



Crowe



CEE Attorneys

Smart decisions. Lasting value.

Relocation of business from Ukraine to Slovakia

Crowe Slovakia & CEE Attorneys

March 2022

Introduction of Crowe Slovakia and CEE Attorneys

Crowe Global Network

- 8th** Largest global accounting & consulting network
- 765** Offices
- 146** Countries
- 4.4b** US\$ Global Revenue



Crowe Slovakia

We deliver comprehensive business support services
through three specialist brands



Our services



ACCOUNTING



TAX ADVISORY



AUDIT



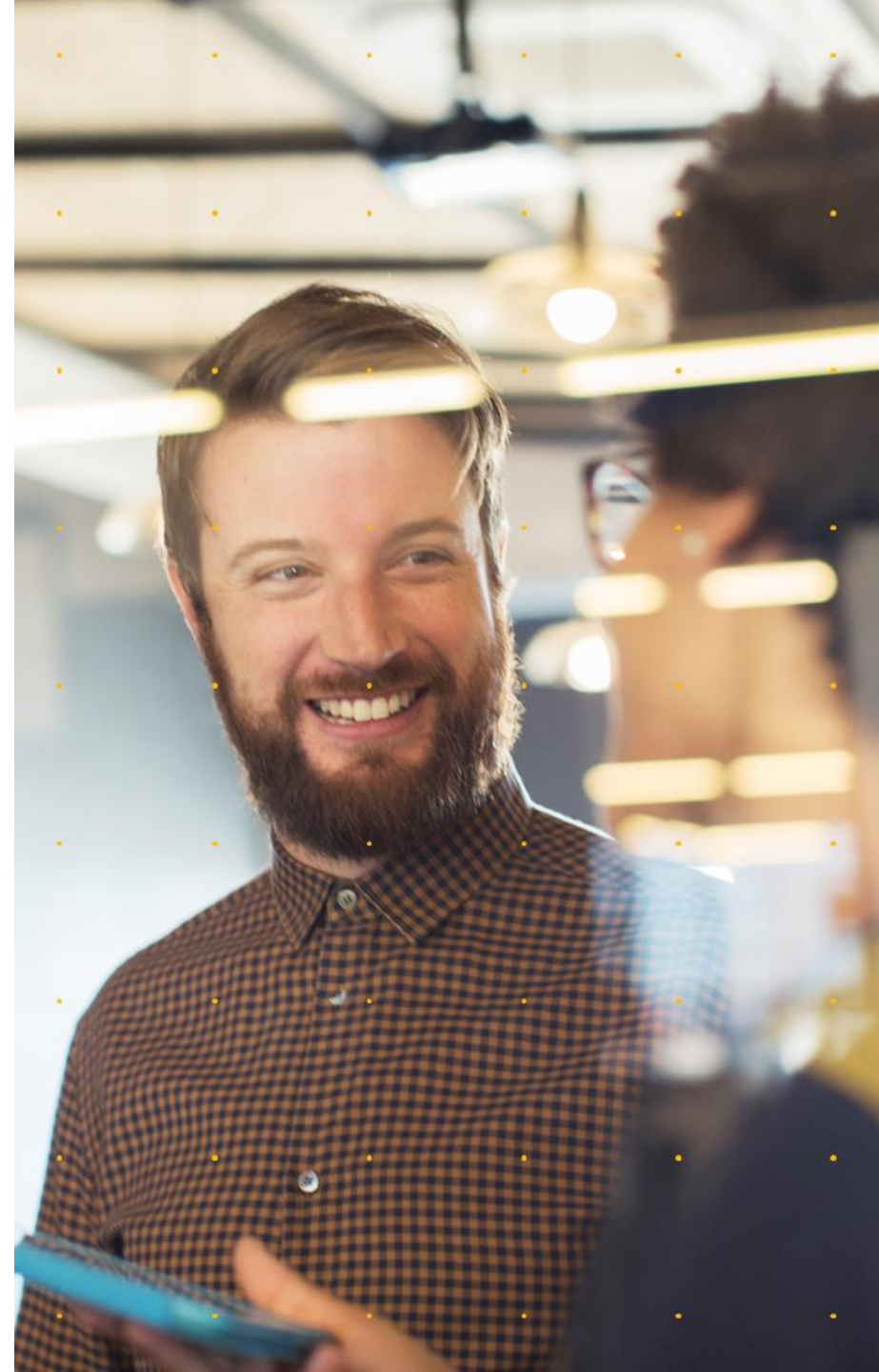
CONSULTING



HR & PAYROLL



LEGAL ADVISORY



Accounting outsourcing



- Financial Accounting
- IFRS reporting
- Financial analysis and planning
- Business plans with accounting implications
- Analysis and optimization of financial and accounting processes

We offer accounting services for every volume of business, tailored to client's specific needs.



**Andrea
Hrebeňáková**

Accounting Manager,
CROWE

Tax advisory



- Tax due diligence
- Tax compliance
- Tax proceedings
- Transfer pricing
- Advise on tax declaration and tax structure

We proactively enable clients to optimize tax compliance, both in the local and international context.



**Zuzana
Melicheríková**

**Tax Manager,
Licensed Tax adviser
CROWE**

Audit and assurance services



- Audits
- Financial due diligence
- SOX audits
- M&A
- IFRS advisory

**We provide valuable information to help clients
to secure and develop their business.**



**Lenka
Dvořáková**

**Audit Manager,
Licensed Auditor and Tax adviser
CROWE**

HR & payroll outsourcing



- Payroll outsourcing
- Personnel outsourcing
- Registration of employees
- Calculation of payroll, social security contributions and taxes

We provide modern and safe HR & payroll services, helping clients adapt to an everchanging environment.



**Janka
Mrenová**

**Head of Payroll in Slovakia
CONTRACT ADMINISTRATION**

Selected clients



Selected clients





We focus on the future
by helping your business to create it

16
countries

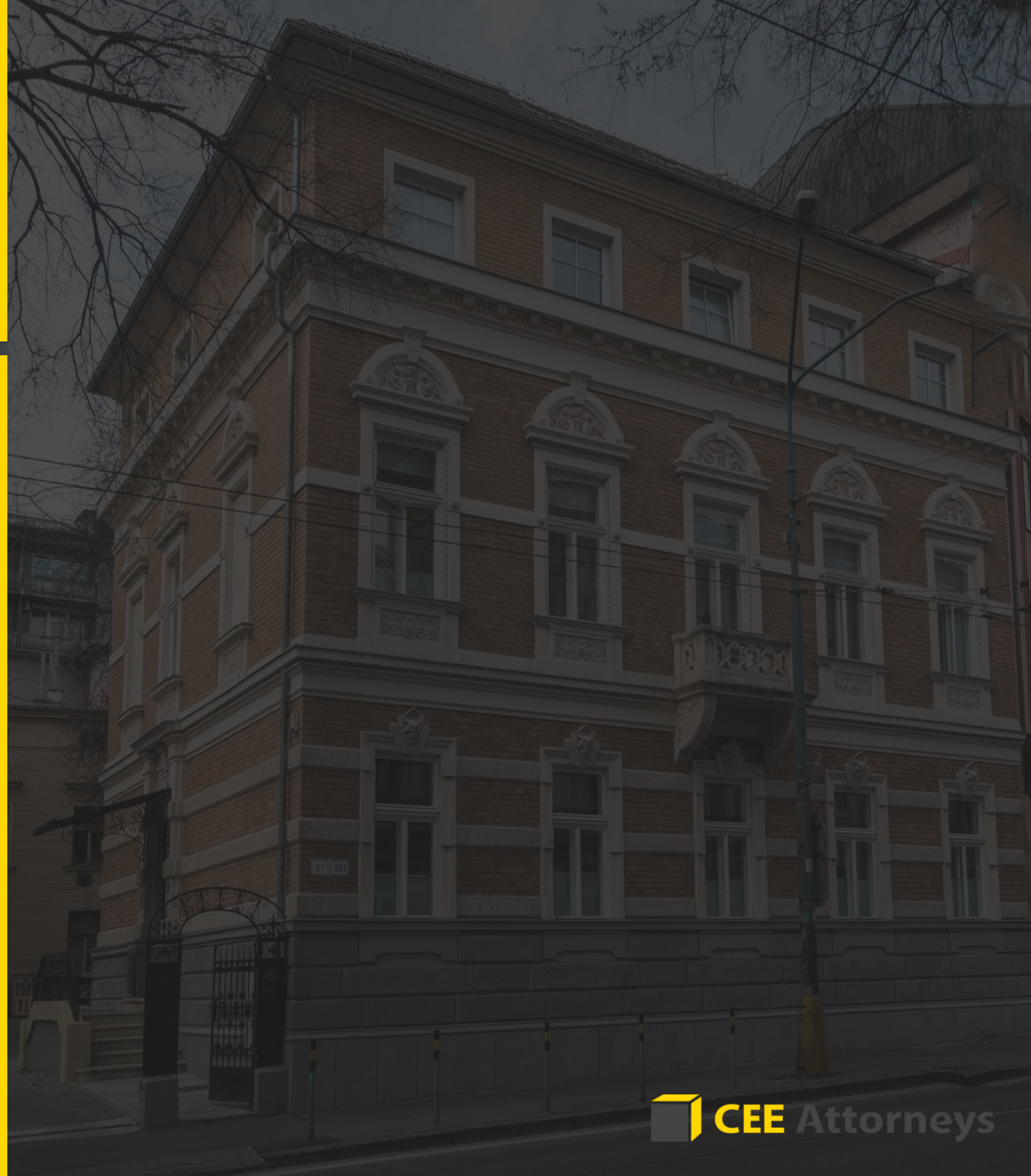
More than
200
professionals
worldwide

12
countries in
Europe

More than
160
professionals
in Europe

19
partners

9
areas of
practice



CEE Attorneys is an international law firm with almost 160 professionals in 9 offices across Central and Eastern Europe, currently represented in Bulgaria, Croatia, Czechia, Hungary, Latvia, Lithuania, Poland, Romania and Slovakia. We also closely cooperate with partners' offices in China, Denmark, Germany, India, Japan, Switzerland and Ukraine.

All CEE Attorneys offices have a professional liability insurance of at least EUR 2,500.000.

The top management body of CEE Attorneys is the Board of Directors, which consists of two CEE Attorneys board directors. Zdeněk Tomíček, founding partner of CEE Attorneys and BD & Expansion Director, is responsible for expanding full-scale legal services in the Central and Eastern Europe as well as other countries that are of high interest for the CEE Attorneys clients. Michal Martinák, managing partner of Slovakian CEE Attorneys Office and CEO is the second member of the Board of Directors and is responsible for marketing strategy implementation and its coordination between respective offices, public relations as well as social media.

The new identity of CEE Attorneys defined the need for a new slogan to embody our philosophy and attitude towards the client: **WE FOCUS ON THE FUTURE by helping your business to create it.**

OUR CLIENTS



OUR CLIENTS



Doing business in Slovakia

Types of Companies

According to Act No. 513/1991 Coll. the Commercial Code as amended (hereinafter referred to as “**Commercial Code**”) there are five types of companies in Slovakia:

Legal entity form	General partnership	Limited partnership	Limited liability company	Simple joint stock company	Joint stock company
Foreign capital	N/A	N/A	Fully allowed up to 100%	Fully allowed up to 100%	Allowed up to 100%, except for specific activities
Minimum share capital	Not required	Only limited partner at least 250 EUR	5,000 EUR in total 750 EUR per shareholder	1 EUR	25,000 EUR
Number and type of shareholders	At least two unlimited shareholders	At least two shareholders (one unlimited and one limited)	1 – 50 natural person(s) or legal entities	At least 1 natural person or legal entity	At least 1 legal entity or at least 2 natural persons
Administration	Double entry bookkeeping	Double entry bookkeeping	Double entry bookkeeping	Double entry bookkeeping	Double entry bookkeeping

Limited liability company / Branch office

Limited liability company:

- Separate entity
- Property is separate from the parent company (in the event of insolvency, the parent company may not be affected by the insolvency).
- Registration with the tax office in the Slovak Republic.
- Procedure for setting up and winding up the company follows strict legal rules.

Branch office:

- It is not a separate entity, it is directly linked to the parent founding company (all contracts are concluded in the name of the parent company, which is directly responsible for their execution). However, from a tax point of view, the organisational unit is treated as a Slovak tax resident.
- Property is linked to the parent company (in the event of insolvency, insolvency is declared directly on the parent company).
- Procedure for setting up and winding up the branch is quite simple.

Setting up a limited liability company

Essential steps to set up a limited liability company

- 0 Choosing a business name, seat, statutory body
- 1 Preparation of incorporation documents
- 2 Obtaining a trade licence (if necessary)
- 3 Contributions to share capital by shareholders
- 4 Registration in the Commercial Register
- 5 Registration at the tax office
- 6 Activation of the electronic mailbox established by the state for all legal entities

Setting up a branch office

Essential steps to set up a branch office

- 0 Choosing a seat, the head of the branch office
- 1 Resolution on establishment of the branch office
- 2 Obtaining a trade licence (if necessary)
- 3 Obtaining all necessary documents
- 4 Registration in the Commercial Register
- 5 Registration at the tax office
- 6 Activation of the electronic mailbox established by the state for all legal entities

Time & Costs

Limited liability company:

- The registration fee is also 150 EUR and the costs for officially certifying signatures would probably be about 15-25 EUR.
- Legal assistance with preparation of all necessary documents may vary depending on your requests, but a rough estimate would be around 500 EUR up to 2000 EUR.
- The process usually takes a couple of weeks but may be longer depending on the situation.

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Trade licence

- A foreigner - a third-country national can do business in Slovakia under the same conditions and to the same extent as a citizen of the Slovak Republic.
- If such a foreigner wants to operate a trade in Slovakia, he/she **must obtain a trade licence**, just like a citizen of the Slovak Republic. However, the mere acquisition of a trade licence does not always allow a foreigner to automatically start a legal business in Slovakia.

Right to do business by type of residence

- **Persons with temporary residence permits:** In general, temporary residence is tied to one specific purpose. If a foreigner wishes to carry out an activity other than the one for which he or she was granted temporary residence, he or she must submit a new application for temporary residence. There are certain exceptions to this rule (for business purposes, for study purposes, for the purpose of family reunification).
- **Permanent residents:** A foreigner with permanent residence in Slovakia is considered a Slovak natural person. This means that he/she may do business as a natural person - a sole trader as soon as he/she obtains a trade licence or as a natural person on the basis of a licence other than a trade licence pursuant to special regulations. He/she may also become a statutory body of a commercial company.

Right to do business by type of residence

- **Tolerated stay:** If the foreigner has been granted tolerated stay or if he/she is staying in Slovakia under the residence regime, he/she may not engage in business.
- **Subsidiary protection and asylum:** A foreigner who has been granted international protection in the form of subsidiary protection or asylum in Slovakia has also been granted temporary or permanent residence. An asylum seeker with permanent residence may run a business as a Slovak natural person. A foreigner granted subsidiary protection may do business as a foreign person.
- **Asylum seekers:** An asylum seeker may not run a business during the asylum procedure. This does not apply if he/she has been granted temporary residence or permanent residence in Slovakia.

Obtaining a trade licence

Documents needed:

- **a criminal record extract;**
- **authorisation to use the real estate** which is indicated as a place of business on the form;
- **proof of the professional competence** or competence of the responsible representative to operate the trade. This applies only when declaring a craft or tied trade.
- **proof of payment** of the administrative fee for the issue of the trade licence certificate.



The general conditions for operating a trade include:

- age of 18 years,
- legal capacity,
- integrity.

Opening of a bank account

To open a business bank account the following is needed:

- ➔ valid ID cards of the persons present and authorized to act on behalf of the company (power of attorneys with authorised signatures are accepted),
- ➔ other documents according to the legal form in which you do business (usually Extract from the Commercial Register).
- ! Some banks require proof of economic purpose (e.g. contracts with customers based in Slovakia).

Money and banking services

- ➔ Hryvnia (UAH) can be exchanged for euro (EUR) in exchange offices in larger cities. We recommend checking the exchange rate and exchange fees in advance.
- ➔ Among banks, only Tatrabanka offers exchange of hryvnia (UAH) for euros (EUR), with the limit of 250 euros per day per person. Currently this service is offered only in Bratislava at the Tatrabanka branch on Hodžovo Square. Exchange near the hotspots in Michalovce and Humenne is planned in the near future.
- ➔ More info here: https://docs.google.com/document/d/1PshSqKPYxQFK1T_-qgpa9-xZTjBsC0aDIUKCH6HpQ6Q/edit (also in Ukrainian language)

Slovak Tax System

The Slovak tax system comprises of the following taxes:

Direct taxes:

- **Income taxes** – Act No. 595/2003 Coll. on income taxes as amended
 - *Corporate income tax (CIT);*
 - *Personal income tax (PIT);*
- **Local taxes** – Real estate tax, Motor vehicle tax and other municipal taxes

Double Tax Treaty with Ukraine No. 173/1997, application of MLI

Indirect taxes:

- **Value added tax (VAT)** – Act No. 222/2004 Coll. on VAT as amended
- **Excise duties**
 - *Excise duty on Mineral Oil;*
 - *Excise duty on Alcoholic Beverages;*
 - *Excise duty on Tobacco Products;*
 - *Excise duty on Electricity, Coal and Natural Gas;*

Corporate Income Tax (CIT):

Tax rate	15% - turnover not exceeding EUR 49,790 21% - turnover exceeding EUR 49,790
Tax period	Calendar year or Financial year
Minimum value of tax	No

Corporate Income Tax (CIT):

Deadline for submission of the return and payment of tax

- **Up to three calendar months** following the last day of the tax period (general deadline for submission of the tax return and for payment of the tax due)

Extended deadline:

- As per **Announcement** submitted within the general deadline at respective tax office legal entity can extend the deadline up to additional **three** or **six** months following the general deadline.

Tax advances

- **Monthly tax advances** shall be paid by taxable party, whom tax due for previous tax period **exceeded 16,600 EUR**;
- **Quarterly tax advances** shall be paid by taxable party, whom tax due for previous tax period **exceeded 5,000 EUR, but did not exceed 16,600 EUR**;

Corporate Income Tax (CIT):

Tax losses utilization

For tax **periods** starting on **1 January 2020** or later, legal entity generating **turnover higher than EUR 49,790** over maximum of **five tax periods, maximum of 50%** of the new tax base per year

Dividends taxation

2004 – 2016 profits after taxation paid out to shareholders (natural persons or legal entities **are not subject to tax**, natural persons with compulsory health insurance in Slovakia shall pay health insurance at rate of 14%)

2017 and later profits after taxation paid out to jurisdiction **without DTT shall be levied at source using withholding taxation at rate of 35%**. Please note that Slovakia has valid DTT with Ukraine concluded in 1997.

2017 and later profits after taxation paid out to Slovak non-residents (Ukrainian **natural persons** - shareholders) will be subject to **withholding tax at rate of 7%**.

Corporate Income Tax (CIT):

Thin capitalization rules

Interests and other related expenses to loans from a related party **exceeding 25% of EBITDA shall be tax non-deductible.**

Selected tax non-deductible costs

- Impairment to inventories and fixed assets;
- Entertainment expenses (food and beverages);
- Unpaid rent of tangible and intangible assets;
- Provisions for bonuses, audit, tax compliance;
- Unpaid legal and advisory fees (accounting, payroll);
- Gifts;
- Temporary difference between accounting and tax depreciations;

Selected items decreasing tax base

Release of provisions for bonuses, audit, tax compliance

BEPS implementation

Transfer pricing (OECD rules are applied)

Large entities performing cross-border transactions (e. g. presenting under IFRS, transactions over mil. EUR 10) - three-tier approach (Masterfile, Local file, CbC Reporting)

Other entities performing related transactions (domestic and cross-border) - narrowed extent, however **arm's length principle needs to be documented.**

Exit taxation (21%)

When **transferring** abroad from Slovakia:

- **assets;**
- **tax residency;**
- **business activity** (fully or partially).

General Anti-Abuse rules (GAAR)

Artificial arrangements are in general ignored (Substance over Form rule is applied)

CFC (Controlled Foreign Corporation) Rules

Re-attributing the income of a low-taxed controlled subsidiary to its parent company. This means any income that has been artificially diverted to the foreign subsidiary will be taxed in Slovakia.

BEPS implementation 2

Hybrid
mismatches

Prevention of **double exemption of expenses**

Mandatory reporting
(DAC 6)

Mandatory **reporting** of **cross-border arrangements** if there is a reasonable expectation to obtain a tax advantage

Latest Tax Development

Patent box – exemption of income up to 50%

Since 1st of January 2018, tax regime called “**Patent box**” provides a tax exemption on income from considerations for granting a right to use, or for using of protected patents, utility models, or software (IP) resulting from the taxpayer’s own development activities in Slovakia, **up to 50% of such income**. The tax exemption applies to tax periods, in which the taxpayer amortizes costs for development of the intangible assets. The tax exemption applies also to sale of products manufactured from protected patent or a utility model created by the taxpayer in Slovakia.

Repatriation exemption of 10%

Since 1st of January 2018 repatriation exemption for legal entities shall be applied under following conditions:

- **direct share at least 10%;**
- **continuous holding of shares for at least 24 calendar months; and**
- **performance of substantial functions, decision-making powers, personal and material equipment in the territory of Slovakia.**

Super deduction of research and development costs 100%

Since 1st of January 2020 super deduction of research and development costs from tax base shall be of **100%**.

Personal Income Tax (PIT):

Tax rate

Progressive taxation at:

- **19%** of the part of tax base, which does not exceed EUR 37,981.94, plus
- **25%** of the part of tax base, which exceeds EUR 38,553.01,

Tax period

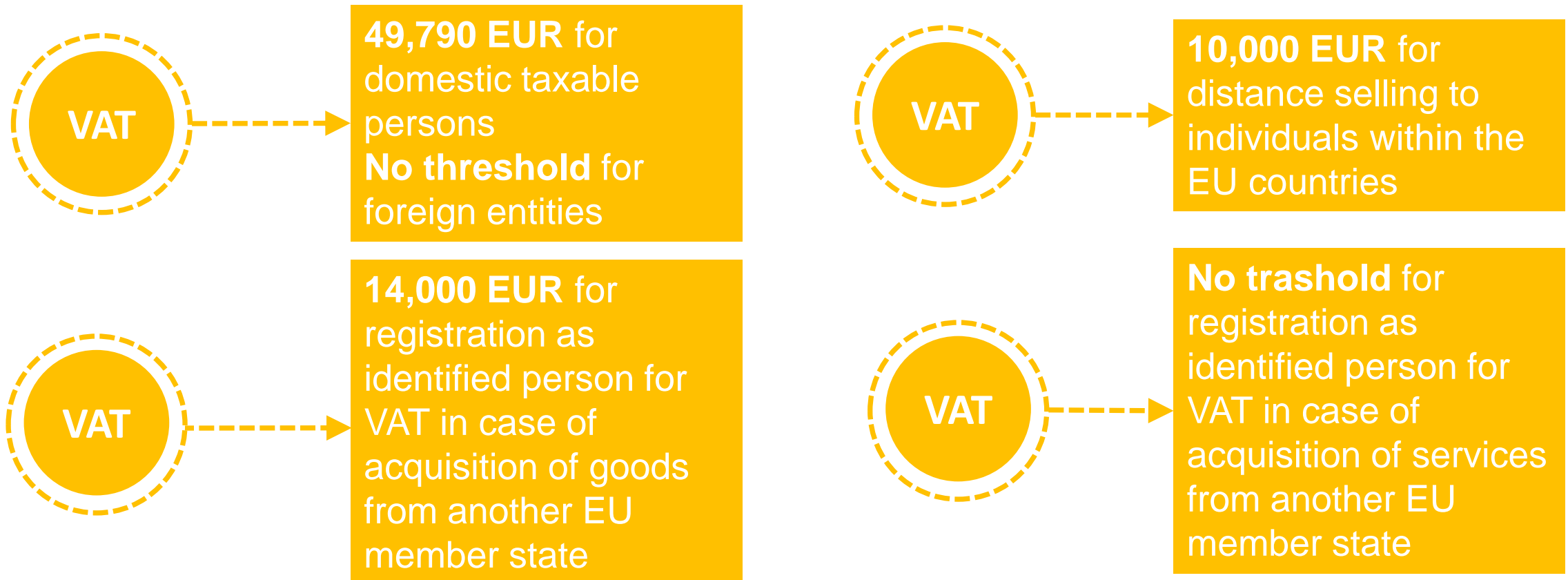
Calendar year

Minimum monthly wage based on employment contract

Between **EUR 646 – EUR 1,226** (based on difficulty of job), it means between **EUR 3.713 – EUR 7,05 per hour**

Value Added Tax (VAT) – general information

Registration thresholds



Value Added Tax (VAT)

VAT rate

- **20 % - Basic tax rate**
- **10 % - Reduced tax rate** applies mainly to pharmaceutical products, certain medical aids and printed material and basic foods (books, certain types of magazines, etc.)

Special rules for call of stock

YES

Mandatory representative for foreign companies

NO

VAT grouping

YES

VAT period

Calendar month / Under certain condition calendar quarter

VAT statements of VAT payers (domestic or foreign entities)



❖ **deadline** for submission and the payment **25th day of month** after the end of reporting period.

❖ **deadline** for submission **25th day of month** after the end of reporting period;
VAT ledger serves to monitor all taxable and deductible supplies between VAT payers, in order to eliminate tax frauds on VAT.

❖ **deadline** for submission **25th day of month** after the end of reporting period.

Employment in Slovakia

The right to work in Slovakia

- The situation with regard to war refugees from Ukraine and their employment is to be facilitated by the newly adopted status of temporary refugee, which was approved by the Government of the Slovak Republic at an extraordinary online meeting on 28 February 2022.
- According to the Asylum Act, persons fleeing war are granted temporary refugee upon application, on the basis of which they will receive a document of tolerated residence with a refugee designation. **This gives employers the opportunity to employ the refugee without an employment permit.**
- Employers can thus employ expatriates from Ukraine on a labour contract or by agreement.

The right to work in Slovakia

- Temporary refuge applies to Ukrainian nationals and their non-Ukrainian relatives:
 - ❖ to the spouse of a Ukrainian citizen,
 - ❖ for a minor child of a citizen of Ukraine or a minor child of the spouse of a citizen of Ukraine,
 - ❖ to the parent of a minor child who is a citizen of Ukraine.

Request for temporary asylum:

- If the alien has documents (travel, identification or other document, e.g. birth certificates of children), it is necessary to bring them, temporary refugee status will be provided immediately.
- If the alien does not have the documents, it is necessary to apply for temporary refugee status at the Asylum Department in Humenné. A decision on temporary refugee will be made within about 30 days.

Temporary refugee status

Where to apply for it:

- Vyšné Nemecké border crossing, Ubl'a border crossing, Veľké Slemence border crossing
- in large-capacity centers in Humenné, Michalovce, Bratislava
- at any alien police department
- if the alien does not have the documents, he / she will be provided at the asylum department in Humenné.
- if the refugees already have accommodation, it is necessary to report to the locally relevant department of the Aliens Police.

All foreign police workplaces operate 24/7.

From 09.03.2022 an online service is available for the registration of temporary asylum

Temporary refugee status

If the foreigner has already secured accommodation, it is necessary to provide one of the following documents when applying for temporary refugee:

- a declaration of all property owners on the provision of accommodation or
- a lease agreement concluded with the owner (s) of the property.

After being granted temporary refuge, aliens will receive a paper document in A4 format entitled CERTIFICATE OF GRANTED TOLERATED RESIDENCE IN THE TERRITORY SLOVAK REPUBLIC.

It is possible to work on the territory of the Slovak Republic with the granted temporary refugee status.

Temporary refuge does not entitle a foreigner to a business.

The employer has the obligation to provide the relevant labor office with the data on employment on the prescribed form (**information card**) according to the place of work, no later than within seven working days from the date of commencement of employment.

How can we help?

Setting up a business in Slovakia by a company from Ukraine - the scope of support

- Opening a company or a branch
- Registration for tax purposes
- Opening a bank account
- Advisory on choosing an optimal form of conducting business activity
- Advisory on choosing the optimal form of taxation
- Establishment of an electronic signature
- Registration in the Central Register of Beneficial Owners (CRBR)

Starting a business in Slovakia - scope of support:

- Employment of employees - preparation of employment contracts / cooperation contracts
- Registration of the company and employees for social insurance, health insurance
- Accounting services
- Tax advisory
- HR & Payroll services
- Corporate secretarial services
- Compliance
- GDPR compliance



Contact details



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