to the amount of the defined minimum subsistence level multiplied by 176.8
- (ii) A tax rate of 25% on the tax base (taxable income) in excess of the defined minimum subsistence level multiplied by 176.8

Income from business activities and self-employment:

- (i) A tax rate of 15% on the tax base (taxable income), applicable to entrepreneurs with an annual turnover not exceeding EUR 60,000

- (ii) A tax rate of 19% on the tax base (taxable income) up to the amount of the defined minimum subsistence level multiplied by 176.8, applicable to entrepreneurs with an annual turnover exceeding EUR 60,000
- (iii) A tax rate of 25% on the tax base (taxable income) in excess of the defined minimum subsistence level multiplied by 176.8, applicable to entrepreneurs with an annual turnover exceeding EUR 60,000

Capital income:

- (i) A tax rate of 19% on the tax base (taxable income) from capital income

Dividends (and similar types of profit):

- (i) A tax rate of 10% on the tax base (taxable income) from a share of certain types of profits (dividends) of Slovak tax residents accrued from foreign sources other than under ii) below
- (ii) A tax rate of 35% on the tax base (taxable income) from a share of certain types of profits (dividends) of Slovak tax residents accrued from foreign sources located in so-called "tax havens," i.e., countries that are not included in the list published on the website of the Ministry of Finance¹⁵ (the Ministry of Finance publishes on its website a list of the countries that have concluded international treaties on the avoidance of double taxation with the Slovak Republic, international treaties on exchange of information on tax matters, and countries that are parties to the multilateral conventions containing provisions on the exchange of information on tax matters, except for those countries that do not levy corporate income tax, impose zero corporate income tax rate, or are listed on the EU's list of countries not cooperating for tax purposes).

In 2024, the amount of the defined minimum subsistence level multiplied by 176.8 is EUR 47,537.98.

Taxable income for individuals generally includes the following:

- (i) Income from dependent activities — including, but not limited to, salaries, wages, bonuses, other compensation of a similar nature and most benefits in kind. Income from dependent activities also includes fees paid to directors and shareholders of private limited liability companies and to limited partners of limited commercial partnerships.
- (ii) Income from a business activity and self-employment; rental income and income generated by the use of artwork and artistic performance
- (iii) Capital income
- (iv) Other income

Certain classes of an individual's income are, under certain conditions, exempt from tax, including the following:

- (i) Income from the sale of movable assets that are not included in a taxpayer's business property
- (ii) Income from dependent activities performed in the Slovak Republic by a person who is considered a nonresident for Slovak tax purposes from an employer whose registered office is outside of the Slovak Republic, provided that such a person does not spend more than 183 days in the Slovak Republic during any consecutive 12-month period, the income is not

¹⁵ The English version of the list is available at this link: <http://www.finance.gov.sk/en/Default.aspx?CatID=685>.

borne by a Slovak permanent establishment, and the income is not received for artistic or sporting activities

- (iii) Reimbursements for travel expenses provided to an employee (up to statutory limits)
- (iv) Mandatory social security contributions paid by an employer on behalf of its employee

3.4.1 Deductible expenses

Expenses must relate to taxable income and must be sufficiently evidenced by a taxpayer and recorded in the taxpayer's account books in order to be recognized as tax deductible. Expenses that can be deducted for tax purposes include for example, the following:

- (i) Tax depreciation of tangible assets and amortization of intangible assets (see the following paragraphs on depreciation and amortization)
- (ii) After the sale of an asset subject to depreciation is made, the net tax value of a tangible asset or net book value of a fixed intangible asset (certain exceptions apply in this respect)
- (iii) Insurance premiums relating to a business activity
- (iv) Mandatory health and social security payments made by employers
- (v) Rent paid for the lease of business premises
- (vi) Financial leasing interests
- (vii) Banking and other professional fees (e.g., brokerage fees for securities trades)
- (viii) Travel expenses (e.g., expenditure on fuel up to certain statutory limits)
- (ix) Personal costs and other employee benefits in the scope provided for by statutory provisions in the area of labor law

The tax base may be reduced by tax losses from the previous years, which may be carried forward for five succeeding tax years. A taxpayer may claim this tax loss deduction up to a maximum of 50% of the taxpayer's tax base in a given calendar year (100% in the case of taxpayers whose annual turnover does not exceed EUR 60,000). Tax losses cannot be carried back.

3.4.2 Depreciation

In general, a tangible asset is depreciated if its cost exceeds EUR 1,700 and has an anticipated useful life of more than one year. Other types of assets may also be depreciated, e.g., buildings and other structures.

Tax law sets depreciation periods for different types of assets, grouped in seven categories, as follows:

Depreciation group	Length of depreciation	Depreciated assets
0	Two years	battery electric vehicles, plug-in hybrid vehicles
1	Four years	computers, communication equipment, passenger cars
2	Six years	radiators, cooling and freezing equipment, machinery equipment, furniture, medical and dental tools and equipment

Depreciation group	Length of depreciation	Depreciated assets
3	Eight years	electric motors, generators and transformers, ovens, burners
4	12 years	prefabricated buildings, air-conditioning, elevators
5	20 years	buildings and civil engineering structures (save for those in depreciation groups 4 and 6)
6	Forty years	apartment buildings, hotels and similar buildings, administration buildings, other civil engineering structures

Certain tangible assets may not be depreciated (e.g., natural resources and works of culture and art). Taxpayers can elect to depreciate assets by one of two depreciation methods (the methods allow either a straight-line depreciation or an accelerated depreciation approach); however, once the depreciation method for an asset is adopted, it may not be changed. Taxpayers whose annual turnover does not exceed EUR 60,000 may, in relation to certain assets, elect to use a more favorable depreciation method.

An intangible asset is depreciated if its cost exceeds EUR 2,400 and has an anticipated useful life of more than one year. Intangible assets are depreciated in accordance with accounting regulations over their expected period of use, up to their input value.

3.4.3 Income tax returns

In general, individuals and legal entities are required to file a tax return within three months following the tax year for which it is filed. Income tax returns must be filed with the relevant tax authority, i.e., the tax office in charge of the district in which an individual resides or a legal entity has its registered office.

3.5 Prepayments of tax

The following tax prepayments are required to be paid, both by individuals and legal entities, according to the tax liability of the previous year:

Tax liability of previous year	Frequency	Amount of prepayment
EUR 5,000-EUR 16,600	Quarterly	One-quarter of the previous year's tax liability
Over EUR 16,600	Monthly	One-twelfth of previous year's tax liability

3.6 Withholding

Where tax law requires individuals or legal entities to withhold taxes, the withheld amounts must be paid to the tax authorities by the 15th day of the month following the month in which the withholding took place. At the same time, individuals or legal entities who are required to withhold from payments must report the withholding and payment to the tax authorities.

The following types of payments, for example, are subject to withholding tax at a rate of 19% (provided that a rate of 10% or 35% is not applied — please see our comments below) if such payments are made to tax nonresidents:

- (i) Remuneration for the provision of services, including commercial, technical or other consultancy services, management and intermediary activities, construction and assembling services and similar activities performed in the Slovak Republic
- (ii) Remuneration for the activities of an artist, sportsperson, circus performer or collaborating person(s) and from other similar activities performed personally or valorized in the Slovak Republic, regardless of whether such remuneration is paid directly or through an intermediary person
- (iii) Payments from Slovak tax residents and permanent establishments of Slovak nonresidents in the following forms:
 - Income received for use or the right to use industrial property, software, designs, models, plans, technology and other knowhow
 - Income for use or the right to use a copyright and rights similar to copyrights
 - Income from the lease and other use of moveable property located in the Slovak Republic
 - Share on profit (dividend) paid from profit designated for distribution to persons participating in the registered capital or members of a statutory body or supervisory body
 - Remuneration for the provision of commercial, technical or other consultancy services, data processing services, management, intermediary activities, and marketing services, with the exception of intermediary activities and marketing services that are demonstrably connected with delivery of goods to recipients of marketing and intermediary services in the country where the services are provided, in the amount in which such a payment is applied for as a tax expense, regardless of whether these services are performed in the Slovak Republic
 - Interests and other yields on provided loans and credits and on derivatives

Under the Income Tax Act the following income, for example, is also subject to Slovak withholding tax at a rate of 19% (provided that a rate of 10% or 35% is not applied — please see our comments below), regardless of residence or nonresidence status for tax purposes:

- (i) Interest and similar yields on current accounts, deposit accounts and savings books
- (ii) Income from a participation certificate in a trust unit
- (iii) Monetary winnings from lotteries and similar games
- (iv) Monetary winnings from public and sport competitions
- (v) Income from bonds

The provisions of an applicable tax treaty may impose withholding tax at a reduced rate.

The increased withholding tax rate of 35% is applied in the case of payments (which are subject to withholding tax) to tax residents of tax havens, i.e., countries that are not included in the list published on the website of the Ministry of Finance.

The following withholding tax rates apply to dividends paid out by Slovak entities from profits generated in tax periods starting on or after 1 January 2024:

- (i) 10% (or the rate under the applicable double taxation avoidance treaty) in the case of individuals who are Slovak tax residents or tax residents of the countries that are included in the list published on the website of the Ministry of Finance
- (ii) 35% in the case of business entities and individuals who are tax residents of tax havens, i.e., countries that are not included in the list published on the website of the Ministry of Finance

In general, dividends paid out by Slovak entities to business entities that are Slovak tax residents or tax residents of the countries included in the list published on the website of the Ministry of Finance are not subject to income tax in Slovakia.

3.7 Value-added tax (VAT)

3.7.1 General

VAT is a tax levied on imported goods and on the transfer of goods, the provision of services including the transfer or use of rights and the transfer of ownership of real property.

The following goods and services are exempt from VAT with the right for deduction of input VAT:

- (i) Export of goods
- (ii) International transport of goods and regular personal international transport
- (iii) Export of services (e.g., legal, accounting, advertising and recruitment services) provided they are provided to foreign entities

The following goods and services are exempt from VAT without the right for deduction of input VAT:

- (i) Postal services
- (ii) Public radio and television broadcasting services
- (iii) Financial services, such as the provision of a loan or credit, or operating bank accounts
- (iv) Insurance services
- (v) Training and education services
- (vi) Medical and healthcare services
- (vii) Social care services
- (viii) Provision of lotteries and similar games
- (ix) Services supplied to members of political parties, political movements, churches, religious societies and civil associations
- (x) Services related to sports or physical education
- (xi) Cultural services
- (xii) Collection of financial means
- (xiii) Sale of postage stamps and duty stamps
- (xiv) Transfer and lease of real estate

3.7.2 Payers of VAT

A taxable person or entity must register for VAT if their turnover for the past 12 consecutive calendar months exceeds the VAT registration threshold of EUR 49,790. The taxpayer must register with the district tax authority by the 20th day of the month following the month in which their turnover exceeds the stated threshold.

Individuals or legal entities may voluntarily elect to register for VAT purposes and, thereafter, become liable for payment of VAT, even if they have not exceeded the statutory threshold.

3.7.3 VAT rates

A rate of 20% is the general tax rate levied on all taxable supplies, subject to the below exceptions.

A rate of 10% is levied on certain categories of goods (e.g., pharmaceutical products, books, equipment for physically disabled persons, selected types of foods, etc.). A rate of 10% is also levied on accommodation services, transportation of people by cable cars and ski lifts, restaurant and catering services, entrance fees to sports facilities, fitness centers and recreational parks (artificial swimming pools).

In connection with a state-supported rental housing scheme, a rate of 5% is levied on delivery of a building or part of a building, including the building plot on which the building or part of the building stands, and restoration and rebuilding of a building or part of a building, including the construction and assembly works on the building, which meet the conditions for the building of state-supported rental housing.

3.7.4 VAT base

VAT is calculated on the VAT base for a taxable supply, multiplied by the applicable tax rate for the goods or services in question. The VAT base for goods and services is their price (consideration) to be received by the supplier of such goods and services. In cases where the price is not known or agreed, the tax base is determined as the "usual market price" of the taxable supply.

3.7.5 VAT period, returns and payment

In general, the tax period for the submission of VAT returns and payments is a calendar month. A registered taxpayer may decide to comply with the reporting and payment obligation quarterly provided that (i) more than 12 months have passed since the end of the calendar month in which the taxpayer became a VAT taxpayer, and (ii) during the previous 12 consecutive calendar months the taxpayer generated a turnover of less than EUR 100,000. VAT returns must be submitted within 25 days of the end of the applicable VAT period. Payment of VAT is due at the same time the VAT return is due.

3.7.6 Application for refund of VAT

Under certain statutory conditions, a foreign person from another EU member state can apply for a Slovak VAT refund. An application for a VAT refund may relate to a maximum period of one calendar year. If the refund period is shorter than a calendar year but at least three months long, the amount of the VAT claimed must be at least EUR 400. If the refund application relates to one calendar year or a period of less than three months (representing the remainder of a calendar year), the amount of the VAT claimed must be at least EUR 50. Deduction of input VAT is not possible for the following received supplies:

- (i) Supplies exempt from VAT without the right for input VAT (e.g., financial services)
- (ii) Supplies that are not subject to VAT

The VAT deduction may be claimed when a taxable supply has been supplied, paid and accounted for as evidenced by a valid tax document.

3.7.7 VAT penalties

VAT returns must be submitted and payment for the VAT due must be cleared by the due date. Failure to file a VAT return and pay for the VAT due on time can have several consequences including the imposition of a penalty and surcharge by the tax authorities. Penalties and surcharges may also be charged in other cases, such as filing an inaccurate VAT return, or when a tax document (a VAT invoice) is issued before the date on which a transaction is considered to take place for VAT purposes (the time of supply).

3.8 Other taxes/fees

3.8.1 Excise duty

Excise duty is a tax levied on certain commodities produced/manufactured, supplied or imported in the Slovak Republic, such as mineral oils, tobacco and tobacco products, spirits, beers, wines, electricity, coal and natural gas. The tax rate depends on the type and volume of commodity.

3.8.2 Real estate transfer tax

Real estate transfer tax no longer applies in the Slovak Republic.

3.8.3 Motor vehicle tax

Motor vehicle tax must be paid on all vehicles registered in the Slovak Republic that are used for business purposes, whether or not the vehicle is actually owned by a business entity. Annual motor vehicle tax rates vary depending on the engine capacity (for passenger cars), engine power (for electric vehicles), or a total weight and number of axles (for trucks and buses).

3.8.4 Motor vehicle registration fee

The motor vehicle registration fee is levied on all motor vehicles registered for the first time in the Slovak Republic. The amount of the fee varies depending on the engine performance of the registered motor vehicle and the ecological coefficient of the vehicle (in general, determined according to the emission class of the vehicle) (from EUR 33 up to EUR 1,000).

4 Customs laws

4.1 Customs issues

Since the Slovak Republic is a member state of the EU, the EU customs law applies. See, in particular, Regulation No. 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code, as amended. The rates of customs duties are laid down in Council Regulation (EEC) No. 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff, as amended, and comply with the General Agreement on Tariffs and Trade (GATT), which regulates international trade and tariffs in particular.

The EU legislation in force also enables an economic operator to place the goods under the so-called "special procedures" (inward processing, outward processing, end use, transit, temporary admission of goods, customs warehousing, free zone), which may, in accordance with the relevant legislation, postpone, reduce or even prevent the economic operator from incurring customs debt.

Preferential measures (e.g., reduction of customs duty rates up to 0%) may be introduced in agreements that the EU has entered into with certain countries or territories outside the customs territory of the EU, or groups of such countries or territories. The EU may also unilaterally adopt preferential measures in respect of certain countries or territories.

Customs duty payable on particular goods is assessed on the basis of their customs value, which is the transaction value — the price actually paid or payable for the goods when sold for export to the customs territory of the EU. The customs value of goods includes related transport costs and other auxiliary costs (e.g., insurance fees and license fees for use of goods). The customs value does not include the value of imported intangible assets (e.g., software) and imported services (e.g., installation and training).

Customs simplifications — such as a simplified customs declaration, centralized clearance, entry in the declarant's records or self-assessment — are recognized by EU law and, thus, may significantly decrease the administrative burden of economic operators. Such simplifications are subject to the customs authorities' authorization. Economic operators that meet certain criteria may also be eligible to grant the status of authorized economic operator (AEO, in Slovak: SHS). Such status may be granted either for simplification purposes (AEOc) or for safety and security purposes (AEOs). An economic operator may hold the status for both AEOc and AEOs (AEOf).

When importing goods into the Slovak Republic, the customs-related provisions apply equally to the VAT incurred by such import. Import VAT of 20%, or 10% in cases of certain goods (please see Section 3.7.3 above), applies to imported goods. Import VAT is deductible under the same conditions applicable to the deduction of VAT on supplies rendered in the Slovak Republic.

4.2 Customs enforcement of IP rights

Both the EU and Slovak legislations provide customs protection of IP rights. For the domestic market, the applicable law is Act No. 486/2013 Coll. on Enforcement of Intellectual Property Rights by Customs Authorities, as amended. For goods under customs supervision, the rules laid down in EU Regulation No. 608/2013 apply.

To protect IP rights, the holder of the respective IP right (right holder) should submit an application to the Financial Directorate of the Slovak Republic to take action with respect to goods suspected of infringing IP rights. After the approval, the Financial Directorate issues a decision and distributes it to the customs offices. If a customs office discovers goods that are suspected of infringing IP rights according to the decision, it will detain them and notify the right holder and the holder of the goods. Both parties are provided with a time period within which they should express their consent to destruction of the goods. If the holder of the goods fails to explicitly express its disagreement, such

omission is considered to be consent to the destruction. If the holder of the goods explicitly disagrees with the destruction, the right holder is obliged to file an action before the court and seek a court decision ruling that the goods infringe the right holder's IP right. If no action is filed before the court within the time limit prescribed in the legislation, the goods will be released without undue delay.

Customs authorities may even detain the goods ex officio, without a decision being issued. After such action, the IP right holder is requested to submit an application. Otherwise, the goods will be released without undue delay.

5 Audits and accounting

5.1 Accounting system

Business individuals and business entities keep their accounts either in a single-entry system (individuals and non-profit entities only) or double-entry system (obligatory for all business entities registered with the Commercial Register).

5.2 Accounting period

Accounting law defines an "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. The law requires that an accounting unit notifies a tax office in writing within certain time limits if its accounting period constitutes a fiscal year.

5.3 Accounting principles

Accounting units are required to maintain their books (accounting records) in accordance with statutory accounting principles. The profit or loss of an accounting unit calculated pursuant to the principles is also decisive for the determination of the tax base (taxable income).

The Ministry of Finance of the Slovak Republic regulates mandatory charts of accounts and statutory accounting rules.

5.4 Valuation

Accounting units are required to record all transactions in euros. For some items, such as receivables and payables, shares or cash, the transaction must be recorded in a foreign currency, provided that the value of the relevant asset and liability is denominated in that foreign currency. Furthermore, certain assets (securities, derivatives) must be evaluated on the basis of their market value as of the closing date.

In general, all assets should be valued at their acquisition value and all liabilities should be recorded at their nominal value. In certain cases, tangible assets may be recorded at their replacement costs and intangible assets at the lower of their development cost or replacement value. Assets are written off over their useful economic life that has been determined by the accounting unit.

5.5 Financial statements

Year-end financial statements consist of a balance sheet, profit and loss account and notes to the financial statements, including a cash-flow statement. The notes must contain such information as is necessary to assess the entity's assets, liabilities, financial position and results. This includes the accounting principles, valuation methods and depreciation policies used in the relevant accounting period.

For a subsidiary company, consolidated financial statements and a consolidated annual report must be prepared by the parent company. The parent company means, for example, any of the following:

- (i) The company that has a majority of voting rights in the subsidiary company.
- (ii) The company that has the right to appoint or dismiss the majority of the members of the statutory or supervisory body of the subsidiary company and, at the same time, the parent company is a participant or shareholder in the subsidiary company.

- (iii) The company that has the right to control the subsidiary company as a participant or shareholder under an agreement with this subsidiary company, or under the subsidiary company's memorandum of association or bylaws.
- (iv) A company that is a participant or shareholder in the subsidiary company and, on the basis of an agreement with other of its participants or shareholders, has a majority of voting rights.

Comprehensive year-end financial statements must be filed with the tax authorities. Since 1 January 2014, the financial statements (and annual reports, if prepared) of business entities registered in the Commercial Register have been mandatorily filed with the financial statements register maintained by the Ministry of Finance of the Slovak Republic.

5.6 Statutory audit

Under Slovak accounting law, the following entities are required to have their ordinary and extraordinary financial statements and annual report audited by a Slovak statutory auditor:

- (i) Business entities and co-operatives if they meet any two of the following conditions as of the date when the financial statements are prepared and in the accounting period preceding the one for which the financial statements are to be audited:
 - The total gross value of the entity's assets as stated in the balance sheet exceeds EUR 4 million.
 - The entity's net turnover exceeds EUR 8 million.
 - The average number of employees exceeds 50.
- (ii) Business entities and co-operatives whose securities have been accepted for trading at the regulated market in an EU/EEA member state
- (iii) Certain regulated entities such as banks, branches of foreign banks, insurance companies, branches of foreign insurance companies, foundations established and operated for publicly beneficial purposes, etc.

The statutory audit of financial statements must be performed and the annual report must be verified by an auditor within one year from the end of the accounting period for which the financial statements or annual report have been prepared.

The mandatorily audited entities must, in general, prepare their audited annual report, including financial statements, an auditor's opinion, a summary description of operations and activities performed during the relevant accounting period as well as the entity's performance forecast.

6 Labor issues

6.1 Legal framework

Act No. 311/2001 Coll., the Labor Code as amended ("**Labor Code**"), is the principal legislative act governing employment relationships in the Slovak Republic. The Labor Code has been incorporated into Slovak legislation to reflect the process of economic transformation in the Slovak Republic and to transpose into Slovak national law the various concepts set out in EU directives regarding labor law.

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

Most of the provisions of labor law are of a mandatory nature and may not be varied by the provisions of the employment contract. For example, termination provisions that are less favorable to employees than those specified in the Labor Code would generally not be enforceable.

6.2 Applicability of Labor Code

The following are the considerations that should be taken into account when employing personnel in the Slovak Republic.

6.2.1 Employment of Slovak nationals and foreigners

The Labor Code applies to employment relationships between Slovak legal entities and their Slovak employees in the Slovak Republic. To the extent that Slovak law will apply to an employment relationship between a branch office of a foreign legal entity and its Slovak employees in the Slovak Republic, such relationship must also comply with the provisions of the Labor Code.

Employment relationships between employees (performing their work in the Slovak Republic) and foreign employers, as well as between foreigners and employers residing in the Slovak Republic, are governed by the Labor Code, unless the appropriate rules of conflict of laws (private international law) state otherwise (in particular, Regulation (EC) No. 593/2008 on the law applicable to contractual obligations (Rome I), and the Act on International Private and Procedural Law). The Slovak Labor Code, in accordance with Directive 96/71/EC concerning the posting of workers in the framework of the provision of services, also stipulates which provisions of this code are mandatory in the event that employees are posted to perform work in the territory of another EU member state and vice versa. The Act on International Private and Procedural Law provides that employment contracts with expatriates may be governed by laws other than Slovak law, although any provisions in such agreements (even if valid under foreign law) are invalid if they violate the Slovak public order regulations.

The provisions of the Labor Code are generally harmonized with EU laws and provide for a better protection of employees' rights in comparison with, for example, United States labor law.

6.2.2 Formation of employment relationship

Any employment relationship must be based on a mutual agreement between an individual and employer. Under the Labor Code, a labor-law relationship may generally arise between an employee and employer on the basis of either of the following:

- A written employment contract (in the Slovak language: pracovná zmluva)
- Written agreements on work performed outside of an employment contract (in the Slovak language: dohody o prácach vykonávaných mimo pracovného pomeru): (i) temporary student work agreement (in the Slovak language: dohoda o brigádnickej práci študenta); (ii) work performance agreement (in the Slovak language: dohoda o vykonaní práce); and (iii) work activities agreement (in the Slovak language: dohoda o pracovnej činnosti)

In addition, certain top management positions or special (e.g., public) positions are filled by election or appointment. This type of employment is created by an execution of a written employment contract, which follows such election or appointment to the position by a relevant body.

The employment contract must be made in writing and must consist of certain mandatory terms.

In the employment contract, the employer must, at a minimum, agree with the employee as to the following:

- (i) The type of work for which the employee is hired and a brief description of the work
- (ii) The place(s) of work performance (in general, a municipality, its part or a place specified in another way), or a rule that the place of work performance is determined by the employee
- (iii) The commencement date of work
- (iv) The conditions of salary payment

The employment contract may also contain additional terms and conditions as agreed by the parties.

The employment contract may include a probationary period of three months (or less if agreed by the parties), except in the case of an executive employee who reports directly to the statutory body or a member of the statutory body and in the case of an executive employee who reports directly to such an executive employee, where the maximum length of the probationary period can be six months. The probationary period, as agreed upon in the employment contract, may not be subsequently extended. The probationary period must be agreed upon in writing; otherwise, it is invalid. The probationary period may be agreed upon with all categories of employees.

The Labor Code stipulates several limitations on the creation of an employment relationship for a definite period of time, such as that the employment can be agreed, prolonged or renewed for **no more than two years and that this employment may be prolonged or renewed no more than twice within the two-year period**. Such limitation has its exceptions if the employment is prolonged or renewed for certain stipulated reasons by law or for some positions (e.g., substitution of the employee).

6.2.3 Termination of employment

Under the Labor Code, an employer is very limited as to its ability to terminate employees **without cause**. The termination period is, in general, **one month**, unless a longer period is applied according to the below text. The termination period of an employee who was served a notice due to dissolution or relocation of the employer (or its part) (provided the employee did not agree to the change of the agreed place of work performance), the employee's redundancy resulting from organizational changes or losing, on a long-term basis, the ability to continue to perform their work because of their health condition (pursuant to a doctor's opinion) is (i) at least **two months** if, as of the date the notice was served, the employee's employment has lasted at least one year and less than five years, (ii) at least **three months** if, as of the date the notice was served, the employee's employment has lasted at least five years. The termination period of an employee who was served notice due to reasons other than those mentioned above is at least two months if the employee's employment has lasted for at least one year.

In the case of notice given by an employee who has been employed by the employer for less than one year, the termination period is one month and if notice is given by an employee who has been employed by the employer for at least one year, the termination period is at least two months.

An employee may be terminated for cause with **immediate effect** if the employee has been convicted of an intentional crime or materially breaches their employment obligations (e.g., is intoxicated on the job, steals company property, etc.). An employee may be terminated for cause **with one month or**

two months' notice (see above) if the employee, (a) after an official warning within the preceding six-month period, fails to satisfactorily carry out their work obligations or assignments, or (b) repeatedly breaches their obligations despite having been served an official warning within the preceding six-month period regarding the possibility of being terminated for such cause.

An employee may also be terminated in the event of the employer's dissolution or relocation (or its part) (provided the employee does not agree to the change of the agreed place of work performance), or due to the employee's redundancy resulting from organizational changes, or due to the fact that the employee has lost, on a long-term basis, the ability to continue to perform their work because of a health condition. However, in the above cases, the employee must first be offered a similar job with the employer (assuming such a similar position exists), although the employer is under no duty to create such a similar position. An employee terminated as a result of the employer's dissolution or relocation (or its part), or due to the employee's redundancy resulting from organizational changes, or because the employee has lost, on a long-term basis, the ability to continue to perform their work because of a health condition (pursuant to a doctor's opinion), is entitled to receive a **severance payment of one month to four months' pay**. If the employment is terminated by agreement concluded with the employee for one of the reasons mentioned in the previous sentence, the employee has a right to a severance payment of from **one month up to five months' pay**. The amount of severance payment depends on the number of years the employee has worked for the employer. An employee whose employment is formed under "the agreement on work performed outside of an employment relationship" is not entitled to any severance payment.

6.3 Specifics for expatriate personnel working in the Slovak Republic

6.3.1 Work permits and residence visas

With minor exceptions, relating to EU member country citizens, diplomatic and armed forces personnel (and certain other categories), a foreign national employed in the Slovak Republic by a Slovak legal entity (or a branch of a foreign legal entity, or seconded by a foreign legal entity to work in the Slovak Republic), is required to apply for and obtain a residence permit through a Slovak embassy or consulate, a foreign police office and, under certain circumstances, a work permit through a Slovak labor authority. The employment of the foreign employee could, among other things, terminate on the date of expiration of their residence permit.

A foreign national who wishes to act as a member of the board of directors of an a.s., a director of an s.r.o., the authorized representative of a branch or a proxyholder (prokurista) for a Slovak legal entity, must obtain a residence permit for the Slovak Republic, unless such foreigner is an EU or OECD country citizen. The exceptions applicable to EU or OECD country citizens are described in the Corporate Section for each corporate business vehicle.

6.4 Collective agreements

The process of collective bargaining is governed by the Act on Collective Bargaining (Act No. 2/1991, as amended). Wages and other labor entitlements may be regulated in collective agreements within the framework established by the relevant labor regulations. Collective agreements also regulate the relationships between the employer and trade union body. Rights that individual employees acquire through collective bargaining agreements are treated the same as other employee rights arising out of the employee's employment relationship.

There are four types of collective agreements, and all must be entered into in writing to be enforceable:

- (i) Agreements between a trade union body/bodies and the employer

- (ii) Agreements of a higher degree concluded for a larger number of employers between a relevant higher degree trade union body/bodies and organization/organizations of employers
- (iii) Agreements of a higher degree concluded between a relevant higher degree trade union body/bodies and the Slovak Republic as an employer
- (iv) Agreements of a higher degree concluded for employers who are bound by specific laws (i.e., laws regarding public functions, governmental bodies' employees, etc.)

A collective agreement is invalid to the extent it provides less to the employees than a collective agreement of a higher degree.

In addition, the collective agreements of a higher degree can be concluded not only for the sectors, but also their parts.

7 Real estate

7.1 No restrictions on ownership or lease of real estate by Slovak nonresidents

Upon becoming a member of the European Communities and the EU, the Slovak Republic introduced new legislation allowing nonresidents to acquire real estate in the territory of the Slovak Republic, **except for** land classified as agricultural or forest land outside built-up areas, and other real estate subject to a special legal regulation limiting its acquisition. As of 1 June 2014, this restriction has been abolished. Nonresidents may now acquire real estate in the territory of the Slovak Republic, save for special categories of land, e.g., environmentally protected areas and archeological sites. Further, special conditions apply to acquisition of agricultural land in order to safeguard its cultivation and original purpose.

In general, Slovak and foreign legal entities and individuals may lease real estate at prices agreed between the parties without any restrictions. Property may only be leased for the purpose for which it has been zoned by a local municipality.

7.2 Cadastre

Any change in ownership of real estate (or its limitation) is recorded in the official register of real estate in the Slovak Republic, known as the Cadastre. The Cadastre is maintained by the district offices' cadastral departments and includes the details of the real estate's geometric determination (location) and description, as well as other details such as ownership rights, liens, easements, certain pre-emption rights and leases, etc. The administration of the Cadastre is supervised by the Geodesy, Cartography and Cadastre Authority of the Slovak Republic.

For an effective creation of mortgages, charges over land and easements, as well as the effective occurrence of the transfer of ownership title, registration of such transfers or rights in the Cadastre is necessary.

The Geodesy, Cartography and Cadastre Authority of the Slovak Republic maintains a Cadastral registry on the Internet under <https://kataster.skgeodesy.sk/Portal/en>, making access to information concerning any particular lot and its owners much simpler and more efficient.

8 Types of security interest available in the Slovak Republic

The general legal framework for creating security rights in the Slovak Republic is principally set out in the Civil Code and supplemented by the Commercial Code, the Securities Act and intellectual property laws. Slovak law divides security into two principal groups of rights:

- (i) **Personal rights**, which are valid only between the debtor and the creditor, such as assignment of rights or a fiduciary transfer of rights and which **frequently result in a temporary transfer of the ownership title to the secured assets**
- (ii) **Material rights**, which are valid with respect to all third parties, such as pledge, mortgage, easement or possession

None of the material security rights result in the transfer of title to the assets secured but, rather, such material rights entitle the creditor to the proceeds resulting from the foreclosure sale of secured assets.

9 Foreign exchange

The Slovak Republic has amended its foreign exchange rules several times in order to gradually liberalize rules on trading with foreign exchange instruments, foreign securities, and the acquisition of ownership of real estate by foreigners. After the Slovak Republic joined the EU, the foreign exchange rules ceased to perform the regulatory function of capital flow.

Under Section 8 of the Foreign Exchange Act (Act No. 202/1995 Coll., as amended) and the Act on the National Bank of Slovakia (Act No. 566/1992 Coll., as amended), however, residents and organizational units of nonresidents established in the Slovak Republic are required to report (i.e., to fulfill a notification requirement) certain details of their financial transactions in relation to residents abroad and in relation to nonresidents.

The relevant notification forms are provided by the National Bank of Slovakia and available on its website: www.nbs.sk.¹⁶

Further, the following exchange limitations currently exist in the Slovak Republic:

- (i) A foreign exchange permit is required for foreign exchange residents (defined as legal entities with their registered office in the Slovak Republic and permanent residents of the Slovak Republic) who intend to deal in foreign exchange as a business
- (ii) Although there is no need to obtain a license for a foreign exchange resident to obtain a loan from a foreign exchange nonresident, the foreign exchange resident must notify the NBS of such loan, as described above

Conversion of cash

No difficulties in converting cash or cash equivalents to US dollars or in withdrawing cash from the Slovak Republic are foreseeable under the provisions of the Foreign Exchange Act, the principal law governing foreign exchange in the Slovak Republic, provided that the conversion is effected through a licensed entity, such as a bank.

However, the following should be noted:

- (i) Under Section 39 of the Foreign Exchange Act, if a foreign exchange emergency is declared by the government of the Slovak Republic, payments in a foreign currency or abroad generally may be suspended for the duration of such an emergency (for a maximum period of three months).
- (ii) If the NBS and the Ministry of Finance establish a deposit duty pursuant to Section 38 of the Foreign Exchange Act, banks may be required to ensure that a certain percentage of cash deposits maintained for its customers is kept in an account and a bank and for a period as specified by the NBS and the Ministry of Finance.

9.1 Expropriation

There is no existing or officially proposed law or other rule in the Slovak Republic that is likely to result in the nationalization or similar confiscation of either foreign investments or companies in which foreigners have invested. With respect to expropriation, however, Article 20(4) of the Slovak Constitution provides that expropriation or restrictions on property rights shall be imposed **only to the extent necessary** for the protection of **public interest**, only on the basis of law and shall be **reasonably compensated**.

¹⁶ On the Slovak menu, click on "Úlohy NBS," then "Štatistika," then "Informácie pre vykazujúce subjekty," and then "Hlásenia pre devízovú ohlasovaciu povinnosť." All forms are in the Slovak language only.

9.2 Mechanisms available for protecting deposits

A Deposit Protection Fund was established under Act No. 118/1996 Coll., on Protection of Deposits, as amended ("**Deposit Protection Act**"), which, in general, guarantees deposits of individuals, non-entrepreneurial entities and certain entrepreneurial entities that are not required to have their financial statements audited ("**Individual**"), regardless of the place of residence/registered office of such Individuals. This is on the condition that such deposits are registered in the Individual account-holder's name, surname, place of residence and birth date or birth number for individuals, or under the Individual account-holder's name, identification number, registered office, identification of register or other evidence in which such entity is registered and a number of applicable registration entry for entities. Such registration/identification of the Individual account-holder must have been recorded prior to such bank or branch of foreign bank becoming unable to pay deposits.

The guarantee covers up to EUR 100,000 of a depositor's deposits, regardless of the currency deposited in the account(s) with a bank.

Since 2010, deposits held in a branch of a foreign bank that is operating in the Slovak Republic under a single banking license granted by EU law are protected in accordance with the rules of the deposit protection scheme adopted in the EU member state where the foreign bank is seated. Please note that deposits of banks, securities dealers, insurance companies, etc. are explicitly excluded from the scope of the Deposits Protection Act and, thus, any of their deposits are not covered by the statutory deposits guarantee.

10 Competition rules

Slovak competition laws have been harmonized to a great extent by EU laws, especially Articles 101 and 102 et seq. of the Treaty on the Functioning of the European Union (the Lisbon Treaty).

The purpose of Slovak competition legislation (Act No. 187/2021 Coll., on Protection of Economic Competition and on Amendment to and Supplementation of Certain Acts, as amended ("**Competition Protection Act**")) is (i) **to protect** economic competition against its restriction, (ii) **to create** conditions for further development of competition benefiting consumers, as well as (iii) **to define** the powers and scope of activities of the Anti-monopoly Office (AMO) of the Slovak Republic (Protimonopolný úrad Slovenskej republiky).

Under Section 2(4) of the Competition Protection Act, the Competition Protection Act also applies to an activity or conduct that has taken place on the foreign market if it leads or may lead to restriction of competition in the territory of the Slovak Republic. Competition laws apply to **entrepreneurs** (both individuals and legal entities) and to **state administrative bodies, self-governing regions, municipalities and other persons set forth by the Competition Protection Act**.

Compliance with the Competition Protection Act is administered by the AMO.

In general, the AMO **regulates** the following areas:

- (i) Agreements restricting competition
- (ii) Abuse of a dominant position in the market
- (iii) Concentrations (which include mergers, fusions, joint ventures, etc.)

The Competition Protection Act, in general, prohibits each of the activities described below.

10.1 Agreements restraining economic competition (Section 4 of the Competition Protection Act)

In particular, the following agreements restricting competition (anti-competitive agreements) are prohibited: agreements that consist in (i) fixing, directly or indirectly, the prices of goods or other trading conditions, (ii) limiting or controlling production, markets, technical development or investment, (iii) sharing markets or sources of supply, (iv) applying dissimilar conditions to equivalent or comparable transactions with individual entrepreneurs as a result of which these entrepreneurs are or may be placed at a competitive disadvantage, (v) making the conclusion of contracts subject to acceptance by the contracting parties of supplementary obligations that by their nature or according to commercial usage have no connection with the subject matter of such contracts, or (vi) the coordination of entrepreneurs in, or in connection with, a public procurement, a commercial public tender, or another similar tender.

10.2 Abuse of dominant position (Section 5 of the Competition Protection Act)

The dominant position on the relevant market is held by the entrepreneur or by several entrepreneurs who do not face significant competition and who, by reason of their economic strength, can act independently.

The abuse of a dominant position on the relevant market is, in particular, (i) directly or indirectly imposing unfair prices or other unfair trading conditions, (ii) limiting production, markets or technical development to the prejudice of consumers, (iii) applying dissimilar conditions to equivalent or comparable transactions with individual entrepreneurs, as a result of which these entrepreneurs are or may be placed at a competitive disadvantage, (iv) making the conclusion of contracts subject to

acceptance by the other contracting party of supplementary obligations that by their nature or according to commercial usage have no connection with the subject matter of such contracts.

10.3 Concentration of competitors not approved by the AMO

Concentration is the process of economic combination of undertakings on a permanent basis, which consists in either of the following:

- (i) **Merger** of two or more independent undertakings
- (ii) **Acquisition of control** of an undertaking whereby one or more undertakings acquire, directly or indirectly, control of one or more undertakings or part thereof.

A concentration is subject to the supervision of the AMO if, for the accounting period preceding the establishment of the concentration in the Slovak Republic, one of the following circumstances applies:

- (i) The reported combined aggregate turnover of the parties to the concentration amounts to at least EUR 46 million, and the aggregate turnover in the Slovak Republic for the same accounting period of each of at least two undertakings concerned is at least EUR 14 million.
- (ii) In the case of a **merger**, the aggregate turnover of at least one undertaking concerned is at least EUR 14 million, and, at the same time, the aggregate worldwide turnover for the same accounting period of another undertaking concerned is at least EUR 46 million.
- (iii) In the case of an **acquisition of control**, the aggregate turnover of at least one undertaking concerned, which (or part of which) is being acquired, is at least EUR 14 million, and, at the same time, the aggregate worldwide turnover for the same accounting period of any other undertaking concerned is at least EUR 46 million.

A concentration that is subject to the supervision of the AMO must be notified to the AMO before the rights and obligations resulting from the concentration are executed. An undertaking must not execute the rights and obligations resulting from the concentration until a decision on the concentration becomes final.

The AMO permits a concentration if the concentration does not significantly impede effective competition in the relevant market, in particular as a result of the creation or strengthening of a dominant position. The AMO prohibits a concentration that would significantly impede effective competition in the relevant market, in particular as a result of the creation or strengthening of a dominant position.

Unfair Competition under the Commercial Code

The Commercial Code also governs competition rules in general.

Unfair competition is prohibited. It is primarily understood as the following:

- Deceptive advertising
- Deceptive descriptions of goods and services
- Conduct contributing to mistaken identity
- Parasitic exploitation of a competitor's reputation, products or services
- Bribery
- Disparagement
- Violation of trade secrets
- Endangering consumers' health or the environment

11 Environmental protection

11.1 Environmental state authorities

Protection of the environment and compliance with environmental laws is supervised by the Ministry of Environment (MoE), the District Offices (DO), the District Offices in the Region's Center (DORC) and the Slovak Inspection of Environment (IoE).

Each of these authorities is vested with certain powers generally to overlook, inspect and protect various aspects related to the environment and natural resources, such as air, soil, and water in particular. In general, the DORC has the exclusive power to issue approvals, consents and licenses under the relevant legislation. The regional inspectorates operating under the IoE act mostly as professional advisory bodies in relation to protection of air.

Regulations governing the protection of the environment are analogous to those prevailing in EU member states. As a result, any entity that exploits natural resources, develops projects, builds or removes infrastructures, or introduces new production processes, products or materials into the Slovak Republic is required to carry out such activities in compliance with the applicable environmental protection legislation.

Slovak legislation also requires that projects of a certain type and size may be carried out only after completion of an environmental impact study.

11.2 Specific environmental laws and liability issues

Slovak environmental law is made up of several acts. These include, in particular, the following:

- (i) The Act on Environment, No. 17/1992 Coll., as amended

This act defines the major terms and provides for the general legal framework and obligations of natural persons (individuals) and legal entities with respect to the principles of protection of the environment.

The act defines the concept of ecological harm as a loss or weakening of natural functions of ecosystems caused by damage of their individual elements or components or by disruption of their internal relations and processes as a result of human activity (Section 10). This general definition of ecological harm is reflected in other special acts on environmental protection. The act stipulates that any person or entity that has caused ecological harm is responsible for restoration of natural functions of the disrupted ecosystem or its part.

- (ii) The Act on Protection of Nature and Environment, No. 543/2002 Coll., as amended

In addition to the Act on Environment, the Act on Protection of Nature and Environment provides the fundamental rules for the protection of particular spheres of nature. The act defines special zones of protection (national parks, protected areas, etc.) and specifies the state authorities that are responsible for protecting the special zones of protection and for enforcement of environmental laws within the area of their competence.

As a general principle, the act stipulates that any person or entity that damages, pollutes or illicitly alters elements of nature and the environment protected by the act is required to restore such elements to their initial state, if possible.

- (iii) The Act on Waste, No. 79/2015 Coll., as amended

Under the Act on Waste, the producer of waste can only dispose of waste in the manner stipulated in this act or in other special acts. The obligations of the waste producer are transferred to any person or entity that agrees to deal with the waste from the producer.

(iv) The Act on Waters and on Amendment of Act on Offenses, No. 364/2004 Coll., as amended

In cases where wastewater or industrial water needs to be released into surface waters or ground water, permission granted by the authority is necessary. Such use of waters is defined by the act as "a specific use of waters" (Section 21).

(v) The Act on Air Protection, No. 146/2023 Coll.

Under this act, the operator of the stationary source of air pollution is responsible for compliance with the emission limits as set forth by the competent authority, i.e., the DO in the case of a large and medium stationary source of air pollution and the municipality in the case of a small one. The approval of the air protection state authority is required, among other things, for (i) construction of the stationary source of air pollution, including any changes thereto; (ii) approval of the procedure for calculating the amount of emissions and its changes; and (iii) installation and operation of automatic measuring systems of emissions and air quality.

(vi) The Act on Protection and Usage of Agricultural Land, No. 220/2004 Coll.

The owners or lessees of land that is defined as an agricultural soil fund (i.e., agricultural land) must manage their activities on the land in a manner that does not cause pollution of the land and they must allow representatives of the respective state authorities to enter such land for the purposes of inspection. The Agricultural Ministry sets the permitted limits of pollution of agricultural soil and the state authorities for soil fund protection may impose a penalty on any person or entity for soil pollution exceeding the permitted limits or for other breaches of the obligations as stipulated in this act.

12 The Slovak securities market

12.1 Capital markets — 2003-2004 reform

The Slovak Republic's capital markets were established in 1990. The basic preconditions for their establishment were created in the first wave of coupon privatization, as well as some key changes of the capital markets settlement and payment system and registration of book-entered securities, which were undertaken in Q4 of 2003 (the former brokerless system in which securities were traded ceased to exist) and Q1 of 2004 (the Central Securities Depository (CDCP or "**Central Depository**"), the former Securities Center, commenced its activities on new principles).

The Slovak Republic's capital markets are regulated especially by Act No. 530/1990 Coll., on Bonds, as amended ("**Bond Act**"); the Commercial Code; Act No. 203/2011 Coll., on Collective Investment; Act No. 429/2002 Coll., the Stock Exchange Act, as amended ("**Stock Exchange Act**"); the Foreign Exchange Act; Act No. 483/2001 Coll., on Banks, as amended ("**Banking Act**"); and the Act on Securities and Investment Services No. 566/2001 Coll., as amended ("**Securities Act**"), which came into effect on 1 January 2002.

The Bratislava Stock Exchange (Burza cenných papierov v Bratislave, a.s. (BCPB)) issued the Stock Exchange Trading Rules ("**Trading Rules**"), stipulating the types of trades that may be executed at the BCPB, trading times, requirements for instructions, etc.

12.1.1 Recording system of book-entry securities

The CDCP (Centrálny depozitár cenných papierov SR, a. s.) is a central system for recording book-entered securities. The Central Depository operates on a membership principle, similar to the BCPB. The members of the Central Depository involve (i) securities brokers who have been granted prior approval from the NBS, (ii) the NBS, and (iii) other central depositories.

If a securities owner wishes to actively trade with securities (or undertake transfers from former accounts with the Securities Center (SCP), or sales or gifts, or through inheritance), such owner must open an account either (i) with the Central Depository, or (ii) with a member of the respective Central Depository ("**Clients Brokerage Account**") and realize all instructions only through such a member or through a securities broker who has a contract with a member of the respective Central Depository to provide such services.

A member of the Central Depository will then record all data concerning the securities and its members on this Client Brokerage Account. In addition, the member of a Central Depository has an individual account (účet majiteľa) opened with the Central Depository. The Central Depository opens accounts for each member of the Central Depository, as well as for state administrative bodies, upon their request.

12.1.2 Bratislava Stock Exchange

The BCPB was established in early 1991 and is established on a membership principle. This means that individuals and legal entities who are non-BCPB members and who are interested in buying and/or selling securities through the BCPB must do so via a BCPB member. The BCPB member then realizes the transaction on behalf of the client and according to its instructions.

12.2 Forms of securities in Slovakia

The Securities Act recognizes two forms of securities: (i) securities that are issued in the form of physical certificates (certificated securities) and (ii) securities that exist only in book-entered (non-certificated) form, recorded electronically by the Central Depository.

12.2.1 Certificated securities

Certificated (physical) securities may be designated as existing in bearer, order or registered form (except for bearer shares in Slovak joint stock companies, bearer bonds, investment certificates, treasury bills, and units of bearer open-mutual funds and closed-mutual funds, which may only be in book-entry form).

The holder of a bearer certificated security is generally deemed to be its owner. Ownership of registered certificated securities is evidenced by an appropriate transfer instrument (e.g., endorsement) and the listing of the new owner on the list of shareholders.

12.2.2 Book-entered securities

Under Slovak law, bearer shares in Slovak joint stock companies, bonds and certain other securities can only be issued as book-entered securities. Since the law requires that several types of bearer securities may only be issued in book-entry form, de facto, there are very few types of securities that can be issued as "true" bearer securities.

13 Bankruptcy laws

Bankruptcy proceedings in the Slovak Republic are governed by Act No. 7/2005 Coll., on Bankruptcy and Restructuring, as amended ("**Bankruptcy Act**"), which came into effect on 1 January 2006.

The Bankruptcy Act distinguishes between the following three types of insolvency proceedings:

- (i) Bankruptcy proceedings (in Slovak language: konkurz)
- (ii) Restructuring proceedings (in Slovak language: reštrukturalizácia)
- (iii) Release from debt of natural persons (in Slovak language: oddĺženie fyzickej osoby)

A debtor (legal entity) is **insolvent** if it is not able to fulfill at least two monetary obligations to more than one creditor 90 days after the obligations fall due. A debtor (natural person) is insolvent if the debtor is not able to pay at least one monetary obligation 180 days after the obligation falls due. A debtor is considered to be **over-indebted** if it is obligated to keep books under Slovak accounting regulations, has more than one creditor and the value of its obligations exceeds the value of its assets. A debtor is considered to be in failure (in the Slovak language: v úpadku) if it is insolvent or over-indebted.

The debtor's insolvency is imminent particularly if the debtor is "in crisis" (as defined in the Commercial Code; also see 2.1.g above).

The condition that the debtor has more creditors is satisfied even if the claim of the other (second) creditor is of an insignificant value. Therefore, the debtor is not insolvent if it has only one creditor (even if this creditor has more than one due receivable), but the receivables of other creditors have not yet matured.

The Ministry of Justice of the Slovak Republic administers the Register of Bankrupt Entities (in the Slovak language: Register úpadcov), which contains data on bankruptcy proceedings, data on bankrupt entities and other data connected thereto.

13.1 Filing of a bankruptcy petition

This petition may be filed by the debtor itself or by the debtor's liquidator or creditor.

A debtor, that is a legal entity, is obligated to file a petition for bankruptcy within 30 days from the moment it became aware or, when exercising professional care, could have become aware that it is in failure. The same obligation applies also to the statutory body or members of the statutory body of such debtor, its liquidator (if the debtor is being wound-up) or its legal representative. Not observing the above obligation may result in personal liability of responsible persons for damage inflicted upon the creditors, or even the criminal prosecution of responsible persons. Since 1 January 2016, if a responsible person breaches its obligation to file a petition for bankruptcy within the statutory deadline, the statutory assumption applies that a contractual penalty of EUR 12,500 has been agreed between such responsible person and the respective limited liability company, simple joint stock company or joint stock company. Any agreement between the responsible person and limited liability company, simple joint stock company or joint stock company that excludes or limits the contractual penalty is prohibited. The company may not waive its right to the contractual penalty, and the company and responsible person may not enter into a settlement agreement or set off such receivable. If the trustee claims the contractual penalty, the right to claim damages exceeding the contractual penalty is not affected.

In general, the trustee calls upon the responsible person to pay the contractual penalty. If the responsible person does not pay the contractual penalty within a period of 15 days, the trustee will file a claim with the court.

In general, the court will order the responsible person to pay the contractual penalty if the responsible person fails to prove that it was not obligated to file a petition for the company's bankruptcy within the statutory deadline. The court must not reduce the amount of the contractual penalty.

A creditor is **entitled** to file a petition for bankruptcy if it can reasonably assume insolvency of its debtor or if the failure of the debtor is assumed due to publication of a notice according to a special regulation in the Commercial Gazette. Insolvency of the debtor may be reasonably assumed when the debtor has defaulted on fulfillment of at least two monetary receivables toward more than one creditor for more than 90 days and one of the creditors has invited the debtor to make payment in writing.

13.2 Commencement of bankruptcy proceedings

If the petition for bankruptcy complies with the statutory requirements, within 15 days after delivery of the petition, the court will decide on the commencement of bankruptcy proceedings or, provided that the requirements are not met, the court will grant an additional 10-day period for completion of the petition. The court publishes its decision regarding the commencement of bankruptcy proceedings in the Commercial Gazette (which is the official publication instrument in the Slovak Republic). Upon publication of this decision in the Commercial Gazette, the bankruptcy proceedings officially commence, and from this moment the debtor is obligated to limit its activities only to regular business activities. Commencement of bankruptcy proceedings also leads to a general legal moratorium on creditors commencing or continuing enforcement proceedings against the debtor.

13.3 Opening of bankruptcy

If bankruptcy proceedings have been commenced on the basis of a debtor's petition, within five days after the commencement of the bankruptcy proceedings, the court either issues a bankruptcy order over the debtor's assets or appoints a preliminary trustee (if the court doubts that the debtor has sufficient assets).

If bankruptcy proceedings have been initiated by a petition of a creditor, within five days after the commencement of the bankruptcy proceedings, the court will order the debtor to demonstrate its financial liquidity within 20 days after the request's delivery, inform the debtor that failure to do so will result in the commencement of bankruptcy proceedings and inform the debtor of the legal criminal consequences of noncompliance in bankruptcy proceedings. Moreover, the court sets within the same five-day period a hearing date, which will take place no later than 70 days after the commencement of the bankruptcy proceedings and invites the debtor to declare if it agrees with the decision of the court on the commencement of the bankruptcy proceedings without a hearing. If a court hearing is needed to decide on evidence demonstrating the debtor's financial liquidity, the court issues a bankruptcy order over the debtor's assets within seven days after the court's declaration on completion of evidence assessment. If the debtor fails to demonstrate its financial liquidity, the court either issues a bankruptcy order over the debtor's assets or appoints a preliminary trustee (if the court doubts that the debtor has sufficient assets). On the other hand, if the debtor demonstrates its financial liquidity, the court terminates the bankruptcy proceedings. In such case, the creditor that filed the petition becomes liable to the debtor as well as to other persons for the damage inflicted upon them due to the commencement of the bankruptcy proceedings, unless the creditor proves that it acted with professional care.

The role of the preliminary trustee is to ascertain whether the debtor's assets are sufficient for at least the reimbursement of the costs of the bankruptcy proceedings and to submit to the court a final report on the debtor's assets within 45 days after the preliminary trustee has been appointed. If the court, after the appointment of the preliminary trustee, finds out that the debtor's assets will not be sufficient for reimbursement of the costs of the bankruptcy proceedings, it will terminate the bankruptcy proceedings; otherwise the court, within 10 days after the preliminary trustee submitted to the court the final report on the debtor's assets, will issue a bankruptcy order over the debtor's assets.

In the bankruptcy order, the court appoints the (ordinary) trustee (who should be the same as the preliminary trustee, if the preliminary trustee has been appointed) and requests that the creditors notify their claims.

Bankruptcy is deemed to have been commenced upon publication of the bankruptcy order in the Commercial Gazette. After the bankruptcy has commenced, the debtor is referred to as a **bankrupt** (in the Slovak language: **úpadca**).

13.4 Effects of a court decision declaring a bankruptcy

Among the most significant effects of declaring (opening) a bankruptcy are the following:

The bankrupt's assets (Section 44 of Bankruptcy Act)

The authority to dispose of the bankruptcy estate and the authority to act in the name and on behalf of the bankrupt in matters relating to the bankruptcy estate passes from the bankrupt to the trustee. Legal acts of the bankrupt performed during the bankruptcy proceedings that curtail the bankruptcy estate are not effective vis-à-vis the creditors.

Termination of contracts (Section 45 of Bankruptcy Act)

The Bankruptcy Act contains numerous provisions concerning the possibility to terminate contracts that the bankrupt concluded before declaring bankruptcy. For instance, if the bankrupt, prior to declaring bankruptcy, concluded a contract that provided an obligation for continuous or repeated activity(ies), the trustee may terminate the contract with two months' notice (unless applicable rules and regulations or the contract itself provide for a shorter notice period). The trustee may also terminate the contract if it was concluded for a definite period of time.

Maturity of obligations (Section 46 of Bankruptcy Act)

Undue claims or obligations of the bankrupt which arose before the opening of bankruptcy and which relate to the bankruptcy estate shall become due.

Status of pending proceedings and commencement of new proceedings (Sections 47 and 48 of Bankruptcy Act)

In general, court and other proceedings relating to the bankruptcy estate are suspended; such proceedings may be resumed only upon the petition of the trustee. Tax administration proceedings, customs administration proceedings, criminal proceedings and other specifically enumerated proceedings in the Bankruptcy Act are not suspended, however.

Court and other proceedings that relate to the bankruptcy estate may be commenced only upon the petition of the trustee, by filing a petition against the trustee or from the initiative of a relevant authority.

As regards the bankruptcy estate, compulsory enforcement proceedings may not be commenced and pending compulsory enforcement proceedings should be suspended.

Bankrupt's unilateral legal acts (Section 52 of Bankruptcy Act)

The bankrupt's unilateral legal acts that relate to the bankruptcy estate (for instance the bankrupt's instructions, authorizations or powers of attorneys) cease to exist.

Set-off (Section 54 of Bankruptcy Act)

It is not permitted to set off a bankrupt's claim that arose after the opening of bankruptcy against a claim against the bankrupt that arose prior to such date. Further, claims that have not been duly notified, claims that have been duly notified but have been transferred after the opening of

bankruptcy, and claims acquired on the basis of a voidable transaction may not be set off against a bankrupt's claim. No claim may be set off against a claim that arose from the liability for failing to file the petition for bankruptcy on behalf of the debtor. The set-off of other claims is not excluded, however.

13.5 Contesting of notified claims

If the trustee finds out that a notified claim is disputable (for instance, as regards the claim's legal grounds, amount or enforceability), the trustee is obligated to contest the claim to the extent in which the claim is disputable. The claim may also be contested by the creditor of a notified claim. The trustee or the creditor may do so only within 30 days after expiration of the 45-day period for the notification of claims by the creditors or within 30 days after the publication of the claim's registration in the list of claims in the Register of Bankrupt Entities if the claim was notified after the 45-day period for the notification of claims by the creditors. If there is a larger number of notified claims or due to another compelling reason, the court may, even repeatedly, extend the 30-day period by 30 more days at most. Upon expiration of these 30-day periods, claims should be deemed "recognized" to the extent they were not contested. The bankrupt may object a notified claim; however, such an objection is only registered in the list of claims and does not affect acknowledgement of the notified claim.

The creditor of a contested claim is allowed to file a petition with the court demanding the acknowledgement of the claim within 30 days after delivery of the trustee's notification of the claim's contest.

13.6 Voidable transactions

The trustee (and the creditors, provided that the trustee has not responded to their request to challenge a transaction within a reasonable period) are entitled, within one year after the opening of bankruptcy, to challenge certain transactions that relate to the bankrupt's assets and curtail the satisfaction of the notified claims.

Such voidable transactions include the following:

- (i) Transactions without appropriate consideration, provided that such transactions (i) caused the debtor's failure or were performed during the debtor's failure, and (ii) were performed (in general) within one year prior to the commencement of the bankruptcy proceedings. However, if the bankruptcy proceedings are opened as a result of imposing a sanction of forfeiture (confiscation) of property (in criminal proceedings), it is possible to challenge voidable transactions performed as part of the committed criminal offense, provided they were completed no more than five years before declaring bankruptcy.
- (ii) So-called advantageous transactions (whereby the debtor, for instance, secured its obligation only after the obligation arose, waived its right or released its debtor from its debt) provided that such transactions (i) caused the debtor's failure or were performed during the debtor's failure, and (ii) were performed (in general) within one year prior to the commencement of the bankruptcy proceedings. If the advantageous transaction is in favor of the debtor's affiliate person, it is possible to challenge voidable transactions performed within three years prior to the commencement of the bankruptcy proceedings. Finally, if the bankruptcy proceedings are opened as a result of imposing a sanction of forfeiture (confiscation) of property (in criminal proceedings), it is possible to challenge voidable transactions performed as part of the committed criminal offense, provided they were completed no more than five years before declaring bankruptcy.
- (iii) Transactions whereby the debtor intentionally curtailed the satisfaction of its creditors, if such intention was or must have been known to the other party, provided that such transactions were performed five years prior to the commencement of the bankruptcy proceedings.

However, if the bankruptcy proceedings are opened as a result of imposing a sanction of forfeiture (confiscation) of property (in criminal proceedings), it is possible to challenge voidable transactions performed as part of the committed criminal offense, provided they were completed no more than 10 years before declaring bankruptcy.

Voidable transactions are typically challenged by filing an action with the court against the person (i) with whom the debtor entered into the transaction; (ii) to the benefit of whom the debtor unilaterally made the transaction; or (iii) who directly profited from the transaction. If a claim is challenged successfully, the claim shall be legally ineffective vis-à-vis the creditors and the person who benefited from the challenged claim shall be, as a rule, obligated to reconstitute the benefits acquired due to the challenged claim to the bankruptcy estate.

14 Investment management

14.1 Legal framework

Investment management in the Slovak Republic is governed by Act No. 203/2011 Coll., on Collective Investment, as amended (ACI). The present legal framework for investment through investment companies in securities in the Slovak Republic requires the examination of the ACI and the Securities Act.

In addition, if the investment company is to be established by a bank, the provisions of the Banking Act will also apply. The Banking Act and the Foreign Exchange Act must also be satisfied in cases of a Slovak residing bank or a branch office of a foreign bank trading/offering investment management instruments (investment mutual funds).

14.2 Regulatory authorities

Under the provisions of the ACI, the activities of "resident" management companies and foreign management companies are supervised by the NBS.

14.3 Definitions of collective investment

"Collective investment" is defined (in Section 2(1) and (2) of the ACI) as a business activity involving accumulating financial funds and values appraisable in money from investors, with the objective of investing in compliance with the determined investment policy for the benefit of persons whose financial funds and values appraisable in money have been accumulated. If the financial funds and values appraisable in money are being accumulated from the public, the collective investment may be conducted only on the basis of the risk allocation principle. Collective investment may be conducted only through established domestic collective investment entities, or by the raising of funds and values appraisable in money through the offer of securities or property interest in foreign collective investment entities.

"Public offer" is defined as any notification, offer or recommendation for the accumulation of financial funds and values appraisable in money for the purpose of collective investment, made by a person for their own benefit, or the benefit of another party through any distribution channel.

"Distribution channels" for the purpose of the ACI are the following:

- (a) Press, radio broadcasting and television broadcasting
- (b) Circulars, brochures or other papers and records on permanent media if intended for the public or if intended for addressees not specified in advance
- (c) The internet, and other electronic communication or information systems accessible to the public
- (d) Unsolicited personal contact of non-professional investors.

14.4 Management company, foreign management company and foreign collective investment entity

Collective investment in the Slovak Republic can be performed by domestic collective investment entities and foreign collective investment entities.

Domestic collective investment entities are (i) mutual funds (in the Slovak language: podielové fondy) created as standard or special funds, (ii) an investment fund with variable registered capital (in the Slovak language: investičný fond s premenlivým základným imanom) created as a standard or special

fund, and (iii) other domestic collective investment entities that have a legal personality, which are either companies or co-operatives with a seat in the territory of the Slovak Republic accumulating financial funds and values appraisable in money from multiple investors, with the objective to invest them in line with the determined investment policy for the benefit of those investors. Domestic mutual funds (in the Slovak language: podielové fondy) are managed by the Slovak resident management companies.¹⁷

The collective investment may be also conducted by (i) foreign collective investment entities¹⁸ and (ii) foreign management companies¹⁹ in accordance with the provisions of the ACI. The so-called "European passport" allows EU licensed funds/investment companies from outside of the Slovak Republic to participate in collective investment in the Slovak Republic.

¹⁷ "A management company" is a joint stock company registered in the Slovak Republic for business purposes, whose scope of business activities is the establishment and administration of standard funds or European standard funds (in the Slovak language: štandardné fondy a európske štandardné fondy) or alternative investment funds and foreign alternative investment funds in accordance with the license granted by the NBS. Management companies are registered in the Commercial Register in accordance with the Slovak Commercial Code and the Act on Commercial Register.

¹⁸ "A foreign collective investment entity" (in the Slovak language: zahraničný subjekt kolektívneho investovania) is (i) a foreign mutual fund (zahraničný podielový fond); (ii) foreign investment fund (zahraničný investičný fond); and (iii) foreign collective investment entity other than under (i) and (ii) whose scope of business activities is collective investment.

¹⁹ "A foreign management company" is a legal entity with its registered seat outside the Slovak Republic's territory that holds a license for the establishment and administration of collective investment entities issued by the relevant authority of the state in which such company has its registered seat.

15 Register of Public Sector Partners

In order to increase the transparency of public spending, effective as of 1 February 2017 a new Register of Public Sector Partners ("**Register**") was established under Act No. 315/2016 Coll. on Register of Public Sector Partners and on Amendment to and Supplementation of Certain Acts.

In general, any individual or legal entity receiving funds, assets or other property rights from public resources, including EU funds, must be registered in the Register. The registration requirement also applies, under certain circumstances, to persons that directly or indirectly supply goods and services to such individuals or legal entities or acquire property or property rights from such individuals or legal entities. The act includes exemptions for low-value transactions. Public sector partners do not include, among other things, a person who should receive one-time funding not exceeding the amount of EUR 100,000 or, in the case of repetitive performance, funding not exceeding the amount of EUR 250,000, in the aggregate.

The Register is publicly available and contains data concerning the ultimate beneficial owners of public sector partners. An ultimate beneficial owner is an individual who effectively controls a person doing business with the state and any individual in favor of whom such an entity does business or trades. If this cannot be determined, ultimate beneficial owners are considered a statutory body, or a member of the statutory body.

The registration procedure may only be initiated by an authorized person. The authorized persons may include the following persons based in the Slovak Republic: attorneys-at-law, notaries, banks, auditors and tax advisers.

Noncompliance with the obligations under the act will result in severe sanctions. For example, if a public sector partner provides false data regarding the beneficial owner in their application for registration, or fails to meet their obligation to apply for registration of changes to the data concerning the beneficial owner, the court will impose a fine in the amount of economic benefit obtained by the public sector partner. If this cannot be determined, the fine will range from EUR 10,000 up to EUR 1 million. The fines imposed on the statutory bodies of companies may be up to EUR 100,000 and on beneficial owners up to EUR 10,000.

16 Electronic mailboxes

On 1 July 2017, electronic mailboxes were activated automatically for all legal entities and branches registered in the Commercial Register under Act No. 305/2013 Coll. on Exercising Powers of Public Authorities via Electronic Means and on Amendment to and Supplementation of Certain Acts (The E-Government Act), as amended. It means that, as of 1 July 2017, almost all decisions, opinions, notifications and similar documents are delivered by public authorities in electronic form to electronic mailboxes.

In the case of delivery of a document to an electronic mailbox, the document will be considered legally served even without the recipient actually opening the document and reading its content. Therefore, it is vital that all legal entities are able to access their electronic mailbox and regularly check delivered documents.

It is possible to access electronic mailboxes in particular by use of either a Slovak identity card or residence card (held by a foreign citizen) that contains an electronic chip with a personal security code, or by use of an alternative authentication card.

A director in a limited liability company, members of the board of directors in a joint stock company or a director of a branch ("**Director**") must be a holder of such a card. Otherwise, the Director must apply for it at a competent department of the police force or the immigration police.

Electronic mailboxes may also be accessed by a person authorized by the Director, provided the authorized person holds a card with an electronic chip with a personal security code.

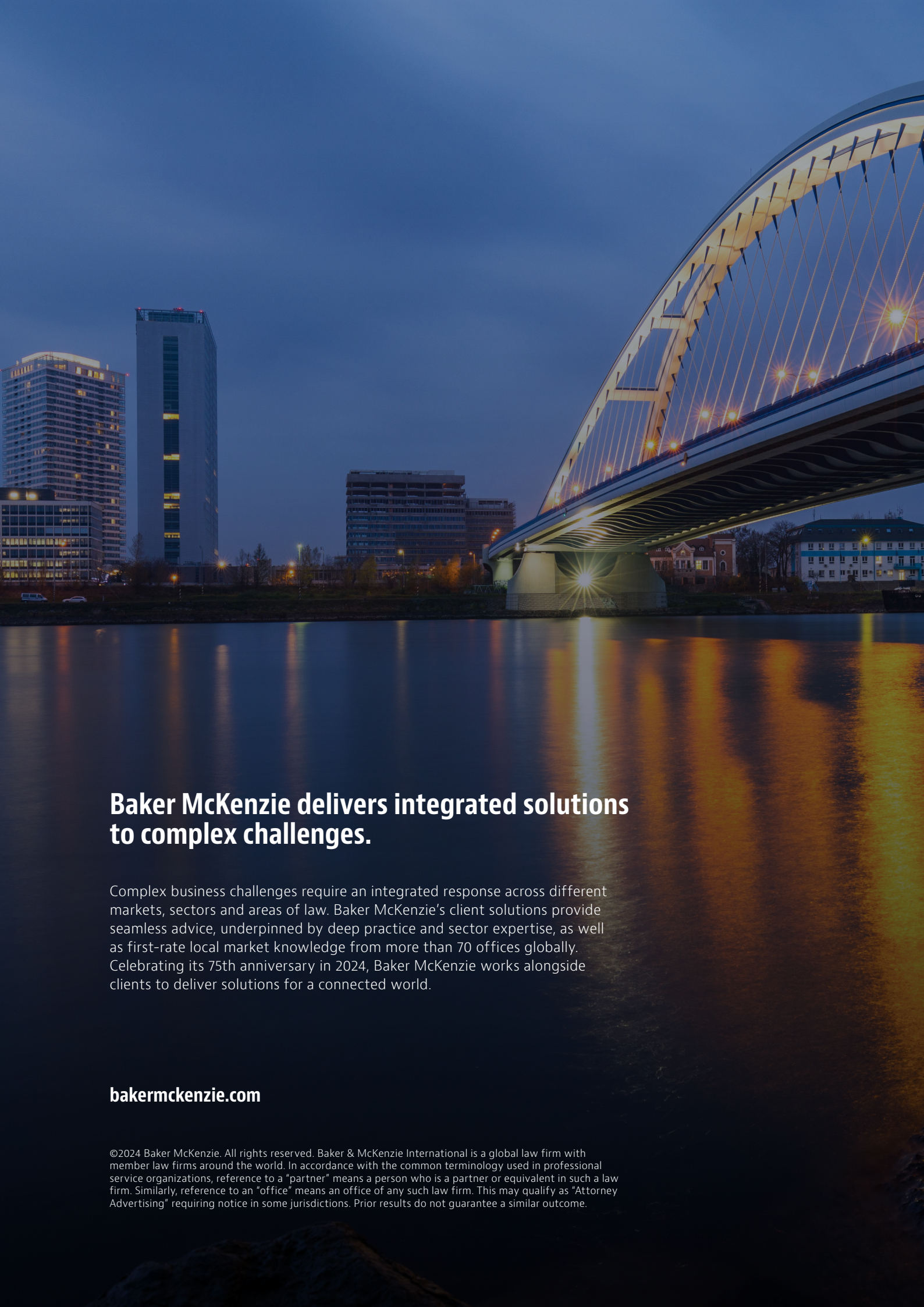
In practice, it is recommended that a legal entity whose Director is a foreign citizen who is not registered with the authorities for the purposes of residence in the Slovak Republic should authorize a representative who will have access to the electronic mailbox of the respective legal entity.

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