



Slovak Republic

Prepared by Lex Mundi member firm,
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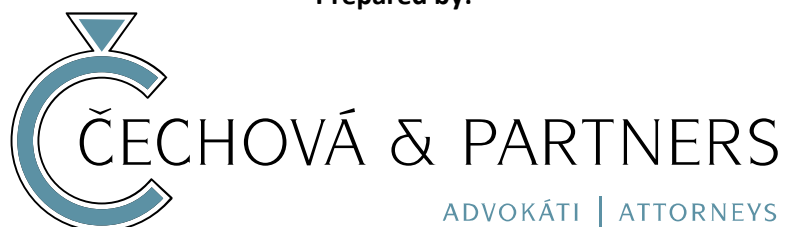
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GUIDE TO DOING BUSINESS IN THE SLOVAK REPUBLIC

Prepared by:



This guide is designed to provide basic information on legal aspects of business climate in the Slovak Republic. It is not completely exhaustive and shall not be regarded as legal advice. The information contained herein is accurate as of 31 December 2016 unless otherwise stated herein and is subject to change without notice.

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Contents

1. The Country at a Glance	6
1.1. What languages are spoken?.....	6
1.2. What is the exchange rate for the U.S. dollar, the Euro?	6
1.3. Describe your country’s geography, proximity to other countries and climate.	6
1.4. Are there cultural influences or prohibitions on the way business is conducted?.....	7
1.5. Are there religious influences or prohibitions on the way business is conducted?.....	7
1.6. Explain your country’s infrastructure. Be sure to explain which cities have airports,.....	7
1.7. Explain the communication system.....	7
1.8. Describe the public services – i.e. water, electricity, gas. Are they publicly or privately owned?	7
2. General Considerations	7
2.1. Investment policies.....	7
2.1.1. Does the country generally welcome investment? Are there governmental or private.....	7
2.1.2. What is the rate of inflation?	7
2.1.3. Explain any sector exceptions, incentives or restrictions on foreign investment?	7
2.1.4. Describe de facto restrictions on investment, if any, such as bureaucratic discretion.	7
2.1.5. What are the sizes of the different markets?.....	7
2.1.6. What types of businesses are conducted in the country?	8
2.2. Diplomatic Relations	8
2.2.1. Explain any established diplomatic relations your country may have.....	8
2.2.2. Give addresses, and contact information for the embassies or consulates in your country.	8
2.2.3. Are there prohibitions or restrictions on certain business dealings with the country?.....	8
2.2.4. Explain any travel restrictions to or within the country?	8
2.3. Government	8
2.3.1. Explain your country’s election system and schedule. Is there an anticipated change in the present government?	8
2.3.2. Is the present government stable? Briefly explain your country’s political history in the last decade.....	9
2.3.3. Explain your country’s judicial system. Be sure to answer the following questions:.....	9
2.3.4. Explain your country’s legislative system	9
2.4. Environmental Considerations.....	10
2.4.1. What is the public/government attitude toward environmental regulation?.....	10
2.4.2. Explain any environmental regulations.	10
2.5. Intellectual Property	11
2.5.1. Describe the law for the protection of intellectual property, including trademarks, copyrights, patents and know-how.	11
2.5.2. Does the country subscribe to international treaties? Describe.....	14
2.5.3. Are there substantive prior approvals by national investment boards?.....	14
2.5.4. What are the notarization requirements?	14
2.5.5. Are there regulatory guidelines for licenses?	14

2.5.6.	Are there specific exceptions or requirements relation to a particular product(s)?.....	14
2.5.7.	When are royalties from licenses deemed to be excessive?	14
2.5.8.	Do local antitrust or competition laws apply to licenses?.....	14
2.5.9.	What typical agreements do foreign corporations enter into with their wholly owned subsidiaries?	14
3.	Investment Incentives	14
3.1.	Explain any export incentives or guarantees. Be sure to answer the following questions:.....	14
3.2.	Explain any grants, subsidies or funds your country offers foreign investors. Be sure to answer the following questions:	15
3.3.	Explain any national tax incentives for foreign investors. Be sure to answer the following questions:.....	16
3.4.	Explain any regional tax incentives open to foreign investors. Be sure to answer the following questions:	17
4.	Financial Facilities	17
4.1.	Banking/Financial Facilities	17
5.	Exchange Controls	18
5.1.	Business Transactions with Nationals, Residents or Non-Residents	18
5.2.	Investment Controls	19
5.3.	Money Transfer	19
6.	Import/Export Regulations.....	20
6.1.	Customs Regulations.....	20
6.2.	Exports.....	21
6.3.	Foreign Trade Regulations	21
6.4.	Imports	21
6.5.	Manufacturing Requirements.....	21
6.6.	Product Labelling	22
7.	Structures for Doing Business	22
7.1.	Governmental Participation.....	22
7.1.1.	Will the government seek to participate in the ownership or operation of the entity (e.g. depending on the type of activity involved)?	22
7.1.2.	If so, to what extent?	23
7.1.3.	What is the investor's potential liability to partners, investors or others?	23
7.1.4.	Are there restrictions on capitalization?.....	23
7.1.5.	What are the investor's tax consequences?	23
7.2.	Joint Ventures	23
7.3.	Limited Liability Companies.....	23
7.4.	Joint Stock Companies.....	24
7.5.	Cooperatives	25
7.6.	Liability Companies, Unlimited.....	25
7.7.	Partnerships, General or Limited	26
7.8.	Partnerships, Undisclosed	26
7.9.	Sole Proprietorships	27
7.10.	Subsidiaries/Branches/Representative Offices	27
7.11.	Trusts and other Fiduciary Entities.....	28
8.	Requirements For The Establishment Of A Business.....	29
8.1.	Alien Business Law	29
8.2.	Antitrust Laws	29
8.3.	Environmental Regulations	30
8.4.	Government Approvals.....	31
8.5.	Insurance.....	31

8.6.	Licenses/Permits	32
8.6.1.	Trade License	32
8.6.2.	Work Permit	33
9.	Operation of the Business	33
9.1.	Advertising	33
9.2.	Attorneys	34
9.3.	Bookkeeping Requirements	34
9.4.	Business Ethics/Codes	34
9.5.	Consumer Protection Laws	35
9.6.	Construction	35
9.7.	Contracts	36
9.8.	Price Controls	36
9.9.	Product Registration	36
9.10.	Reductions or Return on Capital	36
9.11.	Sale of Goods	36
9.12.	Trade Associations	37
10.	Cessation Or Termination Of Business	37
10.1.	Termination	37
10.2.	Insolvency/Bankruptcy	38
11.	Labour Legislation, Relation, And Supply	38
11.1.	Employer/Employee Relations	38
11.2.	Employment Regulations	39
11.3.	Hiring and Firing Requirements	40
11.3.1.	Termination Agreement	41
11.3.2.	Termination Notice	42
11.3.3.	Immediate Termination of Employment	43
11.3.4.	Termination by Expiry of Employment Contract	43
11.3.5.	Termination of Employment during the Probationary Period	44
11.3.6.	Collective Redundancies	44
11.3.7.	Continuing obligation towards dismissed employees	44
11.4.	Labour Availability	44
11.5.	Labour Permits	44
11.6.	Safety Standards	44
11.7.	Unions	45
12.	Tax on Corporations	46
12.1.	Allowances	46
12.1.1.	Tax licenses	46
12.1.2.	Depreciation of tangible and intangible assets	46
12.2.	Calculation of Taxes	47
12.3.	Capital Gains	48
12.4.	Filing and Payment Requirements	48
12.5.	Miscellaneous Taxes Due	48
12.6.	Registration Duties	48
12.7.	Sales Tax or other Turnover Tax	49
12.8.	Social Security and Welfare System Contributions	49
12.9.	Special Tax Schemes	50
12.10.	Tax on Profits	51
12.11.	Tax Treaties	51
12.12.	Territoriality Rules	51
12.13.	Treatment of Tax Losses	51
12.14.	Wealth Tax	51

12.15.	Withholding Taxes	52
13.	Tax on Individuals	52
13.1.	Allowances	52
13.2.	Calculation of Taxes	52
13.3.	Capital Gains Tax	52
13.4.	Filing and Payment Requirements	53
13.5.	Inheritance and Gift Tax	53
13.6.	Miscellaneous Taxes Due	53
13.7.	Real Estate/Habitation Tax	53
13.8.	Sales Tax	53
13.9.	Social Security and Welfare System Contributions	53
13.10.	Stock Option, Profit Sharing and Savings Plans	53
13.11.	Taxation of Benefits in Kind	54
13.12.	Taxes on Dividends	54
13.13.	Tax on Income	54
13.14.	Tax Treaties	54
13.15.	Territoriality Rules	54
13.16.	Wealth Tax	55
13.17.	Withholding Tax	55
14.	Tax on Other Legal Bodies	55
15.	General Tax Considerations	56
15.1.	Taxes Generally	56
16.	Immigration Requirements	57
16.1.	Immigration Controls	57
16.2.	Immigration Requirements/Formalities	57
16.3.	Visas	58
17.	Expatriate Employees	59
17.1.	Cost of Living and Immigration	59
17.2.	Drivers' Licenses	59
17.3.	Education	60
17.4.	Housing	60
17.5.	Importing Personal Possessions	61
17.6.	Medical Care	61
17.7.	Moving Costs	61
17.8.	Tax Liability	61
17.9.	Work Contracts	61
17.10.	Work Permits	61

1. The Country at a Glance

1.1. What languages are spoken?

Slovak.

1.2. What is the exchange rate for the U.S. dollar, the Euro?

Legal Currency is Euro (EUR) divided into 100 cents. Exchange rate is periodically published by the European Central Bank.

1.3. Describe your country's geography, proximity to other countries and climate.

Austria, the Czech Republic, Hungary, Poland, Ukraine.

1.4. Are there cultural influences or prohibitions on the way business is conducted?

No.

1.5. Are there religious influences or prohibitions on the way business is conducted?

No.

1.6. Explain your country's infrastructure. Be sure to explain which cities have airports, railroad systems, ports, and public transportation.

The Slovak Republic has a standard EU country infrastructure. International airports are located in Bratislava, Košice, Žilina and Poprad. The River Danube flows through the territory of the Slovak Republic and thus enables international water transportation. Railroad system forms a country-wide network used for transport of passengers, as well as cargo.

1.7. Explain the communication system.

There are many telecom service companies and telecom operators providing a wide range of telecommunication services.

1.8. Describe the public services – i.e. water, electricity, gas. Are they publicly or privately owned?

Public services – i.e. water, electricity and gas are partly owned by private entities. According to Constitution No. 460/1992 Coll. of the Slovak Republic (the "**Constitution**"), mineral resources, caves, underground waters, natural healing sources and streams are the property of the Slovak Republic.

2. General Considerations

2.1. Investment policies

2.1.1. Does the country generally welcome investment? Are there governmental or private agencies devoted to the promotion of investment?

Yes. There are governmental agencies.

2.1.2. What is the rate of inflation?

In 2015, it was 1%.

2.1.3. Explain any sector exceptions, incentives or restrictions on foreign investment?

Foreign investors may receive incentives and aid in the Slovak Republic. Forms in which such aid is provided include tax relief, grants and option to acquire property at a lower price in comparison to its market value. Investment aid in the Slovak Republic is fully harmonised with EU legislation.

2.1.4. Describe de facto restrictions on investment, if any, such as bureaucratic discretion.

Foreign investments are in general not restricted in the Slovak Republic, and any investor is welcomed to carry out its investment in Slovakia.

2.1.5. What are the sizes of the different markets?

The Slovak Republic is a standard EU country located in the CEE region, with potential for easy access mainly to neighbouring markets of countries such as Austria, the Czech Republic, Hungary, Ukraine and Poland, as well as the rest of the EU, which in addition to population of the

Slovak Republic of more than 5 million, enables access to aprox. 500 million more potential consumers.

2.1.6. What types of businesses are conducted in the country?

Mostly all types. Primary automotive, followed by electronics, metallurgy and metal processing, as well as machinery engineering.

2.2. Diplomatic Relations

2.2.1. Explain any established diplomatic relations your country may have.

The Slovak Republic has established diplomatic relations with almost all countries in the world and many countries are represented in Bratislava either by having an embassy or by having a consulate.

Besides its membership in the European Union (EU), the Slovak Republic is also a member of many important international organisations, especially of the United Nations (UN), the World Trade Organisation (WTO), the Organisation for Economic Co-Operation and Development (OECD) and the Organisation for Security and Co-Operation in Europe (OSCE).

2.2.2. Give addresses, and contact information for the embassies or consulates in your country.

The addresses and contact information for the embassies and consulates of the world's countries, accredited for the Slovak Republic, can be found here (please note that some of them are located in different countries, mostly in Austria, the Czech Republic and Germany):

[http://www.mzv.sk/App/WCM/main.nsf/vw_ByID/ID_2A5D2AE1CED4D02BC125711D0041AA68_SK/\\$File/Diplsk.pdf](http://www.mzv.sk/App/WCM/main.nsf/vw_ByID/ID_2A5D2AE1CED4D02BC125711D0041AA68_SK/$File/Diplsk.pdf)

2.2.3. Are there prohibitions or restrictions on certain business dealings with the country?

There are no legal restrictions on certain business dealings with the Slovak Republic on national level. However, the Slovak Republic is an EU member state and thus certain restrictions to do business with other countries, may be regulated at EU level. The Slovak Republic is also a member of the UN and may therefore have to comply with potential sanctions imposed by the UN, as well.

2.2.4. Explain any travel restrictions to or within the country?

EU rules apply to travelling to the country. The Slovak Republic is also a part of the Schengen area, i.e. the need to obtain visa to enter the country has been gradually decreased, but there are some countries, which nationals still may need certain type of visa to enter the country.

2.3. Government

2.3.1. Explain your country's election system and schedule. Is there an anticipated change in the present government?

Parliamentary republic headed by the president with primarily representative functions, executive powers exercised by the government consisting of the prime minister and ministers, legislative powers vested in the National Council of the Slovak Republic, unicameral parliament with 150 members, responsible for enacting laws.

According to the Constitution of 1992, the Slovak Republic is a sovereign, democratic state governed by the rule of law. State power is derived from the citizens, who exercise it through their elected representatives or directly. The President and the legislative body, the National Council of the Slovak Republic, are democratically elected by secret ballot in direct elections.

The National Council of the Slovak Republic is the sole legislative body of the Slovak Republic. It consists of 150 Members of Parliament who are elected for a four-year period. They exercise their mandates individually according to their best conscience and conviction.

2.3.2. Is the present government stable? Briefly explain your country's political history in the last decade.

Stable government.

2.3.3. Explain your country's judicial system. Be sure to answer the following questions:

2.3.3.1 Is the judicial system generally perceived to be impartial?

N/A

2.3.3.2 Must disputes be resolved in the country?

No.

2.3.3.3 Is there a political method of resolving disputes?

No.

2.3.3.4 Are alternative methods of dispute resolution permitted?

Yes.

2.3.3.5 How long does it take to resolve disputes?

It depends on the issue in question and the workload of the respective court at a given time. Generally, court proceedings in the Slovak Republic are rather lengthy and may take from weeks to even years.

2.3.3.6 Can foreign judicial decisions be enforced in the country?

Yes.

2.3.3.7 Can decisions from the country be enforced outside the country?

Yes.

2.3.3.8 Are there separate tribunals depending upon the subject matter of the case?

Yes.

2.3.3.9 Are there different legal systems within the country or its political subdivisions?

No.

2.3.3.10 Can the investor choose to be subject to the country's jurisdiction or not?

In principle, no.

2.3.4. Explain your country's legislative system

Based on statutory law, marginally supplemented by the case-law.

One of the basic principles of the Slovak legal system is the hierarchy of norms. Understanding of its proper place in legislative practice and implementation is significantly important from the point of view of legality. The hierarchy of norms relates to the whole issue of legitimate authority

and also includes the categorical imperative that a legal provision may be laid down only by a body authorised to do so by an act within the limits of that act and its own legislative jurisdiction.

In terms of the level of legal force, legal provisions may be hierarchically classified as follows:

- Primary legislation (parliamentary acts):
Constitution and Constitutional Acts,
Acts;
- Secondary legislation (below the level of an act):
Government Regulations,
Legal provisions of central government bodies,
Regulations by municipal and local representations (offices),
Legal provisions exceptionally issued by bodies other than government bodies.

In the system of legal provisions, where a given act has precedence, this means that all the other legal provisions must be based on the act, be compatible with it and not contradict it. In a situation where a legal provision lower in the hierarchy contradicts a higher-ranking provision, the higher-ranking provision takes precedence.

The increasing internationalisation of law, and, in particular, accession to the European Union in 2004, led to the extension of the traditional structure in order to include European Union law.

The Slovak Republic is a party to the European Convention on Human Rights.

2.4. Environmental Considerations

2.4.1. What is the public/government attitude toward environmental regulation?

Favourable, fuelled by EU legislation in this area, with which the Slovak Republic complies, what is displayed by adoption of multiple legislative acts regarding environmental impact assessment, waste disposal, etc.

2.4.2. Explain any environmental regulations.

Slovak environmental law is harmonised with EU environmental law, and relevant EU directives are transposed into the Slovak national law. The public and government attitude towards environmental regulation is generally favourable. The position of the government towards nuclear energy is favourable, as more than 50% of the Slovak energy production comes from four operational nuclear reactors in the country, with two more reactors currently under construction.

Selected activities, stipulated by law, e.g. activities in mining industry, energy industry, metallurgical industry, chemical, pharmaceutical and petrochemical industry, wood, paper and pulp industry, construction materials industry, machinery and electrical industry, infrastructure projects, water management, agriculture and forestry, food industry, traffic and telecommunications, etc. are subject to environmental impact assessment (“EIA”), provided that they exceed the stipulated daily production or other thresholds.

An applicant who intends to perform a project, construction, plant or any other facility, falling within the scope of EIA, is obliged to file a project containing at least two alternatives, including a zero alternative (without realisation of the project), with the Ministry of Environment of the Slovak Republic (the “**Ministry of Environment**”). The aim of the proceedings is to assess the current state of environment and the possible impact of the project on the state thereof. The municipality, particular governmental agencies, non-governmental organisations (“**NGOs**”), as well as general public, are involved in the assessment process. The final decision on the project is made according to opinions of the relevant authorities, as well as the expertise, produced by a certified expert upon request of the applicant. EIA is the necessary precondition for approval of the project.

Apart from EIA, constituting an *ex ante* environmental regulation applicable to large scale industrial and infrastructure projects, Slovak legislation also contains extensive regulations of

various sectors of the environment, e.g. nature and landscape, water, air, forests, waste, packages, protection from noise and electromagnetic radiation, mining and geological research, emission to the air from mobile and stationary sources, etc. The standard of protection is comparable to the standards of other EU Member States. Violations of environmental regulations are punished by fines in administrative proceedings.

2.5. Intellectual Property

2.5.1. Describe the law for the protection of intellectual property, including trademarks, copyrights, patents and know-how.

Intellectual Property. According to Slovak law, the protection of a variety of intellectual property rights is guaranteed.

Trade Marks. The former Czechoslovak Republic was a signatory of all the most important multilateral treaties in this respect, and the Slovak Republic, as one of the successor states, has generally entered into such contractual relations. Thus, the Slovak Republic is deemed to be a signatory of the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks to which trade marks apply, the Madrid Agreement Concerning the International Registration of Marks, and the Protocol Relating to the Madrid Agreement, the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods, and the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration.

In the Slovak Republic, trade marks are governed by Act No. 506/2009 Coll. the Trade Mark Act, as amended (the “**Trade Mark Act**”). A trade mark is any sign capable of being represented graphically and consisting particularly of words, including personal names, letters, digits, drawings, shape of goods or their packaging, or their mutual combinations if such sign is capable of distinguishing goods or services of one person from goods and services of another person, registered in the Trade Mark Register kept by the Industrial Property Office of the Slovak Republic (the “**Industrial Property Office**”). The applicant will acquire the title to the trade mark on the date of its registration in the register.

The priority right has been treated in a standard manner, from the moment of filing the application for the trade mark registration or date of priority of previous trade mark application pursuant to an international convention. The priority right provided according to international treaties should be applied by the applicant in the application for the trade mark registration and evidenced within three months from filing the application.

The protection period of any registered trade mark is 10 years and will commence on the date of receiving the application by the Industrial Property Office. The protection period of any trade mark will be renewed upon request of the trade mark’s owner or a pledge creditor, for the period of the next 10 years.

The trade mark’s owner has the exclusive right to use his trade mark in relation to any products or services for which it is registered and he shall be entitled to use sign ® with the trade mark. The rights to any trademark may be fully or partially transferred to any third person by a written agreement. A pledge can be established over a trademark. The transfer of a trade mark or the pledge over a trade mark will become effective on the date of its registration in the register.

Patents, Designs, and Innovations. Patents are regulated by Act No. 435/2001 Coll. on Patents, Supplementary Protection Certificates and Amendment to Some Acts (the “**Patent Act**”). The Patent Act stipulates essential issues in respect of proceedings before the Industrial Property Office and the European Patent Office. The Slovak Republic has been, in a standard way, engaged in the international co-operation in the field of registering and protecting patent rights. The Slovak Republic is a party to the Paris Convention for the Protection of Industrial Property, as amended by the latest revisions, the Strasbourg Agreement Concerning the International Patent Classification, the Locarno Agreement Establishing an International Classification for Industrial Designs and the Budapest Treaty on the International Recognition of the Deposit of Micro-Organisms for the Purposes of Patent Procedure. Effective from 1 July 2002, the Slovak

Republic is a party to the European Patent Convention. Therefore, European patent applications may be filed with the European Patent Office in Munich, Germany, designating the Slovak Republic as a country in which protection is asked for, or with the Industrial Property Office designating any Member State other than the Slovak Republic.

Patents are granted to any inventions from the field of technology which are new, involve inventive activity, and are industrially exploitable. Any invention is new if it does not form a part of the state of technology. The state of technology is everything what was disclosed to the public in any way prior to the date from which the applicant enjoys priority right. The patent owner has the exclusive right to use the invention, to grant his/its approval to use the invention to any third persons, to transfer the patent to third persons, or to establish a pledge over the patent. The patent is valid for the period of 20 years from filing the application.

Effective from 1 October 2002, Act No. 444/2002 Coll. on Designs, as amended (the “**Act on Designs**”) regulates the issues of designs, previously known as industrial designs. A protected design is defined as the appearance of a whole or a part of a product resulting from the features of, in particular, the lines, contours, colours, shape, texture or materials of a product itself or its ornamentation, which is new and has a specific character. A design is deemed to be new if no identical design was made available to public before commencement of the priority right. It is deemed to have a specific character if the overall impression it produces on the informed user differs from the overall impression produced on such a user by any design which was made available to the public before the date of priority. The design owner has the exclusive right to use the design, to transfer the design, to grant approvals for its use, or to establish a pledge over the design. Designs are registered in a register kept by the Industrial Property Office. The registration period of a design is five years and may be prolonged, always for another five-year period, up to a total term of 25 years from the date of filing the application.

Under Act No. 527/1990 Coll. on Inventions, Industrial Designs and Rationalisation Proposals, as amended, (the “**Act on Inventions, Industrial Designs and Rationalisation Proposals**”) rationalisation proposals shall be deemed to be any technical, manufacturing, or operational developments as well as solutions of problems of labour safety and health protection and the living environment which may be disposed of by the innovator. No rights from any rationalisation proposal shall arise if prevented by any rights arising from any patent or any registered industrial design. The right to use any rationalisation proposal shall arise by entering into an agreement with the innovator on accepting the offer for rationalisation proposal and receiving a consideration for the same.

Further intellectual property protection is provided by Act No. 469/2003 Coll. on Designations of Origin for Products and Geographical Indications for Products, as amended (the “**Act on Designations of Origin for Products and Geographical Indications for Products**”); Act No. 517/2007 Coll. on Utility Models, as amended (the “**Act on Utility Models**”); Act No. 146/2000 Coll. on the Legal Protection of Topographies of Semiconductor Products, as amended (the “**Act on Topographies Semiconductor Products**”); and Act No. 202/2009 Coll. on Legal Protection of Plant Varieties, as amended (the “**Act on Legal Protection of Plant Varieties**”). Foreign persons or entities have, in respect of the patent law, the same rights and liabilities as Slovak citizens or entities under the terms of reciprocity.

Copyrights. The Slovak Republic has been, since its establishment in 1993, a member of the Intellectual Property Organisation founded by the Berne Convention as one of the successor states of the former Czechoslovakia. The basic legal regulation in respect of copyright is Act No. 185/2015 Coll. Copyright Act, as amended (the “**Copyright Act**”).

The Copyright Act regulates the relations arising in connection with creation and use of literary, artistic or scientific works and protection of the rights and legitimate interests of authors of works, including the authors of computer programs and databases, performing artists, phonogram producers, producers of audiovisual records, and radio and television broadcasters. In particular, copyrights on literary, theatre, film, music, photography, architecture, cartography, database, and fine articles works are protected. The copyright to any work arises once the work is expressed in a form perceptible by senses, irrespective of its form, content, quality, purpose, or expression.

The author has the right to have his copyright protected, particularly in respect to the inviolability of his work and the right to dispose of the work, especially to decide about granting the approval for using the same, and has the right to receive a consideration for the creative work. The work may be exploited, unless allowed directly by the law, only on the author's consent.

The lawful possibilities to exploit any work without its author's consent are strictly specified in the Copyright Act, comprising, e.g., quotations from the author's work citing the author and inclusions in any scientific or critic works, textbooks, or teaching aids (so called a statutory copyright exceptions). Copyrights are limited by time periods set in the Copyright Act, in general 70 years from the author's death.

The right of authors to receive consideration for use of their works is enforced through organisations for collective administration of copyrights, regulated by the Copyright Act. Such organisations in the Slovak Republic include LITA for literary works, SOZA for musical works, SAPA for audiovisual works, SLOVGRAM for performing artists and audio-video producers and OZIS for interpreters.

Software Protection. Legal protection of computer programs is regulated by the Copyright Act. In addition to this essential protection, computer programs enjoy protection pursuant to Act No. 513/1991 Coll. Commercial Code, as amended (the "**Commercial Code**") and Act No. 300/2005 Coll. Criminal Code, as amended (the "**Criminal Code**").

A computer program will be deemed to be the author's work in the event it is a result of the author's creative work. The computer program should be simultaneously expressed by any perceptible manner whatsoever. However, ideas or principles, which underlie an element of a computer program, including those, which underlie its interface, are not protected.

Limitation of Intellectual Property Rights. Copyright exceptions are statutory limitations of a copyright under which the work or not substantial part of work may be used by third parties without paying remuneration to the author. Such exceptions permitted by the Copyright Act are for example as follows: reproductions by libraries, archives & museums, ephemeral recordings made by broadcasters, illustration for teaching or scientific research, quotation for criticism or review, use for advertising the exhibition or sale of works of art, use for the demonstration or repair of equipment or reproducing and making available of orphan works.

Under the Act on Designs, effective from 1 October 2002, the right of a registered design owner cannot be exercised against a person who, prior to the occurrence of a priority right in the Slovak Republic, in good faith used the protected design or performed appropriate arrangement immediately aiming at exploitation of the protected design independently from the registered design owner. The rights resulting from the registered design also do not apply, *inter alia*, to private activities performed for other than commercial purposes, experimental purposes, and reproduction for purposes of citation or education.

More significant limitations are stipulated by the Patent Act. Although a patent owner has the exclusive right to use the invention, to grant his approval to use the invention to any third persons, or to transfer the patent to third persons, the Patent Act recognises compulsory licences, which may be granted by the court decision upon motion to anyone who proves the ability to exploit an invention, which is a subject-matter of a granted patent, within the territory of the Slovak Republic, provided that the invention is subject to patent protection and meets the specific conditions stipulated in the Patent Act (Section 27).

A compulsory licence may also be granted for the use of topographies of semiconductor products under the conditions stipulated by the Act on Topographies Semiconductor Products, as well as for the use of varieties of plants under the conditions mentioned in the Act on Legal Protection of Plant Varieties. Some minor limitations are connected with trade marks, as well. The trade mark owner is not entitled to prohibit use of the trade mark on goods marketed within the EU and EEA by him or with his consent. This restriction is not applicable if such goods, after being marketed, were substantially changed or deteriorated without the owner's fault.

Intellectual Property Rights. A pledge over trade marks is effective from its registration in the

Registry of Trade Marks maintained by the Industrial Property Office. The same principle applies to patents, utility models, designs, and topographies of semiconductor products.

2.5.2. Does the country subscribe to international treaties? Describe.

Yes, the list of treaties is available at: <http://www.wipo.int/wipolex/en/profile.jsp?code=SK>.

2.5.3. Are there substantive prior approvals by national investment boards?

No.

2.5.4. What are the notarization requirements?

N/A.

2.5.5. Are there regulatory guidelines for licenses?

Generally, statutory requirements are stipulated in the respective IP Acts. General conditions for license agreements with respect to copyright are stipulated in the Copyright Act. In case of license agreements on industrial property these shall be governed by the Slovak Commercial Code with respect to all statutory requirements stipulated therein.

2.5.6. Are there specific exceptions or requirements relation to a particular product(s)?

No.

2.5.7. When are royalties from licenses deemed to be excessive?

Royalties from licenses are deemed to be excessive when the royalty does not correspond to the respective agreed terms of use in case of copyright license. If terms of transfer pricing (should statutory conditions are met), the amount of royalty shall be in compliance with usual price on the market (comparable market price with respect to the scope and use of the granted license).

2.5.8. Do local antitrust or competition laws apply to licenses?

Depending on a case in question, they might.

2.5.9. What typical agreements do foreign corporations enter into with their wholly owned subsidiaries?

They typically enter into licensing agreement.

3. Investment Incentives

3.1. Explain any export incentives or guarantees. Be sure to answer the following questions:

- Are there tax incentives for exports?
- If so, are they limited to certain types of products?
- Is export financing available from government or private sources?
- If so, what forms of financing or guarantees are available?
- Is there any governmental insurance for exports?
- Must a national be a participant in the enterprise in order for the investor to benefit from these incentives?

Export incentives may be divided into the following groups:

State assistance at export: The Slovak Investment and Trade Development Agency (also known under the acronym SARIO) is a budgetary organisation of the Ministry of Economy of the Slovak Republic (the “**Ministry of Economy**”) which provides the following export support services: (i) provision of consultation and educational services aimed at promoting the export of Slovak products, with an emphasis on start-up exporters, (ii) assistance to businesses offering Slovak

products to foreign markets and helping foreign demand to access the domestic business environment, (iii) effective cooperation with strategic business partners, who have identical mission (i.e. the counterparts of SARIO in other countries), (iv) participation at Slovak and international fairs and exhibitions with the aim of active promotion of Slovak business environment, Slovak producers and their products, (v) organising and guiding business missions abroad and in the Slovak Republic (vi) creating attractive territorial and sector-oriented projects aimed at promoting economic cooperation and development cooperation activities, (vii) active participation in the preparation of intergovernmental and interdepartmental committees, (viii) information exchange and cooperation with foreign partner organizations, (ix) gathering information on foreign markets, international tenders, exhibitions and other attractive events abroad.

Support of export by Export-Import Bank of the Slovak Republic (“Eximbanka”): Export financing is available from Eximbanka as a legal entity established by Act No. 80/1997 Coll. on Export-Import Bank of the Slovak Republic, as amended (the “**Act on Eximbanka**”). Eximbanka supports foreign business operations of importers and exporters with the aim of increasing the competitiveness of domestic goods and supporting mutual economic exchange of the Slovak Republic with foreign countries. For this purpose Eximbanka provides (i) financing of export credits, (ii) insurance of export credits, (iii) reinsurance of export credits, (iv) guarantees, etc. For the purposes of the Act on Eximbanka *exporter* is an entrepreneur (including subsidiaries), having its registered office or residence and place of business in the Slovak Republic, who produces or provides, on a contractual basis, goods or services intended for export, or who exports goods or services or who invests abroad.

Support for SMEs: Slovak Guarantee and Development Bank (Slovenská záručná a rozvojová banka) is a specialised support bank owned by the state, focusing inter alia on the development of small and medium-sized enterprises in the Slovak Republic by providing bank guarantees for loans, direct loans and indirect loans through selected commercial banks, and providing one-off grants. Further, National Agency for Development of Small and Medium Enterprises is focused on the growth and development of SME. Its task is to strengthen the competitiveness of this sector in the EU common market and third countries’ markets via stimulation of SME growth, internationalisation and simplification of SME access to funds.

3.2. Explain any grants, subsidies or funds your country offers foreign investors. Be sure to answer the following questions:

- Are grants and subsidies restricted by the type of activity?
- What is the process for obtaining approval for these grants or subsidies?
- How long does it take to receive approval?
- Can the investor receive loans from the government or governmental agencies?
- Must a national be a participant in the enterprise in order for the investor to receive these grants or subsidies?

State aid is governed in particular by Act No. 231/1999 Coll. on State Aid, as amended (the “**Act on State Aid**”), which generally governs the provision of aid. State aid may be provided for (i) regional development, (ii) education of employees, (iii) employment support, (iv) research and development, (v) environment, (vi) small and medium entrepreneurs, (vii) survival/restructuring of entrepreneurs in distress, (viii) steel, ship and car industry etc. Hence, state aid includes a number of aid types, including investment aid governed by a separate law – Act No. 561/2007 Coll. on Investment Aid, as amended (the “**Act on Investment Aid**”).

Pursuant to the Act on Investment Aid, the investment aid may, in general, be provided for the following activities: (i) industrial production, (ii) technological centres, (iii) strategic services centres, and (iv) tourism. In addition, Act No. 185/2009 Coll. on Incentives for Research and Development, as amended (the “**Act on Incentives for Research and Development**”) governs the conditions for granting incentives for research and development in the Slovak Republic.

The applicant for investment aid will submit the investment project (including all required annexes) to the competent ministry.

The competent ministry will review the completeness of the investment project and if the project contains all relevant information for its assessment, the ministry will provide for an expert appraisal of the investment project within 30 days. If the appraisal indicates that the applicant is likely to comply with all conditions for the provision of investment aid, the ministry will prepare a proposal for the provision of investment aid and submit it to the providers of investment aid. The providers of investment aid will assess the preconditions for the compliance with the conditions for provision of investment aid and send their written statements to the ministry within 30 days. The ministry will submit to the applicant the offer of investment aid within 30 days. The applicant may, within 60 days of receiving the offer of investment aid, file an application (including all required annexes) with the ministry for the provision of investment aid. If the applicant complies with conditions for the provision of investment aid, the ministry will submit the proposal for the provision of investment aid to the Government of the Slovak Republic. If the Government of the Slovak Republic approves the investment aid, the ministry will, within 15 days of the approval, issue a decision on the approval of investment aid to the applicant (unless a notification to the European Commission is required, which would prolong the process).

Judging from the periods stated in the Act on Investment Aid, the minimum required period for approval of investment aid is 6 months, however, such period might be substantially prolonged, especially in cases where the European Commission is involved in the process.

The investor may receive a loan from the Slovak Guarantee and Development Bank. Other public administration bodies (e.g. ministries) may also provide loans, however, only in accordance with rules laid down in Act No. 523/2004 Coll. on Budgetary Rules of Public Administration, as amended (the “**Act on Budgetary Rules of Public Administration**”).

Pursuant to the Act on Investment Aid, the beneficiary of investment aid may only be a legal entity or an individual – entrepreneur having the registered office in the Slovak Republic, registered in the Commercial Register or the Trade License Register who will implement the investment project in the Slovak Republic. The applicant (i.e. the entity that applied for investment aid) must be a 100% owner of the beneficiary or control the beneficiary.

3.3. Explain any national tax incentives for foreign investors. Be sure to answer the following questions:

- Are the incentives restricted by the type of activity?
- Are the incentives restricted by the duration of the activity?
- What is the process of application?

The details on possible types of investments incentives (tax incentives including) are governed primarily by the Act on Investment Aid, which includes general conditions under which investment incentives are made available to investors such as eligible sectors (including industry, technology centres, strategic services, and tourism). Each category has specifically defined conditions which shall be met in order to apply for the investment incentives. Further, Act No. 595/2003 Coll. the Income Tax Act, as amended (the “**Income Tax Act**”) contains additional substantive and procedural requirements concerning tax relief for investment aid recipients. Pursuant to the Income Tax Act, the taxable party may claim tax relief up to the amount of the tax representing a prorated part of the tax base (after fulfilling several statutory conditions).

In general, tax incentives are not restricted by the type of activity, although they must be related to activities to which the Act on Investment Incentives applies.

The tax relief may be provided for a maximum of 10 consecutive tax periods (years). The final decision on granting investment incentives (including income tax relief) is made by the Slovak government and administered by the Ministry of Finance or by the Ministry of Transport and Construction if the required incentive is related to tourism. There is no legal entitlement to the provision of investment aid to the investor and it is solely upon discretion of respective government authorities, even if the conditions stipulated by law are met. The investor shall prepare the investment project and send it for examination to the respective ministry. Within 30 days from its submission, the respective ministry elaborates the expert evaluation of the project which is subsequently sent with the investment aid offer to the respective authorities providing the investment aid. In case it the investment project is eligible for provision of the investment aid,

the respective ministry prepares and submits to the investor the investment aid offer within 10 days from the delivery of the statements of the investment aid providers. Subsequently, the investor has a 10-day period to send the application for investment aid to the respective ministry based on the investment aid offer, and the respective ministry will then submit the proposal for provision of investment aid to the Slovak government for approval. Finally, the Slovak government evaluates the application and if it fulfils all of the legal conditions, the Slovak government issues and submits to the investor the decision on granting the incentive. Once the respective decision (which includes income tax relief) has been issued, the investor may follow the procedure prescribed in the Income Tax Act to apply for the income tax relief.

3.4. Explain any regional tax incentives open to foreign investors. Be sure to answer the following questions:

- Are there tax incentives for the investor that exists only in certain regions of the country?
- Does the investor need to receive approval to be eligible for these incentives?
- Are the incentives restricted by the type of activity?
- Are the incentives restricted by the duration of the activity?
- What does the process of application involve?

In general, the intensity of investment aid (including tax incentives) depends on the region in which the investor is intending to invest. The less developed the region is, the higher is the provided investment aid. Tax relief is available for any form of investment activity which is supported by the Act on Investment Aid. The procedure for obtaining investment incentive in the form of tax relief and duration of tax relief are the same as for other forms of investment incentives. There is no special "regional" type of tax incentives, in the sense that it would apply only regionally or that it would be granted by regional authorities.

4. Financial Facilities

4.1. Banking/Financial Facilities

- What kind of financial institutions exist?
- Must the investor maintain a bank account in the country?
- What are the requirements for opening a bank account?
- What are the restrictions, if any, on the investor's use of the account?
- What is the type of financial system in the country?
- How is the banking system structured?
- Is there a stock market?
- Can the investor receive bank loans?

Although the definition of a financial institution is not entirely consistent (depends on the respective act in which it is defined), in general, Slovak law recognises the following types of financial institutions: (i) bank, (ii) foreign bank, (iii) branch of a foreign bank, (iv) insurance company, (v) insurance company from another Member State, (vi) branch of an insurance company from another Member State, (vii) foreign insurance company, (viii) branch of a foreign insurance company or a reinsurance company, (ix) captive reinsurance company, (x) reinsurance company from another Member State, (xi) branch of a reinsurance company from another Member State, (xii) foreign reinsurance company, (xiii) branch of a foreign reinsurance company, (xiv) stock brokerage company, (xv) foreign stock brokerage company, (xvi) branch of a foreign stock brokerage company, (xvii) trust company, (xviii) foreign trust company, (xix) branch of a foreign trust company, (xx) foreign investment company, (xxi) supplementary pension asset management company, (xxii) occupational pension asset management company, (xxiii) electronic money institution, (xxiv) foreign electronic money institution, (xxv) another legal entity carrying out the functions of a payment system and (xxvi) a person providing consumer credits, for the activity of which the license of the National Bank of Slovakia is not required, (xxvii) payment institution, (xxviii) Central Depository of Securities, (xxix) stock exchange, (xxx) pension fund management company, (xxxii) commodity stock exchange, (xxxiii) fund management company and a depository, (xxxiv) financial agent and financial advisor, (xxxv) foreign subject of collective investment, persons entitled to perform exchange of currency, cash-free trades with

foreign exchange values or to provide foreign exchange monetary services, (xxxv) persons entitled to trade receivables, (xxxvi) persons entitled to perform voluntary auctions and (xxxvii) branch office of foreign management company.

The law does not require the investor to maintain a bank account in the Slovak Republic.

In order to establish a bank account, in case of legal entities which were established but have not been incorporated yet, banks usually require (i) the Memorandum of Association/Foundation Deed of the company and (ii) either excerpts from the Commercial Register of the founders of the company or, in case of individuals, the excerpt from the criminal register and copies of identification cards. In case of existing companies, excerpts from the Commercial Register and copies of identification cards are sufficient.

The law does not stipulate any restrictions on the investor's use of the account.

The financial market in the Slovak Republic is divided into the following main segments: banking, capital market, insurance, and pension savings. The National Bank of Slovakia performs supervision over the above stated segments of the financial market. The Slovak Republic adopted the euro on 1 January 2009.

Pursuant to Act No. 483/2001 Coll. on Banks, as amended (the “**Act on Banks**”) the following entities may perform banking activities within the territory of the Slovak Republic: (i) banks, (ii) branches of foreign banks (including branches of foreign banks based in a Member State performing certain banking activities on the basis of freedom of establishment), (iii) foreign banks performing certain banking activities on the basis of freedom of services, (iv) a foreign financial institution based in a Member State which is a subsidiary of a bank or a foreign bank having the registered office in a Member State.

The National Bank of Slovakia (established by Act No. 566/1992 Coll. on the National Bank of Slovakia, as amended (the “**Act on National Bank**”)) performs supervision over the banking sector, as well as more generally over the financial market.

The Slovak stock market is currently represented by the Bratislava Stock Exchange (*Burza cenných papierov v Bratislave, a.s.*) (the “BSSE”).

The investor may receive bank loans.

5. Exchange Controls

5.1. Business Transactions with Nationals, Residents or Non-Residents

- How are nationals, residents and non-residents defined?
- Are there restrictions on conducting business with nationals, residents or non-residents?
- Are there reporting requirements?
- Can the investor receive loans from nationals, residents or non-residents?

The exchange control is governed by Act No. 202/1995 Coll. on Foreign Exchange, as amended (the “**Foreign Exchange Act**”). Under the Foreign Exchange Act, “residents” are legal entities having the registered office in the Slovak Republic or individuals with permanent residence in the Slovak Republic; a branch office of a resident based abroad is also considered to be a resident of the Slovak Republic. “Non-residents” are legal entities or individuals who are not residents in the Slovak Republic; a non-resident may also be understood as a branch office of a non-resident in the Slovak Republic, with the exception of a branch office of a foreign bank operating in the Slovak Republic on the basis of a banking license, in which case it has the position of a resident.

Nationality is not a decisive criterion for the purposes of foreign exchange controls.

A resident may enter into a contract with a non-resident and fulfil his contractual obligations in the euro currency or foreign currency. A resident may acquire foreign exchange assets and property abroad, and may import and export both the euro currency and foreign currencies. A

non-resident may purchase foreign currency in the country, acquire other foreign exchange assets and real estate, and import or export the euro currency or foreign currency.

A non-resident may acquire ownership rights to real estate located in the Slovak Republic with the following exceptions:

- a) land which forms a part of the agricultural land fund located outside the border of the built-up area of a municipality, or land which forms part of the forest land fund located outside the border of the built-up area of a municipality.

This limitation shall not be applicable to a non-resident who inherits the property and to a non-resident who is (i) citizen of the Slovak Republic; (ii) citizen of a Member State of the European Union and has the right to temporary residence on the basis of registration, in the case of the acquisition of ownership rights to land which forms part of the agricultural land fund and which he has been managing for at least three years following the date of the validity of the treaty on the accession of the Slovak Republic to the European Union;

- b) real estate which acquisition is restricted by separate regulations, e.g. mineral resources, caves, groundwater, natural healing resources and watercourses are exclusively in the ownership of the Slovak Republic.

A resident and a non-resident's branch offices in the Slovak Republic are obliged to report, even without consent of the persons concerned, personal/identification data and data on facts related to: (i) collections, payments, and transfers vis-à-vis residents abroad and non-residents, related to direct investments, financial credits, securities and financial market operations, including financial market operations conducted by non-residents; this shall not apply to collections, payments, and transfers vis-à-vis non-resident's branch office in the Slovak Republic, related to direct investments, financial credits, securities and financial market operations, including financial market operations conducted through non-residents; and (ii) the opening, and the balance of bank accounts abroad; this shall not apply to natural persons who are residents of the country during their stay abroad. Further, a resident entrepreneur and a non-resident's branch office in the Slovak Republic are obligated to report, even without consent of the persons concerned, personal/identification data and data on facts related to assets and liabilities vis-à-vis residents abroad and non-residents, except for assets and liabilities in relation to a non-resident's branch office in the Slovak Republic.

As regards the investor's option to receive loans from nationals, residents or non-residents, the Foreign Exchange Act does not regulate such scenarios.

5.2. Investment Controls

- Are there restrictions on direct investment in the country?
- Are there restrictions on indirect investments in the country?
- Must the investor make declarations regarding the nature of his/her investment?

As regards investment restrictions, the limitations of acquisitions of property by foreigners are stipulated above.

There is no general duty of making declarations regarding the nature of investment. However, certain legal regulations may oblige the investor to report specific information depending on the nature of the investment (e.g. legal obligation to report information concerning encasements, payments or money transfers related to the direct investments as stipulated in the Foreign Exchange Act.

5.3. Money Transfer

- Is there free determination of exchange rates?
- Are there restrictions on the transfer of money into or out of the country?
- Are there restrictions on the remittance of profits abroad?
- Are there reporting requirements?
- Can hard currency be taken out of the country?

The official exchange rate is published by the European Central Bank, nevertheless, banks may determine their own exchange rates.

In general, there are no restrictions on the transfer of money into or out of the Slovak Republic, apart from certain restrictions resulting from Act No. 297/2008 Coll. the Anti Money Laundering Act, as amended (the "**AML Act**"), which stipulates that in certain cases the conclusion of business relationship shall be refused, terminated or the performance of business shall be refused; additionally, an unusual business operation shall be postponed and notified to the financial police.

Pursuant to the Foreign Exchange Act, in a state of emergency in the foreign exchange economy, where foreign solvency of the Slovak Republic is seriously threatened, the following actions shall be prohibited: (i) the acquisition, by residents as well as non-residents, of foreign exchange assets in return for euro; this prohibition does not apply to places of foreign exchange; (ii) the payment of any kind of compensation from the country to a foreign country, including transfers of funds between banks and their branches; (iii) the deposit of funds in accounts abroad. Further, in a state of emergency in the foreign exchange economy, where the internal monetary balance of the Slovak Republic is seriously threatened, the following actions shall be prohibited: (i) the sale of domestic securities to non-residents; (ii) the acceptance of financial credits from non-residents; (iii) the opening of accounts in the country by non-residents and the deposit of funds in the accounts of non-residents; (iv) the transfer of funds from abroad between banks and their branches.

As to the distribution of profit in general, in both the limited liability company and the joint stock company the net profits may be distributed among the participants/shareholders only: (i) reduced by the amount appropriated to the reserve fund or other funds, as appropriate, which the company has established under the law, and reduced by any loss brought forward, and (ii) increased by the profits brought forward (retained earnings) and the funds established out of profits, the use of which is not prescribed by the law.

Also, in case of enforcement of judgment, bankruptcy or restructuring the debtor is not entitled to distribute or otherwise dispose of its profit. Otherwise there are no other restrictions on the remittance of profits abroad.

As regards the reporting activities regarding the money transfers, the obligations stipulated above apply.

Hard currency can be taken out of the country, however, pursuant to Act No. 199/2004 Coll. the Customs Act, as amended (the "**Customs Act**") in relation to Regulation (EC) No 1889/2005 of the European Parliament and of the Council of 26 October 2005 on controls of cash entering or leaving the Community, any individual exporting from the territory of the Slovak Republic to a third country hard currency exceeding the amount of EUR 10,000.00 shall notify the competent customs authority of such fact.

6. Import/Export Regulations

6.1. Customs Regulations

- Is the country a member of GATT?
- Is the country a member of the EEC?
- Is the country a party to a regional free trade agreement?
- Does the Customs Department value the goods?
- How are goods cleared through customs?
- Are there applicable tariffs?

The Slovak Republic is a member of GATT, as well as a Member State of the EU, thus, common EU customs policy applies. Goods imported to the EU customs area and exported to third countries via the Slovak Republic are subject to customs control. The importer/exporter is obliged to file a customs declaration with the particular customs office. Customs value of the goods is determined as the transaction value, i.e. price actually paid or payable for the goods when sold for export to the customs territory of the EU, adjusted in accordance with the Community

Customs Code (e.g. with added value of commission and brokerage, costs of containers and packing, excluding the costs of transport, construction etc.). Payment of the declarant is determined according to the EU Common Customs Tariff. Slovak customs authorities are entitled to inspect the goods, take samples and request all necessary information. Customs declaration must be filed in the form in the Slovak language.

6.2. Exports

- Are there restrictions on exports?
- Are export licenses required?
- Are there applicable export duties?

As the Slovak Republic is a Member State of the EU, European legislation regulating import and export licences for selected goods is directly applicable. Apart from that, Slovak law only regulates trade with certain goods for security reasons, i.e. explosives, firearms, weapons components, ammunition, fireworks, etc.

Cross-border transport of such material, including import, export and intra-EU transport, is subject to the licence granted by the Ministry of Economy. In the application for the licence, the applicant must attest the designation and quantity of goods, end consumer, foreign partner for import or export, and supply the original or certified copy of the contract with the foreign partner. Granting of the licence is at full discretion of the Ministry. The decision is issued within 60 days and the licence is valid for one year.

Similar regulation applies to trade with military material, which is subject to the licence of the Ministry of Defence of the Slovak Republic (the “**Ministry of Defence**”). The applicant's statutory body and professional representative must be more than 25 years old, have permanent or long-term residence in the Slovak Republic, be immaculate and trustworthy.

6.3. Foreign Trade Regulations

- Are there foreign trade regulations on the import or export of goods involved in the business?

See above.

6.4. Imports

- Are import licenses required?
- Are there applicable import duties?
- Are there applicable import quotas?
- Are there applicable import barriers?

As the Slovak Republic is a Member State of the EU, European legislation regulating import and export licences for selected goods is directly applicable. Apart from that, Slovak law only regulates trade with certain goods for security reasons, i.e. explosives, firearms, weapons components, ammunition, fireworks, etc.

Cross-border transport of such material, including import, export and intra-EU transport, is subject to the licence granted by the Ministry of Economy. In the application for the licence, the applicant must attest the designation and quantity of goods, end consumer, foreign partner for import or export, and supply the original or certified copy of the contract with the foreign partner. Granting of the licence is at full discretion of the Ministry of Economy. The decision is issued within 60 days and the licence is valid for one year.

Similar regulation applies to trade with military material, which is subject to the licence of the Ministry of Defence. The applicant's statutory body and professional representative must be more than 25 years old, have permanent or long-term residence in the Slovak Republic, be immaculate and trustworthy.

6.5. Manufacturing Requirements

- Must the product contain ingredients or components, which are found or produced only in the country?
- Will the importation of certain component parts be permitted only if they are to be ultimately incorporated in a final product?

Manufacturing requirements for goods are set in Slovak Technical Norms issued in the official journal of the Slovak Office of Standards, Metrology and Testing. Majority of the Slovak technical norms are harmonised with the particular EU norms. Compliance with Slovak technical norms is voluntary, unless required by law. Designated goods, e.g. construction goods, machinery, electronics, gas fuel appliances, appliances causing or influenced by electromagnetic interference, toys, etc., can only be released on the Slovak market, if they are in compliance with technical norms.

Compliance with technical norms can be determined either by internal control made by the manufacturer or distributor, or by testing performed by the authorised body, which controls either a sample of goods, all goods, the system of quality of manufacturing, output control, or quality management system. When the compliance is determined, the entrepreneur must issue a declaration of compliance before releasing the products. The regulation governing different types of goods can also require more detailed testing and other safety measures.

If the goods are manufactured in compliance with European technical norms, they can be labelled with the CE symbol, which substitutes the Slovak declaration of compliance.

6.6. Product Labelling

- Are there applicable labelling or packaging requirements (e.g. multi-lingual notices, safety warnings, listing of ingredients, etc.)?

Conditions for product labelling are set in Act No. 250/2007 Coll. on Consumer Protection, as amended (the “**Consumer Protection Act**”). If the nature of the product requires so, it must contain the instructions for use in the Slovak language, which contain information on the nature, assembly, usage, maintenance, possible danger, proper keeping and storage of the products, unless these facts are generally known. Goods must be labelled with information on the type of the product, information on the producer, importer, distributor, and necessary instructions. In some cases, the composition of materials or ingredients of the product must be also present. This information must be provided in the Slovak language.

A special regulation applies to labelling of dangerous materials, medicines, food, etc.

7. Structures for Doing Business

The following legal entities are recognised as business corporations under Slovak law:

- Joint-Stock Company (“akciová spoločnosť”),
- Simple Joint-Stock Company (“jednoduchá spoločnosť na akcie”) (as from 1 January 2017),
- Limited Liability Company (“spoločnosť s ručením obmedzeným”),
- Unlimited Liability Company (“verejná obchodná spoločnosť”),
- Limited Partnership (“komanditná spoločnosť”),
- Co-Operative (“družstvo”).

Slovak law also regulates European Society (SE) (“európska spoločnosť”), European Economic Interest Grouping (EEIG) (“európske zoskupenie hospodárskych záujmov”) and European Co-Operative (“európske družstvo”).

7.1. Governmental Participation

7.1.1. Will the government seek to participate in the ownership or operation of the entity (e.g. depending on the type of activity involved)?

In the Slovak Republic, the government usually does not seek participation in legal entities owned by investors.

7.1.2. If so, to what extent?

N/A

7.1.3. What is the investor's potential liability to partners, investors or others?

Liability of investor as a shareholder depends on the type of business company in question, for details on liability see 7.3. – 7.7. below.

7.1.4. Are there restrictions on capitalization?

It depends on the entity in question (for more information on capitalisation see 7.3. – 7.7. below).

7.1.5. What are the investor's tax consequences?

See also Sections 12. and 13.

7.2. Joint Ventures

- Are joint ventures permitted?
- If so, what is the registration or incorporation procedure?
- How long do these procedures take?
- What costs and fees are involved?
- Must a national of the country or a related state, (e.g. the EEC) be a participant, manager or director?
- What is the investor's potential liability?
- Are there restrictions on capitalization?
- What are the investor's tax consequences?

Joint Ventures (“**JVs**”) are not expressly regulated in the Slovak Republic. The term does not mean any specific legal form of an entity under Slovak law. JVs are therefore allowed under provisions of Slovak law applicable to business companies. The registration procedure and liability of investors therefore depends on the type of the legal entity involved (for more information on liability see Section 7. below).

In general, there is no need for a Slovak national (or a related state) to be a participant, manager or director of JV, since JVs can be established by foreign entities as well as domestic ones.

The contributions to the share capital of a JV can be monetary or non-monetary. There are no limits to the monetary contribution. A non-monetary contribution can only be in the form of assets that have an ascertainable economic value and which can be used by the JV in its business activity. If setting up a new company, the minimal registered capital required again differs from one type of entity to the other (for more information on capitalisation see Section 7. below). There are no special requirements related to JVs.

7.3. Limited Liability Companies

- Are limited liability companies permitted?
- If so, how are they registered or incorporated?
- How long do these procedures take?
- What costs and fees are involved?
- Must a national of the country or a related state be a participant, manager or director?
- Are there restrictions on capitalization?
- What are the investor's tax consequences?

Limited liability companies (“**LLCs**”) are permitted, they represent the most widely used form of business companies in the country.

An LLC may be established by one or more founders, the number of which shall not exceed 50. LLCs are founded based on a foundation deed (in case of a sole founder) or a memorandum of association (in case of more than one founder). LLC having a sole shareholder may not be a sole founder or a sole shareholder of another LLC. An individual may be the sole shareholder in no more than three LLCs.

Contribution to the registered capital may be either monetary or in-kind. Minimum shareholding in the registered capital of LLC is EUR 750. The minimum amount of the registered capital is EUR 5,000. At least 30% of each monetary contribution and the full amount of all in-kind contributions to the LLC has to be paid up by the founders prior to the registration of a LLC with the commercial registry kept by competent registry court (the “**Commercial Registry**”) (at least 50% of the registered capital has to be paid up prior to the incorporation). In case of a sole founder of LLC, the whole amount of the registered capital has to be paid up prior to the registration of the LLC with the Commercial Registry. LLC is incorporated on the date of its registration with the Commercial Registry of the relevant district court. The registration with the Commercial Registry is subject to a fee of EUR 300.

LLC is liable for its obligations with all of its assets, while shareholders are liable for obligations of LLC only up to their unpaid contributions to the registered capital.

An application for registration with the Commercial Registry must be filed within 90 days of the company’s foundation. The registry court performs the registration within two days after the delivery of application.

Except as stated above, there are no restrictions regarding the shareholders in LLC. There are no restrictions on executive directors save for the requirement of a criminal clearance certificate of the executive directors and for residence permit in the Slovak Republic in case of the executive directors not being citizens of member states of EU or OECD.

LLC is tax liable in the Slovak Republic (for details on taxation please see Sections 12. – 13. below).

7.4. Joint Stock Companies

- Are joint stock companies permitted?
- If so, how are they registered or incorporated?
- How long do these procedures take?
- What costs and fees are involved?
- Must a national of the country or a related state be a participant, manager or director?
- Are there restrictions on capitalization?
- What are the investor's tax consequences?

A joint stock company (“**JSC**”) is a legal entity registered with the Commercial Registry, with mandatory registered capital created from monetary or in-kind contributions of its shareholders. Registered capital of a JSC is denominated into shares that represent the shareholder’s participation in the registered capital of a JSC, share on profit and on voting rights at the General Assembly of a JSC. Shares are securities bearing a physical form or the form of registration in the accredited securities clearing institution, which in the Slovak Republic is the Central Depository of Securities of the Slovak Republic (the “**Central Depository**”), Shares may be registered in the name (issued in physical or book-entered form) or may be issued in the bearer book-entered form.

A JSC may be established by one founder, who is a legal entity, or more founders being legal entities or individuals by executing the foundation deed/agreement in the form of a notarial deed, whereby the founders subscribe the shares of a JSC and assume the obligation to pay their issue ratio.

A JSC may be established as so-called public joint stock company or a private joint stock company. A public joint stock company is a company with all or some of its shares accepted for trading on a regulated market situated or operated in any EEA member state.

The minimum amount of the registered capital of a JSC is EUR 25,000. A JSC is also obliged to create a reserve fund prior to its incorporation in the amount of at least 10 % of its registered capital.

A JSC is incorporated on the date of its registration with the Commercial Registry. The registration is subject to a fee of EUR 750.

Foreign shareholders of a JSC enjoy the same legal protection as their Slovak counterparts. A JSC is liable with its entire property for breach of its obligations. The shareholder is not liable for the obligations of JSC, however, the shareholder is liable to the company to pay the issue rate of the subscribed shares.

A JSC is tax liable in the Slovak Republic (for details please see Section 12. below),

A simple joint stock company (“**SJSC**”) is a new form of company introduced to the Slovak legal system as from 1 January 2017 with the aim to boost and simplify the start-up environment. A SJSC may be founded either by one or several persons. The founding document of a SJSC is the memorandum of association or the deed of association, both of which must be drawn up in the form of a notarial deed. A SJSC is a company with its registered capital distributed into a certain number of shares with a certain nominal value. A SJSC is liable for any breach of its obligations with its entire property, a shareholder is not liable for the company’s liabilities. The minimum value of the registered capital of a SJSC is EUR 1 and its entire value must be subscribed and all contributions to the registered capital must be paid-up prior to its incorporation.

7.5. Cooperatives

- Are cooperatives permitted?
- If so, how are they registered or incorporated?
- How long do these procedures take?
- What costs and fees are involved?
- Must a national of the country or a related state be a participant, manager or director?
- Are there restrictions on capitalization?
- What are the investor's tax consequences?

Cooperatives are permitted under the Slovak legal system. A cooperative is a legal entity comprising unrestricted number of participants/members and may be founded for multiple purposes, i.e. entrepreneurial activity or securing the economic, social or other needs of its members. Minimum number of members at any time is five, unless at least two members are legal entities.

A cooperative is a legal entity, which is liable for the breach of its obligations with its entire property, members however are not liable for the cooperative’s obligations.

The cooperative’s registered capital consists of the aggregate of membership contributions which its members have committed to pay. The minimum amount of the capital entered into the Commercial Registry (the “**entered registered capital**”) of a cooperative is at least EUR 1,250. Membership contribution of the member may be monetary or in-kind, and its amount may vary from member to member. A cooperative is founded based on the founding meeting which is held for such purpose.

Under provisions of Slovak legal system, there is no need for a national of the Slovak Republic to be a participant of the cooperative on any position.

For information on taxation please see Section 12. below.

7.6. Liability Companies, Unlimited

- What are the forms of liability companies?
- How are these companies registered or incorporated?
- How long do these procedures take?
- What costs and fees are involved?

- Must a national of the country be a participant, manager or director?

Forms of business entities with unlimited liability of general partners are general partnership and limited partnership (see below).

7.7. Partnerships, General or Limited

- Are partnerships recognized or permitted?
- Must a national of the country or related state be a partner?
- If so, to what extent?
- What costs and fees are involved?
- What is the investor's potential liability?
- What are the investor's tax consequences?

General partnership and limited partnership are recognised under provisions of Slovak law.

A general partnership (the “**GP**”) is the form of a business entity, in which at least two founders conduct entrepreneurial activity under their common business name and hold joint and several liability for the GP’s obligations with their entire property. A GP does not mandatorily create its registered capital, however, the Memorandum of Association may stipulate the obligation of the founders to contribute capital into GP.

A GP shall be founded by execution of an Association Agreement by its founders and shall enter into existence upon its registration with the Commercial Registry. The registration with the Commercial Registry is subject to a fee of EUR 300.

There is no requirement for a Slovak citizen to be a partner in a GP. Foreign partners of a GP enjoy the same legal protection as the Slovak ones.

A GP is liable for its obligations with all of its assets, while its partners are liable for obligations of a GP by their whole property.

A GP is tax liable in the Slovak Republic (for details on taxation please see Section 12. – 13. below).

A limited partnership (the “**LP**”) is a form of an entity in which one or more members are liable for the partnership’s obligations up to the amount of their unpaid sums of their monetary or non-monetary contributions to a LP as entered in the Commercial Registry (limited partners), and one or more members are liable for the partnership’s obligations with their entire property (general partners). A LP may therefore be established by at least one general partner and at least one limited partner in the form of a Memorandum of Association. Otherwise, rules applicable to a GP shall also apply to a LP, and the rules applicable to LLCs shall also apply to the legal standing of limited partners.

A LP can be set up by a foreign national or entity. Foreign partners of a LP therefore enjoy the same legal protection as their Slovak counterparts.

A LP is incorporated on the date of its registration with the Commercial Registry of the relevant registry court. The registration with the Commercial Registry is subject to a fee of EUR 300.

A LP is tax liable in the Slovak Republic (for details on taxation please see Sections 12. – 13, below).

7.8. Partnerships, Undisclosed

- Do undisclosed partnerships exist?
- If so, how are they formed?
- What costs and fees are involved?
- Must a national of the country or a related state be a participant, manager or director?
- What is the investor's potential liability?
- What are the investor's tax consequences?

There is a possibility to conclude a written agreement on a so-called silent (undisclosed) partnership with an entrepreneur, under which the silent partner shall undertake to contribute to the entrepreneur certain contribution and the entrepreneur shall undertake to pay agreed share of the profit to the silent partner. The contribution may consist of cash, asset, right or other property value that can be used in entrepreneurial activity. The entrepreneur generally becomes the owner of such contribution upon takeover of the same, with exception of immovables where the entrepreneur shall be only entitled to use the same for the duration of the partnership agreement. The silent partner is entitled to inspect all business documents and accounting records related to the entrepreneurial activity in which he participates through his investment contribution under the partnership agreement. To determine the silent partner's share of the result of the entrepreneurial activity the annual financial statements shall be decisive.

A share of any loss reduces the silent partner's investment contribution. The reduced investment contribution is increased by the share of profit in subsequent years and the silent partner's claim to a share of profit arises after the original amount of investment contribution is attained. When sharing a loss from entrepreneurial activity, the silent partner is not obliged to supplement his investment contribution, and participates in the loss only up to the amount of his investment contribution.

Only the entrepreneur has rights and obligations towards third parties from entrepreneurial activity. However, the silent partner shall also be liable for the entrepreneur's obligations if the silent partner's name is included in the business name of the entrepreneur, or if the silent partner declares that he conducts the entrepreneurial activity jointly with the entrepreneur.

Partnerships are tax liable in the Slovak Republic (for details on taxation please see Sections 12. – 13. below).

7.9. Sole Proprietorships

- Can the investor be a sole proprietor?
- How is the sole proprietorship registered or established?
- How long does this process take?
- What costs and fees are involved?
- What is the investor's potential liability?
- Are there restrictions on capitalization?
- What are the investor's tax consequences?

Under the Commercial Code there is a possibility to be a sole owner of a business entity in the following cases:

- LLC (a "Limited Liability Company") – may be solely owned by a natural person or a legal entity. The natural person shall not be a sole owner of more than three LLCs and solely owned LLC shall not be a sole owner of another LLC,
- JSC (a "Joint Stock Company") – legal entity may be a sole founder of JSC. Natural person may not be a sole founder of JSC, however, a natural person may become a sole shareholder of already founded JSC by acquiring all shares of the JSC,
- SJSC (a "Simple Joint Stock Company") - may be as of 1 January 2017 founded by one person or several persons. A SJSC is a company whose registered capital is distributed into a certain number of shares with a certain nominal value.

The liability of sole owners depends on the type of solely owned legal entity. Incorporation fees are the same as in case of a legal entity, which is not solely owned (for details about liability and incorporation procedure please see Sections 7.2.- 7.6. above).

For details on taxation please see Sections 12. – 13. below.

7.10. Subsidiaries/Branches/Representative Offices

- Can the investor establish a branch, subsidiary or representative office?

- If so, how long does registration or incorporation take?
- What costs and fees are involved?
- What is the investor's potential liability?
- Must a national of the country be a participant, manager or director?
- Are there restrictions on capitalization?
- What are the investor's tax consequences?
- Are these tax consequences different than those of a local company?

Foreign entrepreneurs may perform business activities in the Slovak Republic either via a subsidiary established as a separate business entity in one of the aforementioned legal forms or via their branch office in the Slovak Republic.

In general, a Slovak branch of a foreign investor must be registered with the Commercial Registry. Registration with the Commercial Registry should take up to two days after delivery of notice to the Commercial Registry.

The branch is not a legal entity and the foreign investor is fully responsible for its actions, the branch performs business activities in the Slovak Republic and any other acts on behalf of its founder.

For a branch there are no requirements for a subscribed share capital at its registration with the Commercial Registry. The assets of the branch belong to the founder and are maintained in the separate accounting books of the founder.

The branch is represented by a branch director appointed by the foreign investor. The branch director must be registered in the Commercial Registry. There are no special requirements for the branch director, save for the requirement of clear criminal clearance certificate and, if the branch director is not a citizen of member states of EU or OECD, also the residence permit in the Slovak Republic.

Subject to the provisions of any applicable tax treaty, a branch is regarded as a permanent establishment of a foreign enterprise in the Slovak Republic and is subject to Slovak taxation on all income attributed to activities of the branch office. 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.

For details on taxation please see also Sections 12. – 13. below.

7.11. Trusts and other Fiduciary Entities

- Are trusts or other fiduciary entities recognized?
- If so, how are each defined?
- What are the legal consequences of a transfer of assets to a trust or fiduciary?
- Can the investor be the grantor, trustee or beneficiary? If relevant qualifications are fulfilled.

All investment funds in the EU fall into one of the following two categories: undertakings for collective investment in transferable securities (**UCITS**) or alternative investment funds (**AIFs**). UCITS funds are those that comply with harmonised rules (in particular product rules) as laid down in Directive 2009/65/EC, as amended (the "**UCITS Directive**") thereby permitting their sale to the retail investors. AIFs are all investment funds other than UCITS and their managers are required to comply with the rules laid down in Directive 2011/61/EU (the "**AIFM Directive**"). Slovak legislation has adopted and complies with the aforementioned directives.

Under Slovak and EU legal system, the following are some of the forms of funds used:

Mutual Fund (Unit Fund). Represents a common property of shareholders gathered by a management company by issuing shares and investment of these assets, where property rights

of shareholders are represented by share certificates. A mutual fund is a collective investment entity managed by a management company, it is not a legal person.

Alternative Investment Funds (“AIFs”). Include for example hedge funds; private equity/venture capital funds; fund of funds; mutual funds; real estate funds; infrastructure funds; commodity funds; long only funds which are not Undertakings for Collective Investment in Transferable Securities (“UCITS”); in case of a Slovak undertaking a public special fund or a fund of qualified investors; in case of a non-Slovak undertaking any foreign non-UCITS fund.

UCITS. In case of a Slovak undertaking means, a fund or an investment fund with variable registered capital into which funds are collected through a public offer in order to invest such funds into transferable securities and other specified liquid financial assets on the principle of risk limitation and risk spreading (the principle of risk limitation and risk spreading does not apply to a standard fund or a sub-fund of it that is a feeder fund). Where a standard fund fulfils the conditions of the Collective Investment Act, it shall be deemed as a fund fulfilling the conditions laid down by the UCITS Directive; and in case of a non-Slovak undertaking, an undertaking which meets the following conditions:

1. with the sole object of collective investment in transferable securities or in other liquid financial assets of capital raised from the public and which operate on the principle of risk-spreading; and
2. with units which are, at the request of holders, repurchased or redeemed, directly or indirectly, out of those undertakings’ assets. Action taken by UCITS to ensure that the stock exchange value of their units does not significantly vary from their net asset value is regarded as equivalent to such repurchase or redemption.

8. Requirements For The Establishment Of A Business

8.1. Alien Business Law

- Is the business subject to any alien business law?
- Are there registrations or reporting requirements?

Business established under provisions of Slovak law is subject to Slovak and EU law and legislation.

8.2. Antitrust Laws

- Do the entity's operations comply with anti-trust laws?
- Are there filing requirements?

All undertakings and their activities in the Slovak Republic must comply with applicable competition and antitrust rules.

The regulation of Slovak competition law (in broader sense) is included in two main legislative acts.

The Commercial Code contains provisions prohibiting any unfair competition. The unfair competition is defined by the Commercial Code as a behaviour which is contrary to standard competition practices and which may be detrimental to other competitors or consumers. The Commercial Code provides for the non-exhaustive list of common practices that are regarded as unfair competition and thus are prohibited. Those are as follows:

- deceptive advertising,
- deceptive description of goods and services,
- misrepresentation,
- benefiting from the exploitation of a competitor’s reputation,
- bribery,
- defamation,
- breach of trade secrets,
- endangering of health and the environment.

Unauthorised use of the business name constitutes a breach, which entails similar remedies for the injured party as the unfair competition practice.

If an undertaking (or its employee) is in breach of rules governing the unfair competition, the party injured by such a breach (other undertaking or consumer) may claim the court protection by demanding (i) to abstain from his/her conduct, (ii) restitution to the previous state of affairs (if possible) and (iii) financial relief. The injured party may also claim from the party being in breach of such rules (iv) to pay the unjustified enrichment and (v) financial compensation for damage.

Slovak antitrust law is largely compliant with the principles applied in EU law and in other member states' competition regulations. In addition to EU antitrust legislation directly applicable in the Slovak Republic (mainly Art. 101 and 102 of the Treaty of Function of the European Union (the "TFEU") prohibiting agreements restricting competition and abuse of a dominant position), the Act No. 136/2001 Coll. on Protection of Economic Competition, as amended (the "**Competition Act**") provides for public law national regulation on protection of competition. The Competition Act provides for regulation of the practices restricting competition, including (i) prohibition of agreements restricting competition, (ii) prohibition of abuse of dominant position, and (iii) control of concentrations (merger control regime).

The Competition Act also stipulates supervision and enforcement powers of the Antimonopoly Office of the Slovak Republic (the "**Antimonopoly Office**").

Breach of antitrust rules may result in: (i) heavy fines imposed by the Antimonopoly Office, (ii) invalidity of contractual arrangements affected by anticompetitive behaviour, (iii) exclusion from public tenders, (iv) potential criminal liability of individuals involved in prohibited anticompetitive behaviour, and even (v) private claims for damages against undertakings involved in anticompetitive practices under newly adopted specific damage claim regime pursuant to Act No. 350/2016 Coll. on Certain Rules on Filing of Claims for Damages Arising out of Breach of Antitrust Law.

8.3. Environmental Regulations

- Is the business of the investor subject to environmental regulation?
- If so, are there added costs involved (e.g. audit requirements)?

Slovak environmental law is harmonised with EU environmental law, and relevant EU directives are transposed into Slovak national law. The public and government attitude towards environmental regulation is generally favourable.

Selected activities, stipulated by law, e.g. activities in mining industry, energy industry, metallurgical industry, chemical, pharmaceutical and petrochemical industry, wood, paper and pulp industry, construction materials industry, machinery and electrical industry, infrastructure projects, water management, agriculture and forestry, food industry, traffic and telecommunications, etc. are subject to environmental impact assessment ("**EIA**"), provided that they exceed the stipulated daily production or other thresholds.

Environmental impact assessment is considered to be one of main instruments of environmental policy of sustainable development. In the Slovak Republic, the assessment has been carried out since 1994 when Act No. 127/1994 Coll. on Environmental Impact Assessment came into force. In order to provide for the full harmonisation of Slovak legislation in the field of environmental impact assessment with legislation of the European Union, multiple acts and amendments were adopted.

At present, Act No. 24/2006 Coll. on Environmental Impact Assessment and on Amendments and Supplements to Certain Acts is applicable (the "**Act on Environmental Impact Assessment**"). It regulates the process of impact assessment. Decree No. 113/2006 Coll. of the Ministry of Environment, regulates the details on the professional qualification for the purposes of environmental impact assessment.

Other environmental regulations with impact on the Slovak Republic are the relevant EU acts, including (among others):

- Directive of the European Parliament and of the Council 2001/42/EC on the assessment of the effects of certain plans and programmes on the environment,
- Directive 2011/92/EU of the European Parliament and of the Council on the assessment of the effects of certain public and private projects on the environment (codification),
- Directive 2014/52/EU of the European Parliament and of the Council amending Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment.

An applicant who intends to perform a project, construction, plant or any other facility, falling within the scope of EIA, is obliged to file a project containing at least two alternatives, including a zero alternative (without realisation of the project), with the Ministry of Environment. The aim of the proceedings is to assess the current state of environment and the possible impact of the project on the state thereof. The municipality, particular governmental agencies, NGOs, as well as general public, are involved in the assessment process. The final decision on the project is made according to opinions of the relevant authorities, as well as the expertise, produced by a certified expert upon request of the applicant. EIA is the necessary precondition for approval of the project.

Apart from EIA, constituting an *ex ante* environmental regulation applicable to large scale of industrial and infrastructure projects, Slovak legislation also contains extensive regulations of various sectors of the environment, e.g. nature and landscape, water, air, forests, waste, packages, protection from noise and electromagnetic radiation, mining and geological research, emission to the air from mobile and stationary sources, etc. The standard of protection is comparable to the standards of other EU Member States. Violations of environmental regulations are punished by fines in administrative proceedings.

8.4. Government Approvals

- Are government approvals required for the anticipated business?
- If so, how long does this process take?
- What fees are involved?

For details on establishment of a new business please see Section 7. For licensing requirements, please see part 8.6. below in this Section 8. If any investor wishes to conduct business in certain regulated industries (e.g. energy, utilities, pharmacy, financial institutions) special licenses or permits may be necessary.

8.5. Insurance

- Must the enterprise carry insurance?
- If so, what kind of risks must be insured?
- Is there a state monopoly on insurance?

Obligation to carry insurance depends on the type of business conducted by the enterprise. Insurance is in general voluntary and depends on the decision of the investor. Certain activities may be subject to mandatory insurance, e.g. professional liability insurance is mandatory when conducting activities of, e.g., auditors, tax advisors, accountants or attorneys. Driving motore vehicles (either for private or business purposes) is subject to mandatory liability insurance.

Insurance services are provided by multiple insurance companies within the territory of the Slovak Republic. Insurance activities may be performed upon fulfillment of the conditions of Act No. 39/2015 Coll. on Insurance, as amended (the "**Insurance Act**"), including mainly holding of the insurance licence issued by the National Bank of Slovakia or the licence issued by competent authority of another EEA Member State exercising similar competences. Other conditions refer mainly to the financial stability and prudence of the founders.

The National Bank of Slovakia performs constant supervision over activities of insurance and reinsurance companies in the Slovak Republic, conditions for holding the licence and their financial management, and imposes sanctions for violation of the Insurance Act, stemming from imposition of remedies on insurance companies, imposition of financial fines to revocation of the insurance/reinsurance licence.

Provisions on insurance contracts entered into between insurance companies and clients are stipulated in Act. No. 40/1964 Coll. the Civil Code (the “**Civil Code**”). A specific regulation in Act No. 381/2001 on Compulsory Motor Third Party Liability Insurance, as amended, applies to the compulsory insurance of liability for the operation of motor vehicles.

8.6. Licenses/Permits

- Are licenses or permits required for the anticipated activity?
- If so, how does the investor apply for and receive the necessary license or permit?
- How long does it take to receive the license or permit?

This section briefly summarises only general requirements for licences and permits that Slovak companies would normally need to obtain in order to conduct business in the Slovak Republic. This section does not describe specific regulatory issues and requirements with respect to licensing and permits required in the specific industries or services (such as e.g. financial services).

8.6.1. Trade License

Under Act No. 455/1991 Coll., the Trade Licensing Act, as amended (the “**Trade Licensing Act**”), a trade license is required to conduct any trade falling within the scope of the Trade Licensing Act. A trade is defined as a systematic activity of an individual or a legal entity performed in its own name and on its own responsibility for the purpose of making profit in accordance with the terms stipulated by the Trade Licensing Act.

Specific activities in regulated sectors of economy, e.g. banks, insurance companies, trade in securities, lotteries, energy, electronic communications, advisory services, etc. are not subject to the Trade Licensing Act, but to specific regulations or any specific license is required to conduct businesses in those fields. All other ordinary business activities are subject to a trade license.

A foreign person may conduct trade under the same conditions as a Slovak person, save for special conditions stipulated by the Trade Licensing Act. To obtain a trade license, general conditions for conducting trade must be met. In case of an individual, such conditions are (i) age over 18, (ii) full legal capacity, and (iii) no criminal record. In case of legal entities, such conditions must be met by each member of its statutory body.

The Trade Licensing Act classifies trades into three categories: (i) craft trades, (ii) regulated trades, and (iii) free trades. For free trades, only aforementioned general conditions must be met. For craft trades and regulated trades, additional specific conditions are required. To conduct craft trades, the entrepreneur must demonstrate his/her professional skills by a document proving his/her education in the particular field. Regulated trades may only be conducted if the qualification, other than those required for craft trades, is proven, e.g. particular education and certificate of professional competence, specific license, practice, examination etc., pursuant to a specific legislation. If the entrepreneur does not meet the requirements, it must employ a responsible representative, a Slovak resident, who meets both general and specific conditions.

A notification to the trade licensing department of the competent district office (the “**District Office**”) is required to conduct a trade. If the entrepreneur is already registered with the Commercial Registry, the trade can be conducted as of the date of notification, provided that the notification includes all required information pursuant to the Trade Licensing Act, and general and specific conditions for conducting the trade are met. If the entrepreneur is not yet registered with the Commercial Registry, the trade may only be conducted as of the date of registration with the Commercial Registry.

The District Office shall issue the trade license certificate within three working days since the notification, or since obtaining the extract from the criminal register. The administrative fee for issuing the certificate is EUR 5 for free trades and EUR 15 for craft trades and regulated trades. Any changes in the relevant information must be notified to the district office.

Conducting trade without a license, or any other violation of the Trade Licensing Act, may be sanctioned by fine up to EUR 3,319.

8.6.2. Work Permit

Before issuing a residence permit, a foreigner who intends to work as an employee of a Slovak employer should obtain a work permit issued by the respective Slovak labour authority, or one of the permits needed for the purpose of employment (for details see Section 11.2.). A work permit is issued on the basis of (i) formal secondment agreement between the foreign employer and the Slovak entity, to which the foreigner should be seconded, or (ii) decision of the foreign employer on the temporary intra-corporate transfer of its employee to the Slovak branch of the employer in accordance with the Treaty establishing the World Trade Organisation, or (iii) written declaration of the Slovak employer that it will employ the foreigner. The application shall be filed in a standard form issued by the respective labour authority.

The competent labour office issues the work permit within 30 days from filing of the application. The work permit then forms an attachment to the application for the residence permit. The work permit is issued free of charge.

From the date of accession of the Slovak Republic to the EU, citizens of any EEA Member States are no longer required to have a work permit, or one of the permits needed for the purpose of employment in the Slovak Republic and are treated equally as Slovak citizens for the purposes of their employment in the Slovak Republic.

9. Operation of the Business

9.1. Advertising

- Are there restrictions on advertising?

Advertising of products and services is subject to special regulation in the Slovak Republic that is compliant with applicable EU legislation. Every advertising in any form must meet the general requirements: (i) must be in accordance with the competition rules and good manners, (ii) may not be deceptive, (iii) may not be hidden, (iv) must not constitute an unfair commercial practice, (v) may not misuse the trust, lack of experience or knowledge of the consumer, (vi) may not contain any derogatory or discriminatory matter, (vii) may not promote violence or any unlawful conduct, (viii) may not present naked human body by scandalous means, (ix) may not present products harmful for health or environment without specifically notifying that, (x) may not endanger physical and mental health, (xi) may not present products as beneficial to health without the professional proof, (xii) may not present foodstuffs and food supplements as medicinal products, (xiii) may not use subliminal perception, (xiv) may not contain personal information and information on property of individuals without their prior consent, (xv) may not refer to statements of individuals without their prior consent, (xvi) may not intervene with other persons' rights without their prior consent, and (xvii) may not abuse the trust of minors.

Furthermore, advertising must be in accordance with the language culture, grammar and pronunciation rules of Slovak language. The advertisement may not be disseminated by automated telephone system, fax, e-mail, or be marketed directly, without prior consent of the recipient.

Comparative advertising is allowed under strict conditions, provided that it (i) compares products or services that meet the same needs or are intended for the same purpose, (ii) objectively compares one or more material, relevant, verifiable and representative features of those goods and services, which may include price, (iii) does not discredit or denigrate the trade marks, trade names, other distinguishing marks, goods, services, activities, or circumstances of a competitor, (iv) does not take unfair advantage of the reputation of the trade mark, trade name or other distinguishing marks of a competitor or of the designation of origin of competing products, (v) does not present goods or services as imitations or replicas of goods or services bearing a protected trade mark or trade name, (vi) does not create confusion in the market place between the advertiser and a competitor or between the advertiser's trade marks, trade names, other distinguishing marks, goods or services and those of a competitor, and (vii) is not misleading.

Specific restrictions apply to advertising of alcohol, tobacco, firearms and ammunition, medicinal products, infant nourishments and food supplements, and energy-related products, which spans from the restriction on content of the advertisement to the ban to display the advertisement on certain places or to several persons.

If the respective state bodies detect violation of the advertising rules, advertisement dissemination will be forbidden, and the sponsor of the advertisement may be fined up to EUR 166,000.

9.2. Attorneys

- Is it necessary to have local counsel?
- How can local counsel be found?
- How much are attorneys fees?

It is strongly recommended to engage a local counsel when doing business in the Slovak Republic, as the knowledge of the national legal system and peculiarities in dealing with local authorities is necessary. All attorneys in the Slovak Republic are obligatorily registered with the Slovak Bar Association, which can provide necessary assistance in finding a counsel (<https://www.sak.sk/>).

Attorney's fees vary according to the region concerned, size, reputation and experience of the law firm.

9.3. Bookkeeping Requirements

- Must the investor keep local books of accounts?
- In what form must the investor keep accounts (e.g. GAP, in what language, etc.)?

Legal entities established in the Slovak Republic, foreign persons conducting business in the Slovak Republic and natural persons conducting business, which prove their expenses for the purpose of income tax, are obliged to keep books of accounts, either by single-entry bookkeeping, or by double-entry bookkeeping. The accounting principles for particular accounting entities which use double-entry bookkeeping are established by the decree of the Ministry of Finance. Accounting standards are generally governed by Act No. 431/2002 Coll. on Accounting (the "**Act on Accounting**").

Every accounting entity is obliged to prepare its annual financial statements. All entities registered with the Commercial Registry must submit their annual financial statements to the Commercial Registry via the registry of financial statements (accessible at www.registeruz.sk). The financial statements of the company, which obligatorily creates the registered capital must be audited provided that at least two of the following conditions are met: (a) assets of the entity exceed EUR 1 million, (b) the annual net turnover exceeds EUR 2 million, (c) the entity has more than 30 employees. Furthermore, the financial statement is always subject to approval of the auditor provided that the shares of the company are listed on the regulated market, or the specific legal regulation requires so (e.g. in case of banks, insurance companies, foundations, etc.).

9.4. Business Ethics/Codes

- Are there certain business ethics or codes, which the investor must follow (e.g. GAAP for accountants, etc.)?

There are some ethics codes in existence, those however are used mostly in selected industries and compliance with such codes, as well as membership in organisations that produce such ethics codes is voluntary. Industries which tend to use ethics codes include e.g. pharmaceutical industry, real estate. The European Federation of Pharmaceutical Industries and Associations has an ethics code in place, which is complied with by innovative businesses mostly, but again on voluntary basis. Other such association includes AIFP (Association of Innovative Pharmaceutical Industry, in Slovak: Asociácia inovatívneho farmaceutického priemyslu). In general, business ethics codes are not specifically stipulated by law, except for the general obligation to act and conduct business in accordance with good manners and basic ethics principles as defined by the case-law of Slovak courts on multiple occasions. Furthermore,

according to the Commercial Code, the exercise of a right that is contrary to the principles of honest business relations, shall not enjoy legal protection. Provisions protecting good morals are set forth also by the Civil Code, which stipulates that a legal act is invalid if the content or the purpose thereof violates or evades the law or is inconsistent with good morals, i.e. in fraudem legis.

9.5. Consumer Protection Laws

- Are there consumer protection laws, which apply to the investor's operations?

Any entrepreneur conducting business in the Slovak Republic is subject to consumer protection laws, which are modeled in accordance with EU legislation. Act No. 250/2007 Coll., the Consumer Protection Act, as amended (the “**Consumer Protection Act**”), defines consumer as a natural person who, in concluding and performing the agreement, does not act in the framework of his trade, other business activity or employment. A supplier is defined as a person who, in concluding and performing the agreement acts in the framework of his trade, other business activity or employment or his proxy.

The Consumer Protection Act states general obligations of the supplier, e.g. to supply goods in proper weight, measure, quantity, quality, for agreed prices, to provide for proper hygienic conditions, possibility for customer to check the correctness of these data, etc.

Violation of the Consumer Protection Act is punished by a fine up to EUR 332,000 imposed by relevant authorities.

Furthermore, the Civil Code stipulates specific mandatory requirements for consumer contracts, as well as contractual clauses in consumer contracts, which are inadmissible and thus void, e.g. provisions under which the consumer is obliged to perform, but had no possibility to become familiar with them, provisions which restrict or exclude liability of the supplier, which restrict or exclude rights of the consumer to claim damages, etc.

9.6. Construction

- What are the costs of construction?
- Are permits required for construction?
- How is authorization to construct obtained?
- How long does it take to receive authorization?
- What fees are involved?

Act No. 50/1976 Coll. on Territorial Planning and Construction Rules, as amended (the “**Construction Act**”), stipulates conditions for construction activities. For the purposes of planning the development of a territory, zoning plans are issued by relevant authorities at a country-wide level, being the most general zoning plans, at a region-wide level, at a municipality-wide level and at the level of smaller zones within the municipalities, which are the most detailed ones.

Before engaging in construction, the developer must request the municipal authority to issue a decision on location of the construction work. The builder must prove the title to a particular plot of land, or submit the approval of the owner.

Construction work may commence only after the building permit is obtained. The building permit expires two years after it was issued, unless it is prolonged. The building contractor must prove the title to the plot of land and submit a detailed construction project. The building permit is issued by the competent construction office within 30 days and contains conditions for construction, including the time period for completion of the construction. Simple constructions do not require a building permit, notification to the authority shall be sufficient.

Once the construction is complete, the building contractor shall be obliged to request the occupancy permit from the municipal authority. The authority inspects whether conditions laid down by the building permit were met, whether the construction project was observed, whether the usage of the building will not harm public interest, health and environment, and whether all

technical equipment is safe. The occupancy permit is issued within 30 days and entitles the builder to use the building for the defined purpose.

Procedures for construction placement, building permit and occupancy permit procedure are all subject to fees, which differ depending on the type of construction that is being conducted.

9.7. Contracts

- Can the investor freely enter into local contracts?
- Can the law of another country govern the contracts?

A foreign investor may freely enter into contracts governed by Slovak law. Subject to certain mandatory choice of law rules (including those laid down in Regulation (EC) No 593/2008 (Rome I)), law of another country may be chosen as governing law to the contracts.

9.8. Price Controls

- Are there applicable price controls?

In general, there is no price control currently applied in the Slovak Republic, except for some exceptional circumstances (e.g. in case of exceptional situation on the market with direct impact on domestic prices, endangering price stability or availability of goods, threats to markets due to insufficiently developed competition, urgent need for consumer protection or other public interest, etc.), and except for several regulated industries (e.g. energy, electronic communications, postal services, etc.), where the price lists are subject to prior approval by the regulatory agencies.

9.9. Product Registration

- Must the entity register its product?
- If so, how is registration obtained?
- How long does the process take?
- Are there fees involved?

On 1 January 2016, Act No. 79/2015 Coll. on Waste (the "**Waste Act**") entered into force, under which a manufacturer that is considered a manufacturer of a specified product (e.g. electrical and electronic equipment, batteries and accumulators, vehicle tires) has to be registered in a relevant registry (e.g. the Registry for Batteries and Accumulators, Registry of Manufacturers of Electrical and Electronic Equipment). The manufacturer of a specified product that is not duly registered in such register shall not be allowed to place the specified products on the market in the Slovak Republic.

9.10. Reductions or Return on Capital

- Can capital be repatriated while the corporation is still ongoing?

As a general rule, during existence of the company, contributions made by shareholders to equity of the company cannot be returned or repaid to the shareholders.

If the participation of a shareholder of a company is terminated while the company is still in existence (ongoing) the right to payment of their share arises in form of a settlement share. The amount of a settlement share is generally determined on the basis of individual annual financial statements for the accounting period preceding the accounting period in which the shareholder's participation in the company terminated. The right to payment of a settlement share is generally due upon the lapse of three months after the approval of individual annual financial statements for the accounting period preceding the accounting period in which the shareholder's participation in the company terminated, unless it is stipulated otherwise in the agreement of association.

A shareholder may also be entitled to profit shares/dividends provided that statutory conditions aimed at preserving equity of the company are met. Payment of dividends is subject to prior consent of the shareholders meeting.

9.11. Sale of Goods

- Are there restrictions on the manner, time or place of sale of goods?

The Slovak legal environment contains certain restrictions on retail business which are scattered in several legal regulations. For example, under the Labour Code, on certain state holidays (as to the day of updating this text, there are four days stipulated in the Labour Code overall, however the Slovak government intends to extend the number in close future) an employer may not order or agree that an employee shall perform work involving the sale of goods to end consumers or related work (with some minor exemptions such as retail sale in gas stations, pharmacies etc.). Under Act No. 369/1990 Coll. on Municipalities, as amended, competence to restrict manner, time or place of sale of goods is delegated from national level to municipalities. Municipalities are entitled to direct the economic activity in their territory as well as entitled to issue approvals, binding opinions or statements on the business and other activities of legal entities or on investment activities. Under Act. No 178/1998 Coll. on Conditions for Sale of Products and Provision of Services at Market Places, as amended, the establishment of a market place also falls within the competence of municipalities, as well as granting of approval to sell goods at such market place.

9.12. Trade Associations

- Are there trade associations the investor can or must join?
- If so, are there fees involved?
- Are there mandatory trade practices?

There are many trade associations in place with voluntary membership. Associations are created by an association agreement by which several persons may associate in order to undertake joint efforts to attain an agreed objective. It is not mandatory for an investor to either join or create an association.

10. Cessation Or Termination Of Business

10.1. Termination

- What are the tax consequences of terminating the business?
- What costs are involved in termination?
- How long does it take to terminate the business?
- How is the investor's particular form of business treated in termination?
- Can the business be terminated without government approval or intervention?
- What are the obligations toward creditors, employees and others upon termination?
- What are the tax consequences of termination?

Under Slovak law, a legal entity ceases to exist as of the date of its de-registration from the Commercial Registry. The shareholders (partners) of a legal entity decide on cancellation of the legal entity with/without liquidation, depending on whether legal entity's assets and liabilities are transferred to its legal successor or not. Liquidation is not required, if the legal entity has no assets, if the bankruptcy petition has been rejected due to lack of property, or if bankruptcy proceedings were cancelled because the bankrupt's property is not sufficient to cover the expenses and remuneration of the bankruptcy administrator, or if there are no assets left after the bankruptcy. Liquidation is not required even in case of cessation of the legal entity with legal successors (e.g. merger, fusion or de-merger).

The liquidator of the legal entity appointed by the shareholders acts and represents the legal entity in all matters related to the liquidation. The liquidator is obliged to notify known creditors of the liquidation and publish an invitation in the Commercial Bulletin to creditors to lodge their claims in the period not shorter than 3 months.

The liquidator shall prepare a final report on liquidation accompanied by a proposal for distribution of the liquidation balance among shareholders (partners) which have to be subsequently approved by the shareholders (partners) of liquidated entity. Prior consent of the respective tax office is needed for de-registration of the legal entity from the Commercial Registry. The business may be terminated without any other government approval or intervention.

The liquidator's remuneration is determined by the company's body which appointed him. A liquidator appointed by a court is entitled to the compensation of reasonable expenses and remuneration. If the company and the liquidator appointed by a court fail to agree on the amount of remuneration, the amount of expenses and remuneration shall be determined by the court. The liquidator's remuneration is generally paid from the company's property.

10.2. Insolvency/Bankruptcy

- What is the extent of the investor's liability in the event of insolvency or bankruptcy?
- What choices, if any, are available to the investor with regard to the restructuring of the business?

Bankruptcy or restructuring aims at proportional satisfaction of the claims of creditors vis-à-vis the debtor. Under Act No. 7/2005 Coll. on Bankruptcy and Restructuring, as amended (the "**Act on Bankruptcy and Restructuring**"), the legal entity shall be obliged to file for bankruptcy if it is insolvent or indebted. A legal entity is indebted if it is obliged to keep accounts under Act on Accounting and has more than one creditor and the value of its obligations exceeds the amount of its assets. The legal entity is insolvent, if it is unable to fulfil at least two monetary obligations to more than one creditor 30 days after their due date.

The legal entity is obliged to prevent bankruptcy. If a debtor's bankruptcy is threatening, the debtor shall be obliged to take appropriate and reasonable measures to avoid bankruptcy without undue delay.

An indebted debtor is obliged to file a petition for bankruptcy within 30 days from the day it has ascertained or could have ascertained its indebtedness. The statutory body of the debtor, its member and the liquidator and shall have such obligation on behalf of the debtor. In case of breach of the obligation to file a petition for bankruptcy in time, a person that was obliged to file for bankruptcy on behalf of a LLC, a JSC or a SJSC is liable to a contractual penalty in the amount equal to the half of the lowest value of the registered capital for a JSC (i.e. EUR 12,500).

If a debtor's bankruptcy is impending or a debtor is bankrupt, they may authorise an administrator to draw up a restructuring opinion in order to ascertain whether the prerequisites for their restructuring are met. This does not affect the debtor's obligation to file a petition in bankruptcy in time. If a creditor or several creditors have agreed with the debtor on the provision of the required assistance, they may also themselves authorise the administrator to draw up the opinion. The aim of restructuring is to solve the insolvency of the debtor and to preserve its business at the same time.

When preparing the opinion, the administrator ascertains the financial situation and business situation of the debtor. Based on such findings, the administrator recommends whether or not the debtor should be restructured. If the administrator recommends the debtor's restructuring, possible manner in which restructuring should be implemented should be proposed as well. The administrator may recommend the restructuring of the debtor if:

1. the debtor conducts an entrepreneurial activity,
2. the debtor's bankruptcy is impending or the debtor is already bankrupt,
3. the debtor's financial statements provide a true and accurate view of facts as recorded in the accounts and the financial circumstances of the debtor,
4. two years have elapsed since the termination of the last restructuring of the debtor or their legal predecessor,
5. the maintenance of at least a considerable part of the operation of the debtor's enterprise may be reasonably expected, and
6. it may be reasonably expected that the debtor's creditors will be satisfied to a larger extent in the event of permitting restructuring rather than declaring bankruptcy.

11. Labour Legislation, Relation, And Supply

11.1. Employer/Employee Relations

- What laws govern employer/employee relations?
- Are there obligations to train employees?

Labour relations in the Slovak Republic are generally regulated by Act No. 311/2001 Coll. Labour Code, as amended (the “**Labour Code**”) and further labour regulations such as:

- Act No. 5/2004 Coll. on Employment Services, as amended (the “**Act on Employment Services**”),
- Act No. 2/1991 Coll. on Collective Bargaining, as amended (the “**Act on Collective Bargaining**”),
- Act No. 663/2007 Coll. on Minimum Wage, as amended (the “**Act on Minimum Wage**”),
- Act No. 125/2006 Coll. on Labour Inspection, as amended (the “**Act on Labour Inspection**”),
- Act No. 124/2006 Coll. on Safety and Health Protection at Work, as amended (the “**Act on Safety and Health Protection at Work**”),
- Act No. 5/2004 Coll. Employment Services Act, as amended (the “**Employment Services Act**”),
- Act No. 283/2002 Coll. on Travel Allowances, as amended (the “**Travel Allowances Act**”),
- Act No. 462/2003 Coll. on Income Compensation during Temporary Incapacity for Work, as amended (the “**Income Compensation Act**”), etc.

Furthermore, special professions have also special regulations governing their work relationships, such as:

- Act No. 400/2009 Coll. on Civil Service, as amended (the “**Act on Civil Service**”),
- Act No. 131/2002 Coll. on Universities, as amended (the “**Act on Universities**”),
- Act No. 385/2000 on Judges and Lay Judges, as amended (the “**Act on Judges and Lay Judges**”),
- Act No. 171/1993 Coll. on Police Forces, as amended (the “**Act on Police Forces**”),
- Act No. 564/1991 Coll. on Municipal Police, as amended (the “**Act on Municipal Police**”),
- Act No. 124/1992 Coll. on Military Police, as amended (the “**Act on Military Police**”),
- Act No. 4/2001 Coll. on Corps of Prison and Court Guard, as amended (the “**Act on Corps of Prison and Court Guard**”).

According to Labour Code an employer shall ensure deepening and enhancing of qualifications of its employees. The measures aimed at deepening and enhancement of employees' qualifications are negotiated by the employer with the employee representatives. The employer shall provide employee who enters employment without qualifications with training or instructions and provide re-qualification if necessary for an employee who is transferred to a new workplace or a new type or method of work. According to the Labour Code, the employer may, but is not obliged to, grant leave and wage compensation to the employee amounting to his or her average earnings, for participation in further education with aim of qualification enhancement, in particular if the expected enhancement of the employee's qualifications is consistent with the employer's needs. The employer is also obliged to train its employees on health and safety at work requirements regulations.

An employer may, however, enter into a written agreement with an employee under which the employer commits to enable the employee to enhance his/her qualifications by granting the employee leave, wage compensation and refunding other expenses associated with the study. At the same time, the employee shall be committed to continue his/her employment with the employer for a certain time after the study, or refund the expenses associated with the study to the employer, notwithstanding whether or not the employee terminates his/ her employment before the end of such study.

11.2. Employment Regulations

- Must the investor hire nationals of the country?
- Is there a minimum wage?
- Is there a maximum number of hours an employee can work each week?
- Is there a minimum number of vacation and sick days to be given?

There is no express statutory obligation to hire Slovak nationals. Nevertheless, for hiring non-Slovak nationals, stricter and additional requirements and obligations need to be met by the candidates as well as the employer.

There is a minimum wage in Slovakia introduced by Act on Minimum Wage and updated each year by government decree. The minimum wage for the year 2017 is EUR 435 monthly or EUR 2.50 per hour.

Provisions of the Labour Code defines an employee's weekly as well as daily working time, which generally shall not exceed 40 hours per week or 8 hours within 24 hour period respectively. However, there are several exceptions to these rules. As for the exceptions:

- the weekly working time of an employee working in a two-shift work pattern whose working time is scheduled in such a manner that he or she regularly alternates working in both shifts shall not exceed 38 and $\frac{3}{4}$ hours per week,
- the weekly working time for an employee in a three-shift or continuous work pattern shall not exceed 37 and $\frac{1}{2}$ hours per week,
- the weekly working time of an employee working with a proven carcinogenic chemical or in working processes involving a risk of chemical carcinogenicity, or carrying out activities that lead to irradiation shall not exceed 33 and $\frac{1}{2}$ hours per week,
- the weekly working time of an juvenile employee below 16 years of age shall not exceed 30 hours per week, regardless to the number of employers he or she works for. If the juvenile employee is above 16 years of age it shall not be more than 37 and $\frac{1}{2}$ hours per week. The working time of an juvenile employee during 24 hours shall not exceed eight hours, notwithstanding the number of employers he or she works for and his or her age,
- employee's average weekly working time, including any overtime work shall not exceed 48 hours. The period from which the average weekly working time is calculated depends on whether even working time schedule, uneven working time schedule or working time account is used by the employer.

The Labour Code further stipulates mandatory daily rest of at least 12 hours between shifts and mandatory weekly rest of two consecutive days on Saturday and Sunday. Exemptions from this rules exist but are strictly regulated by the Labour Code.

In accordance with the Labour Code, subject to the conditions specified therein, there are 3 types of vacation, namely vacation for calendar year or its proportionate part, vacation for worked days or additional vacation. The basic length of vacation for calendar year is at least 4 weeks per year and the employee who has achieved 33 years by the end of the particular year is entitled to at least 5 weeks of vacation. Teachers, pedagogic assistants, tutors etc. are entitled to at least 8 weeks of vacation per calendar year. Special professions are entitled to additional vacation expressly specified by the Labour Code. Furthermore, special regulations may specify longer vacation for particular professions such as soldiers, police forces, etc. According to provisions of the Labour Code on additional vacation, an employee that is during the whole calendar year working underground in mineral extraction or tunnelling work, or an employee carrying out exceptionally difficult work or work harmful to health is entitled to one week's extra holiday. If the employee has been working under aforementioned conditions only during a part of the calendar year, he/she is entitled to one twelfth of the extra holiday per every 21 days so worked.

There is no minimum number of sick days to be given to the employee. The Labour Code specifies the important personal work obstacles, where the employer is obliged to provide the employee with work leave with or without wage compensation. According to Labour Code and the employer shall excuse an employee's absence from work during the time of his or her temporarily incapacity for work due to disease or injury, maternity leave or parental leave, quarantine, care of a sick family member or care of a child below ten years of age who for serious reasons cannot be placed into the care of a childcare facility or school in whose care the child otherwise is, or if the person otherwise taking care of the child was sick or subject to a quarantine order (quarantine measure) or underwent an examination or treatment in a healthcare facility which could not have been undertaken during the employee's non-working time, but the employee shall not be entitled to wage compensation, unless a special regulation provides otherwise. The Labour Code further specifies conditions and time, when the employer is obliged to excuse absence of the employee from work or provide the employee with work leave with or without wage compensation.

11.3. Hiring and Firing Requirements

- Must the investor employ a minimum number of people?

- Must the investor employ a minimum number of nationals?
- Must nationals hold certain positions in the company?
- Are there rules to follow in hiring/dismissing personnel (e.g. notice)?
- Does the investor have a continuing obligation towards dismissed employees?

In general, the labour law does not specify the obligation of the employer to employ a minimum number of employees, or a minimum number of nationals of the country, or that the nationals need to hold a certain position in the company. However, the requirements for hiring of nationals may apply to specific occupation, services such as civil service etc., where the requirement of Slovak nationality or EU Member State nationality, etc. applies to. Provided that the employer wants to hire foreigners, if required, such employees must meet the additional requirements mentioned above.

Under Labour Code, an employment is terminated by:

- agreement,
- termination with notice,
- immediate termination of employment,
- termination in the probationary period,
- expiry of employment contract,
- death of the employee.

With regard to a foreigner or a stateless person, unless the employment has been otherwise terminated, it shall terminate on the date when:

- his or her stay in the territory of the Slovak Republic terminates pursuant to a final decision on withdrawal of the permit to stay,
- a judgment imposing on that person a penalty of expulsion from the territory of the Slovak Republic becomes final,
- the period for which the permit to stay in the territory of the Slovak Republic has expired.

11.3.1. Termination Agreement

The termination agreement shall be in writing and the last day of employment shall not precede the day of signing of the agreement. The reasons for employment termination have to be stated in the termination agreement if requested so by the employee or in case the employment is terminated due to organizational changes (please see below 11.3.2.). The employee shall be provided with one counterpart of such termination agreement.

Where an employee's employment is terminated by agreement for the organisational changes or on the grounds that with regard to his or her medical fitness pursuant to medical opinion the employee has lost, for an extended period, his or her capacity to carry out their current work, such employee is entitled to compensation for termination amounting to at least:

- his or her average monthly earnings, if the employment of the employee lasted less than two years,
- double his or her average monthly earnings, if the employment of the employee lasted at least two years and less than five years,
- triple his or her average monthly earnings, if the employment of the employee lasted at least five years and less than ten years,
- four times his or her average monthly earnings, if the employment of the employee lasted at least ten years and less than twenty years,
- five times his or her average monthly earnings, if the employment of the employee lasted at least twenty years.

If the employment is terminated by termination agreement due to the reasons that the employee must not perform work due to work injury, occupational disease or due to the threat of this disease, or if he or she has reached the maximum permissible exposure at the workplace as determined by the decision of the competent public health authority, the employee is entitled to severance payment in amount of ten times his/her average monthly earnings.

A higher severance payment may be agreed in employment contract or collective bargaining agreement and will become due.

An average monthly earnings of an employee are calculated under the formula provided in the Labour Code and include not only the basic salary of the employee but pro-rata amount of bonuses provided to the employee.

11.3.2. Termination Notice

The grounds on which the employer may give notice of termination to the employee are limited by law. The Labour Code, entitled the employer to terminated the employment with termination notice only for following reasons:

- the employer or its part
 1. is being wound up or
 2. relocated and the employee does not agree with the change of the agreed place of work,
- the employee has become redundant because of a written decision of the employer or a competent authority to change the employer's function, its technical equipment, or to reduce the number of employees in order to ensure labour efficiency, or other organisational changes, and the employer that is a temporary employment agency may also give notice to an employee if the employee has become redundant with regard to the termination of the temporary secondment prior to the expiry of the period for which the employment for a definite period of time was agreed,
- with regard to his or her medical fitness pursuant to medical opinion the employee has lost, for an extended period, his or her capacity to carry out their current work or must not carry out such work because of an existing occupational disease or the risk of occupational disease, or if the employee has reached in his or her workplace the maximum permissible exposure as determined by decision of a competent public health authority,
- the employee
 - does not satisfy the prerequisites for the agreed work provided in legal regulations;
 - has ceased to satisfy the requirements regarding election or appointment;
 - does not satisfy, without any fault of the employer, the requirements for properly carrying out the agreed work as determined by the employer in its internal regulation; or
 - performs his or her work tasks in a dissatisfactory manner and during the last six months the employer has delivered to the employee a written notice requesting him or her to remedy such underperformance and the employee has failed to remedy it within a reasonable time,
- reasons exist in relation to the employee for which the employer could have terminated his or her employment with immediate effect, or could have terminated it for a less serious breach of work discipline; notice may be given to an employee on the grounds of a less serious breach of work discipline if the employee has been notified in writing during the last six months of the possibility of termination of employment.

The terminations under the first two bullets are also called organizational changes.

The termination notice needs to be served to the employee in writing at the place of work (if not possible, only then it may be delivered to him by other means). The termination notice needs to clearly state the termination reasons in a way that they are not interchangeable with other reasons

11.3.2.1 Notice periods

The table below states notice periods for termination of employment in cases when the employer or its part is being wound up or relocated and the employee does not agree with the change of the agreed place of work, and in cases of employee has become redundant, as stated above.

Duration of employment	Notice period
less than 1 year	one (1) months
at least one year and less	two (2) months

than 5 years	
at least 5 years	three (3) months

Furthermore, if the employment is terminated for other than above stated reasons and the employment of the employee has lasted at least one (1) year on the day of delivery of the termination notice the notice period shall be at least two (2) months. If the termination notice is submitted by an employee whose employment has lasted at least one (1) year on the day of delivery of the termination notice, the notice period shall also be at least two (2) months. The notice period will commence on the first day of the calendar month following the delivery of notice, and shall terminate upon expiry of the final day of the respective calendar month. The notice periods may be, however, longer if such longer periods were agreed in the employment contract with the employee concerned.

The employee may not be dismissed under certain circumstances, when the dismissal is prohibited by law (e.g. maternity leave, sickness, performance of the mandatory military (or civil) service, etc.), during a so-called protected period. Where a notice is given to an employee before commencement of a protected period and where the notice period would otherwise expire during the protected period, employment shall terminate on the last day of the protected period, unless the employee announces to the employer that he/she does not insist on any extension of the employment.

An employee whose employment is terminated by the employer with notice for the organisational reasons or on the grounds that, with regard to his or her medical fitness pursuant to medical opinion, the employee has lost, for an extended period, his or her capacity to carry out their current work, is entitled on termination of employment to severance payment in amount of at least:

- his or her average monthly earnings, if the employment of the employee lasted at least two years and less than five years,
- double his or her average monthly earnings, if the employment of the employee lasted at least five years and less than ten years,
- triple his or her average monthly earnings, if the employment of the employee lasted at least ten years and less than twenty years,
- four times his or her average monthly earnings, if the employment of the employee lasted at least twenty years.

If the employment is terminated by termination notice due to the reasons that the employee must not perform work due to work injury, occupational disease or due to the threat of this disease, or if he or she has reached the maximum permissible exposure at the workplace as determined by the decision of the competent public health authority, the employee is entitled to severance payment in amount of ten times his/her average monthly earnings.

Calculation of average monthly earnings is stipulated by the Labour Code and it includes not only basic salary, but also the bonuses paid to the employee.

11.3.3. Immediate Termination of Employment

An employee may be immediately dismissed upon delivery of a notice to that effect on the following grounds: (i) if employee is convicted of an intentional criminal offence, or (ii) he/she has committed serious breach of the work discipline. The immediate termination shall be executed in writing and list the reasons thereof which are not interchangeable with other reasons.

11.3.4. Termination by Expiry of Employment Contract

In case the employment contract has been concluded for a definite period of time (the maximum length is two years or within this period only two prolongations / renewals may occur), such employment is terminated automatically upon expiry of the agreed term. If the employee continues to carry out his or her work after the expiry of the agreed period with the employer's knowledge, such employment is deemed to have been changed to employment for indefinite period of time.

11.3.5. Termination of Employment during the Probationary Period

In the probationary period the employer and the employee may terminate employment in writing for any reason or without giving a reason. An employer may, in exceptional cases, terminate employment in the probationary period of a pregnant woman, mother until the end of the ninth month after childbirth and a breast-feeding mother only in writing, for reasons not related to her pregnancy or maternity, where such termination must be duly justified in writing otherwise it is invalid. The written notice of termination of employment should be delivered to the other party normally at least three days before the intended termination date of employment.

11.3.6. Collective Redundancies

The term collective redundancy covers the situation when the employer terminates the employment relationship for reasons of cancellation or moving of the employer or redundancy of the employee due to organisational changes with a notice or in any other manner for a reason not on the part of the employee within 30 days with:

- at least 10 of its employees, if the employer employs more than 20 and less than 100 employees, or
- at least 10% of the total number of employees, if the employer employs at least 100 and less than 300 employees, or
- 30 employees, if the employer employs at least 300 employees.

The employer has to negotiate such redundancies with the employees' representatives or directly with the employees concerned if no employee representatives operate at the employer and inform the respective Slovak labour authority within the periods set by law.

11.3.7. Continuing obligation towards dismissed employees

After the termination of employment contract between the employer and the employee there are no further obligations between them, in general. However, it may be agreed on in an employment contract between the employer and the employee that after termination of employment the employee shall not, for certain agreed period not longer than one year, pursue, any gainful activity which is in character competitive with the subject of the activity pursued by the employer.

11.4. Labour Availability

- Is adequate skilled or unskilled labour available for the anticipated business?

72% of total Slovak population has secondary or higher education - this share is one of the highest among all European countries. Furthermore, the share of people with a university education is on the rise. The unemployment rate was 11% in 2015 and it has been decreasing ever since (9,42% in September 2016).

11.5. Labour Permits

- Are labour permits required?
- If so, how are they obtained?
- How long does the process take?
- What fees are involved?

No special labour permits for employment of employees are necessary. Non-Slovak employees are be required, unless they fall under a statutory exemption, to get a labour permit in order to be able to perform work for the employer. However, the labour permit is provided to the employee and not employer. The costs are to be beard by the job candidate (employee) and not the employer and depend on the permit necessary for the performance of work. The duration of the process also depends on the type of permit and may take between couple of days to couple of months. Usually the process takes longer for non-EU candidates (employees).

11.6. Safety Standards

- Are there safety codes that must be followed?

Safety standards at work place are set by the Labour Code as well as other legislation such as the Act on Safety and Health Protection at Work. Legal framework for health and safety regulation and standards is, as of 1 July 2006 fully harmonised with EU law.

According to the Labour Code, labour protection is a system of measures arising out of legal regulations, organisational measures, technical measures, healthcare measures and social measures aimed at creating working conditions that ensure employees' occupational health and safety as well as maintain his or her health and working capacity. Labour protection is an integral part of employment relationships. Looking after employees' occupational health and safety and the improvement of working conditions as the principal components of labour protection form an integral part of the planning and performance of work tasks. Occupational health and safety refers to working conditions whose status excludes or minimises the effects on employees' health of hazardous and harmful factors in the working process and the working environment.

An employer is required, to the extent of its operations, to constantly provide for employees' occupational health and safety and to take necessary measures to that end, including preventive measures, providing the necessary equipment and instituting a suitable labour protection management system. The employer shall enhance the level of labour protection in all its activities and adapt the labour protection level to changing circumstances. The employer is also obligated to train its employees regularly on occupational health and safety at work regulations effective at the employer.

11.7. Unions

- Are unions recognized?
- What are the unions in the investor's business?
- What are these unions' political affiliations, if any?
- Is there an obligation on the part of the employer to organize unions?
- Are there mandatory collective bargaining agreements for the business involved?

According to the Labour Code, employees may participate in decision-making of the employer concerning their economic and social interests, either directly or by means of a competent trade union body, or the works council or the works trustee, in the form of joint decision-making, negotiation, right to information and inspection activities. Employees are entitled to collective bargaining only through the competent trade union body.

The employer is obliged to allow the operation of a labour union organisation at the workplace, but there is no obligation for the employer to actively organise unions or demand from employees to make use of them.

The labour union organisation is the only employees' representative who is entitled to conclude a collective bargaining agreement with the employer governing working conditions, including wage conditions, and conditions of employment, relations between employers and employees, relations between employers or their organisations and one or more employees' organizations in a more favourable way than does the Labour Code or any other labour-law regulation. Several trade union organisations may operate alongside each other concurrently at one employer.

For some acts of the employer the participation of employees' representatives is necessary either via consultations (where no consent is necessary) or via a previous consent of the employees' representatives. The Labour Code specifically lists situation where the participation cannot be omitted and in such situation, if there are no employees' representatives, the employer will not be able to adopt certain decisions. The Labour Code also stipulates situation, where the non-participation of employees' representatives (if they operate at the employer) leads to invalidity of the employer's decision, e.g., termination notice or immediate termination which need to be pre-consultation with the employees' representatives.

The employer consults employees' representatives in advance on:

- the status, structure and supposed development of employment and planned measures, particularly if employment is threatened,

- substantial issues of the employer's social policy, measures to improve occupational hygiene and the working environment,
- decisions that may lead to essential changes in the organisation of work or contractual terms,
- organisational changes, including any limitation or cessation, whether in full or in part, of the employer's operation, any merger, amalgamation, split or change of the employer's legal form,
- measures to prevent occupational injuries and diseases and protect employees' health.

For the aforementioned purposes the employer provides the employee's representatives with necessary information, consultation and documents and takes their views into account, as far as possible. Employees' representatives should also be informed on employer's economic and financial situation and on the presumed development of its activities.

The Labour Code provides also minimal conditions which should be met by the employer in order to allow the employees' representative to perform their function (such as minimal technical standards, minimal paid leave for members of employees' representatives, etc.).

The collective bargaining is separately regulated by the Act on Collective Bargaining. With respect to labour unions, the Confederation of the Trade Unions of the Slovak Republic is very active.

If a certain organisation in a given business sector has negotiated a collective bargaining agreement for the given sector, a so-called Higher Level Collective Agreement, all the employers within that sector are obliged to respect conditions negotiated in such agreement in relation to all of their employees.

Unions have no political affiliations.

12. Tax on Corporations

Except where stated otherwise, the following part provides brief information on taxation of all types of legal entities.

Corporate income tax is governed by Act No. 595/2003 Coll. on Income Tax, as amended (the "**Income Tax Act**") and for the year 2016 is levied at a rate of 22%. As of 1 January 2017, the corporate income tax will be levied at a rate of 21%.

Generally, 19% withholding tax is levied on income from participation certificates, certain debentures and vouchers, interests and royalties. As regards dividends paid by Slovak legal entities for accounting periods following 1 January 2017, those shall be subject to tax in the rate of 7%; a tax rate of 35% shall apply if dividends are paid to taxpayers residing in a *non-contracting state* (i.e. a state not on the "white list" published by the Slovak Ministry of Finance; usually a tax haven).

12.1. Allowances

- What are the major allowances (e.g. capital cost depreciation)?
- What are the major deductible items?
- What are the major expenses that are excluded from deductibility?

12.1.1. Tax licenses

As of 1 January 2014, resident companies (companies, which have its seat or place of effective management in the Slovak Republic) are subject to a minimum corporate tax even in the case of losses (so-called tax licenses). The minimum tax may range from EUR 480 to EUR 2,880 depending on meeting certain conditions. Tax licences will however be abolished as of 1 January 2018.

12.1.2. Depreciation of tangible and intangible assets

The Slovak Income Tax Act divides tangible assets into 6 categories and specifies a period (ranging from 4 to 40 years) over which all assets in that category are to be depreciated. There are two tax depreciation methods available; namely, a straight-line method and an accelerated method. Intangible assets are depreciated in accordance with accounting regulations, i.e., in general, depending on their actual useful life. The exceptions are expenses for development which are to be depreciated within 5 years of the date of their acquisition and goodwill realised upon mergers or in-kind contributions in real value, which may be depreciated over 7 years.

In order to support entities performing research and development, a new allowance has been implemented, which amounts to:

- 25% of real costs incurred for research and development,
- 25% of wage costs of newly-hired graduates, deductible in the year when the graduates are hired,
- 25% of the year-on-year increase of costs incurred for research and development.

Major deductible items and categories are as follows:

- Expenses (costs) related to the provision of working, social and healthcare conditions,
- Advertisement expenses (costs) incurred for the purpose of presentation of the business of the taxpayer, its products, services, real estate, business name, trademarks, brands of its products, etc.,
- Statutory expenses (costs) of fuel consumed,
- Net book value of tangible and intangible assets on their disposal by means of sale or liquidation,
- Net book value of tangible and intangible property disposed of due to damage, only up to the amount of the indemnities paid in respect of such damage included in the tax base,
- Tax depreciation of tangible/intangible assets, under certain conditions,
- Travel allowances,
- VAT, subject to certain conditions,
- Expenses (costs) of acquisition, technical upgrade, operation, repair and maintenance of the assets, subject to certain conditions.

The Slovak tax legislation recognises certain expenses that are tax deductible in the tax period in which they are paid. Those include especially:

- Compensation payments expenses/costs,
- Costs for marketing and other studies and for market survey (both on the side of debtor and vendor),
- Costs for obtaining standards and certificates,
- Costs for consultancy and legal services.

Major expenses that cannot be included in the tax base are as follows:

- expenses of registered capital increases, including repayment of loans,
- bribes or other illicit benefits provided to another person, directly or indirectly, even if the provision of such bribes or other illicit benefits is generally tolerated in a particular country,
- distributions of profits, including any shares of profits (royalties) paid to the members of statutory and other bodies of legal entities,
- entertainment expenses other than expenses for promotional items with the unitary value not exceeding EUR 17.

Major expenses that are excluded from depreciation are as follows:

- land,
- perennial crops, yielding crops for more than three years, which have not yet reached their production age,
- protection dikes,
- intangible assets of the creditor who acquired title thereto as a consequence of securing a debt through a transfer of rights during the term of the security.

12.2. Calculation of Taxes

- How is the taxable base determined?

Slovak residents are taxed on worldwide income; non-residents are taxed only with respect to their Slovak-source income. Corporate tax base is determined on the basis of difference between income and expenses as regards taxpayers using the single-entry bookkeeping system or on the basis of business result as regards taxpayers using the double-entry bookkeeping system. Tax base is adjusted for certain non-deductible and non-taxable items. Specific provisions apply to entities which, in order to comply with the Act on Accounting, keep accounting records in accordance with special regulations, i.e. pursuant to the International Financial Reporting Standards (banks, insurance companies etc.).

12.3. Capital Gains

- What are the federal or national tax rates on capital gains?
- What are the regional or state taxes on capital gains?
- What are the municipal or local taxes on capital gains?

Except for income tax applicable to dividends that will be paid for taxable periods after 1 January 2017 (see in Section 12.1. above) no separate capital gains tax exists in the Slovak Republic.

12.4. Filing and Payment Requirements

- When must the corporation file its tax return, if any?
- When must the corporation pay its taxes?
- Are taxes paid in instalments or annually?

Corporate income tax return shall be filed by the end of a third calendar month following the end of the respective accounting period. The taxpayer is obliged to pay corporate income tax during the period for filing the respective tax return. Annual financial statements must be attached to the tax return. The period of filing tax returns and taxpaying can be extended for maximum of 6 calendar months, in case of notifying the tax authorities by the end of regular period for filing the report.

Corporate income tax is paid annually, however, corporations are subject to payment of monthly or quarterly tax advances amounting to 1/12 (monthly tax advances) or 1/4 (quarterly tax advances) of the tax due for the previous tax period. The yearly tax payable shall thereby be settled by the date prescribed for the filing of the tax return. Taxpayer will pay monthly tax advances if the tax due for the previous tax period exceeded EUR 16,600, if it exceeded EUR 2,500, but not exceeded EUR 16,600, tax payer is liable to pay tax advances quarterly.

12.5. Miscellaneous Taxes Due

- Is there a tax on capital?
- Is there a business license tax?
- Is there an apprenticeship tax?
- Is there a training tax?
- Are there other taxes?
- What are the filing and payment requirements?

In the Slovak Republic, there are following local taxes (some of them may also be relevant for legal entities):

- real estate tax (fields, buildings, apartments),
- dog tax,
- tax for using public spaces,
- hotel accommodation tax,
- vending machines tax,
- non gambling slot machines tax,
- tax on motor vehicle drive in and parking in the historical centre of a city,
- motor vehicle tax.

12.6. Registration Duties

- Are there registration duties due upon the incorporation of a company?
- Are there registration duties due upon an increase in capital?
- Are there registration duties due upon the transfer of the company's shares?

- Are there registration duties due upon a transfer of corporate assets?
- Are there any other registration duties due?

Legal entities that have a seat or place of effective management in the Slovak Republic are generally regarded as tax residents and are therefore liable to pay the corporate income tax. Non-residents are liable to pay the corporate income tax only on income that derives from Slovak sources (Slovak-source income).

12.7. Sales Tax or other Turnover Tax

- What is the system of sales tax (e.g. V.A.T., cumulative)?
- Is input tax creditable against output tax?
- What are the tax rates?
- What are the filing and payment requirements?

Act No. 222/2004 Coll. on Value Added Tax (the “**VAT Act**”) entered into effect with the accession of the Slovak Republic into the EU on 1 May 2004 and is based on Council Directive 2006/112/EC. The value added tax (“**VAT**”) is paid on the supply of goods and services within the country, the acquisition of goods from another EU Member State, and on the importation of goods to the country. The tax rate is 20%. Reduced tax rate of 10% is used for e.g. sale of meat, pharmaceutical products, books, etc.

A taxable person with its seat, place of business, permanent establishment, domicile or habitual residence within the territory of the Slovak Republic, which achieves a turnover of EUR 49,790 over not more than 12 preceding consecutive calendar months is obliged to file an application for registration for VAT with a relevant tax office. Application should be filled within the 20th day of a calendar month following the month in which the aforementioned turnover was achieved.

If a legal entity (or an individual) starts conducting any activity that is subject to VAT within the territory of the Slovak Republic, and if that person has no registered seat, place of business or permanent establishment within the Slovak Republic and performs business activities within the territory of another EU Member State or the territory of a third country, such foreign person shall be obliged to file an application for registration of tax with the Bratislava Tax Office prior to the start of the given activity that is subject to the tax. This excludes import of goods. The foreign person has no determined amount of turnover or any other limit for registration within the Slovak Republic. The foreign person becomes a tax payer from the date stated in the certificate on tax registration (not later than the 31st day following delivery of the application for tax registration).

12.8. Social Security and Welfare System Contributions

- Are social security contributions due?
- Are retirement or pension contributions due?
- Are unemployment insurance contributions due?
- What are the filing and payment requirements for any such contribution?

Mandatory public social security and health insurance systems report frequent changes and amendments each year, therefore, information provided herein below is provided as of the date of this publication and may likely be subject to further changes in future.

Both companies as employers and employees pay social security contributions to the social insurance company (a state public institution providing for a mandatory public social security scheme, the “**Social Insurance Company**”) and health security contributions to the health insurance companies (state owned or privately owned institutions providing mandatory public health insurance scheme, the “**Health Insurance Companies**”) calculated on the basis of income of an employee from dependent activity as defined by the Income Tax Act, except for the income which is tax free or not subject to the income tax under the Income Tax Act. An entrepreneur - individual is also liable to make contributions to the health insurance scheme and, under specific circumstances, also to social security scheme. Further categories of mandatory payees exist (e.g. individual shareholders are due to pay contributions to the health insurance scheme from dividends paid for accounting periods lasting from 1 January 2011 till 31 December 2016).

Contributions of employees and employers to the Social Insurance Company and the Health Insurance Companies are as indicated in the table below. Those payments include pension, disability, unemployment insurance and public health insurance. Contributions are generally payable by both the employer and the employee employed with the employer in the Slovak Republic.

	Employee %	Employer %	Total contribution %	Maximum amount from which the contribution is calculated
Pension insurance	4.0	14.0	18.0	EUR 4,290
Disability insurance	3.0	3.0	6.0	
Unemployment insurance	1.0	1.0	2.0	
Reserve fund	---	4.75	4.75	
Accident insurance	---	0.3-2.1	0.3-2.1	Unlimited
Public health insurance	4.00	10.00	14.00	60x of average monthly salary of the employee in the economy of the Slovak Republic determined by the Statistic Office of the Slovak Republic for the year preceding by two years the year in which the contribution is paid (as from 1 January 2017 there will be no limitation of maximum amount from which the contribution is calculated)
Sickness insurance	1.4	1.4	2.8	EUR 4,290
Guarantee insurance	---	0.25	0.25	
Total	13.4	34.7-36.5	48.1-49.9	---

All the above contributions are paid by employers for the calendar month retrospectively, unless provided otherwise by the applicable public social or health insurance regulations. Employers deduct relevant contributions to be paid by employees from their salaries/wages and make payments on their behalf.

Contributions made by self-employed persons are payable no later than on the 8th day of the calendar month following the month for which contributions are due. Social insurance contributions and public health insurance contributions paid by the employer for the respective calendar month are payable on the day determined as the salary/wage pay day of the income from which such contribution is calculated.

12.9. Special Tax Schemes

- Are there particular tax consequences of doing business in the country?

N/A

12.10. Tax on Profits

- What are the federal or national income tax rates on profits?
- What are the regional or state tax rates on profits?
- What are the municipal or local tax rates on profits?

Generally governed by rules on income tax (see Sections 12. and 13.). As from 1 January 2017 new rules shall apply to taxation of dividends. Tax liability will depend on multiple factors, such as type of the receiver of dividend (individual or legal person), relationship of receiver towards the entity from which he/she receives the dividend (e.g. employee or executive), country in which the dividend originates (Slovak Republic or another country) and tax residency of the receiver. As of 2017, the income tax will be levied on dividends and the tax rate for natural persons will be 7% for “Slovak source dividends” and 35% for dividends from country that is not a party to a double taxation treaty with the Slovak Republic. If the dividends are paid to a foreign person that is a tax resident of a country that is a party to a double taxation treaty with Slovak Republic the tax rate will be 7%, if foreign person is not a tax resident of such country the tax rate will be 35%. As of 2017 the employees will also be tax liable when it comes to dividends, since those will be classified as an income form dependent activity. Employee will however not be tax liable in this respect, if he/she has no share on the registered capital of the payer of the dividend. Rewards in the form of dividends paid to employees from profit generated for the financial years (period) from 1 January 2004 to 31 December 2016 will also be exempt from the income tax, after this period however such rewards will also be a subject of tax. If a legal person is tax resident of SR and the dividend originates in the SR it is exempt from tax, if however the source of dividend is in another country (party to a double taxation treaty) the taxation of such dividend will be subject to provisions of relevant treaty. If the country of origin of dividend is not a party to a taxation treaty a 35% tax rate will be applicable.

12.11. Tax Treaties

- Are there any applicable tax treaties?
- Are there any rules against treaty-shopping?

Taxation of incomes of a tax payer who is a tax resident of other state having concluded an international double taxation treaty with the Slovak Republic and that were derived from sources within the territory of the Slovak Republic, is governed by provisions of such agreement and the Income Tax Act. As of December 2016 Slovakia has been a party to 66 double taxation treaties with countries from all over the world including most EU countries, the US and Canada.

12.12. Territoriality Rules

- Where is the corporation subject to tax?
- Is the corporation subject to tax on its worldwide income?

Non-residents are liable to pay income tax only on income that derives from the sources on the territory of the Slovak Republic, including (without limitation) income:

- from activities performed through a permanent establishment situated on the territory,
- from dependent activities (employment) performed on the territory,
- from services provided on the territory,
- from any activities of a foreign artist, sportsman or acrobat performing on the territory of the SR,
- from payments received from Slovak residents and Slovak non-residents’ permanent establishments in the Slovak Republic,
- from the transfer or lease of immovable property situated on the territory,
- from the transfer of equity participation in the Slovak company.

12.13. Treatment of Tax Losses

- How are corporate tax losses treated?

Tax losses that have been declared after 1 January 2014 may be carried forward and deducted equally over period of four consecutive years.

12.14. Wealth Tax

- Is there an applicable wealth tax?

N/A

12.15. Withholding Taxes

- What are the rates of withholding tax on dividends?
- What are the rates of withholding tax on royalties?
- What are the rates of withholding tax on interest?
- What are the rates of withholding tax on profits realized by a foreign corporation?

The Slovak Republic imposes a 19% withholding tax rate at the source, applicable also to interests and royalties. This tax rate may be reduced pursuant to relevant double taxation treaty. Dividends for accounting periods from 1 January 2011 till 31 December 2016 are not subject to withholding tax (please see also Sections 12.1., 12.3. and 12.8.). If taxes are withheld, the withheld amounts have to be paid to the tax authorities by the fifteenth day of the month following the month in which the withholding took place.

From 1 March 2014, the withholding tax rate has been increased to 35% in case of payments to taxpayers from the non-EU/EEA countries and countries, with which the Slovak Republic has not concluded double taxation treaties.

13. Tax on Individuals

13.1. Allowances

- What are the major allowances?

Individuals with address of permanent residence in the Slovak Republic, or individuals who are present in the Slovak Republic for more than 183 days in a given calendar year are considered Slovak tax residents.

Income tax is governed by the Income Tax Act. Tax liability derives from taxable income. Slovak tax residents are liable to income tax on their worldwide income, subject to relevant double taxation treaties. Non-residents are taxed only on income derived from sources within the territory of the Slovak Republic.

Tax rate for individuals is progressive of 19% and 25%. The 19% tax rate will apply to a tax base up to 176.8 times of the current amount of subsistence minimum (up to EUR 35.022,31 in 2016); tax base in excess of the said limit will be taxed at 25% tax rate.

13.2. Calculation of Taxes

- How is the taxable base determined?

Tax base of an individual is the amount that is equivalent to all items of income reduced by deductible expenses incurred to generate such income and other deductions in the relevant year. Tax base is calculated as a total of partial tax bases of the income from dependent activity, enterprise income and other self-employment income decreased by the tax allowances; and partial tax bases of the lease income, income from the use of work/artistic performance and sundry income.

13.3. Capital Gains Tax

- Are capital gains taxable?

Capital gains are taxable. Income derived from capital generally includes:

- interest and other income derived from securities,
- interest, winnings, and other income from deposits or provided credits and loans,
- payments received under supplementary pension insurance schemes,
- payments received under endowment insurance,
- income derived from bills of exchange, other than proceeds from their sale,
- income from investment certificates,

- income from state bonds received upon their redemption.

13.4. Filing and Payment Requirements

- When must the individual file a tax return, if any?
- When must the individual pay his/her taxes?

A taxpayer is obliged to file the tax return if his total taxable incomes from sources within the territory of the Slovak Republic for the previous year exceeded certain amount which, for the fiscal year 2016 was EUR 1,901.67 or in case of incurring a tax loss. The tax return shall be filed within three months following the end of the tax period (calendar year). The deadline for filing the tax return for the given fiscal (calendar) year is 31 March of the consecutive calendar year. The payment of personal income tax is also due by the filing date.

13.5. Inheritance and Gift Tax

- Does the individuals' presence in the country subject him/her to inheritance or gift tax?
- What kinds of assets are subject to tax?
- What are the tax rates?
- Are allowances available?
- What are the payment and filing requirements?

Inheritance tax and gift tax have been abolished.

13.6. Miscellaneous Taxes Due

- What are the miscellaneous taxes to which the individual may be subject?
- What are the filing and payment requirements?

See Section 12. 5. above.

13.7. Real Estate/Habitation Tax

- Is the individual subject to real estate or habitation tax?

The real estate tax consists of land tax, building tax and apartment tax. The general tax rate of the land tax is 0.25% of its value. The general tax rate of the building and the apartment tax is EUR 0.033 per square meter. Above mentioned taxes form part of municipal taxes system and their actual tax rate is determined on the basis of the location and type of real estate by local municipalities within the limits set forth by the law. As a consequence, specific tax rates may vary significantly depending on the location of real estate.

Real estate tax is paid by the owners of buildings, land, flats (apartments) and non-residential premises and by tenants of land registered in the Land Register.

13.8. Sales Tax

- Does the individual pay sales tax?

There are no specific sales taxes payable by individuals. Sale of property (e.g. immovable property within certain period from its acquisition) may generate profit which is then taxable by income tax.

13.9. Social Security and Welfare System Contributions

- Are contributions to social security due?
- Are contributions to the welfare system due?
- If so, what are the payment and filing requirements?

For details, please see Section 12.8. herein above.

13.10. Stock Option, Profit Sharing and Savings Plans

- Is there taxation of stock option plans?
- Is there taxation of profit sharing plans?
- Is there taxation of savings plans?

The difference between the higher market price of employee shares and the price of the shares guaranteed by employee stock options on the date of actual implementation of employee stock options, reduced by the purchase price of stock options paid by employees is also considered an income of the employee and therefore is subject to taxation.

As of 2017, the employees will also be tax liable when it comes to profit sharing (dividends of company), since these will be classified as an income from dependent activity. An employee will not be tax liable, if he/she has no share on the registered capital of the payer of the dividend. Rewards in the form of dividends paid to employees from the profit generated for the financial years (period) from 1.1.2004 to 31.12.2016 will also be exempted from income tax, after this period however such rewards will also be a subject of tax (for more information on taxation of dividends see Section 12.1. and 12.3.).

Savings themselves are not taxed, but interests on savings are subject to taxation.

13.11. Taxation of Benefits in Kind

- What is the rate of taxation on benefits in kind (e.g. automobile, housing and utilities, education, etc.)?

In-kind benefits provided by employers to employees that will typically be considered fully taxable include:

- company car that is also used for private purposes. Value of such benefit is calculated as 1 % of the acquisition price of the car (including VAT) per month, decreased by 12.5% each calendar year following the year in which the car was put into use,
- petrol expenses for the aforementioned private use of the company car,
- housing,
- home leave,
- contributions to pension plans or insurances, that are not mandatory,
- personal income tax paid by the employer,
- relocation expenses.

13.12. Taxes on Dividends

- Are dividends taxable regardless of their form?

Dividends are in general not taxable, however, as from 1 January 2017 rules for taxation of dividends are subject to a substantial change (see Sections 12.1. and 12.3.).

13.13. Tax on Income

- What are the federal or national tax rates on income for residents?
- What are the federal or national tax rates on income for non-residents?
- What are the regional or state tax rates on income for residents?
- What are the regional or state tax rates on income for non-residents?
- What are the municipal or local tax rates on income for residents?
- What are the municipal or local tax rates on income for non-residents?

For details see Sections 12.5. and 13.1.

13.14. Tax Treaties

- Are there any applicable tax treaties?
- Are there any rules against treaty-shopping?

For details see Section 12.11.

13.15. Territoriality Rules

- Where is the individual subject to tax?
- Is the individual subject to tax on his/her worldwide income?

Slovak tax residents are under provisions of relevant legislation liable to personal income tax on their worldwide income, this liability is however subject to relevant and applicable double taxation treaties. Non-residents are tax liable only on income derived from sources within the Slovak Republic (Slovak-source income). Individuals with permanent address in the Slovak Republic, or individuals who are present in the Slovak Republic for more than 183 days in a given calendar year are considered Slovak tax residents.

13.16. Wealth Tax

- Is the individual subject to tax based upon his/her wealth?
- If so, what are the rates?
- Are there any allowances available?
- What are the payment and filing requirements?

N/A

13.17. Withholding Tax

- Is salary subject to a withholding tax at the source?
- What is the treatment of residents as compared to non-residents?

The Slovak Republic imposes a 19% withholding tax rate at the source, and applicable also to interests and royalties. This tax rate may be reduced pursuant to relevant double taxation treaty. Dividends are not subject to withholding tax. If taxes are withheld, the withheld amounts have to be paid to the tax authorities by the fifteenth day of the month following the month in which the withholding took place.

From 1 March 2014, the withholding tax rate has been increased to 35% in the case of payments to taxpayers from non-EU/EEA countries and countries, with which the Slovak Republic has not concluded double taxation treaties.

For more information see Section 12.15.

14. Tax on Other Legal Bodies

As stated in Section 12. - Tax on Corporations, information on taxation of all types of legal entities are provided therein.

14.1. Allowances

- What are the major allowances (e.g. capital cost depreciation)?
- What are the major deductible items?
- What are the major expenses that are excluded from deductibility?

14.2. Calculation of Taxes

- How is the taxable base determined?

14.3. Capital Gains

- What are the federal or national tax rates on capital gains?
- What are the regional or state taxes on capital gains?
- What are the municipal or local taxes on capital gains?

14.4. Filing and Payment Requirements

- When must the entity file a tax return, if any?
- When must the entity pay its taxes?
- Are taxes paid in instalments or annually?

14.5. Miscellaneous Taxes

- Are other taxes due?
- What are the filing and payment requirements?

14.6. Registration Duties

- Are there registration duties or fees due upon the setting up of the legal body?
- Are there registration duties or fees due upon a change in the capital of the legal body?
- Are there registration duties due upon the transfer of capital?
- Are there registration duties due upon a transfer of assets?
- Are there any other registration duties due?

14.7. Sales Tax or other Turnover Tax

- Is the legal body subject to sales tax or any other turnover tax (e.g. VAT., cumulative)?
- Is input tax creditable against output tax?
- What are the tax rates?
- What are the filing and payment requirements?

14.8. Social Security and Welfare System Contributions

- Are social security contributions due?
- Are retirement or pension contributions due?
- Are unemployment insurance contributions due?
- What are the filing and payment requirements for any such contribution?

14.9. Special Tax Themes

- Are there particular tax consequences of doing business in the country under the form of the particular legal body?

14.10. Tax on Profits

- What are the federal or national income tax rates on profits?
- What are the regional or state tax rates on profits?
- What are the municipal or local tax rates on profits?

14.11. Tax Treaties

- Are there any applicable tax treaties?
- Are there any rules against treaty-shopping?

14.12. Territoriality Rules

- Where is the legal body subject to tax?
- Is the legal body subject to tax on its worldwide income?

14.13. Treatment of Tax Losses

- How are tax losses treated?

14.14. Wealth Tax

- Is there an applicable wealth tax?

14.15. Withholding Taxes

- What are the rates of withholding tax on the legal body's activities?

N/A (see Section 12. regarding corporate income tax).

15. General Tax Considerations

15.1. Taxes Generally

- Is there a generally accepted way of structuring the company or other entity so as to insure the desired tax consequences?
- Is there an advance tax ruling that can be used to validate or invalidate the chosen form of doing business?
- Is there a general anti-tax avoidance system?
- Can the chosen form of business be treated as a deferent form for tax purposes?

The Slovak tax system is broadly based on other tax systems in the EU and includes corporate and personal income taxes, standard value added tax, taxes levied on selected assets (such as real estate, motor vehicle tax) or under selected circumstances, and excise duties levied on specific goods such as alcohol or tobacco products.

On 12 July 2016, the Council of the European Union adopted new EU rules addressing some of the most commonly used practices of large companies in order to reduce their tax liability. Member States will have transpose these new rules into their national legislation until 31 December 2018, except for the exit taxation rules, for which they will have additional period of one year, until 31 December 2019. Those rules will provide for coordinated EU-wide framework for anti-tax avoidance.

16. Immigration Requirements

16.1. Immigration Controls

- Are there immigration quotas?
- Are vaccinations required?
- Are medical certificates required?
- Are entry permits required?
- If so, must you apply for an entry permit before entering the country?
- Are exit permits required?
- Are re-entry permits required?

At EU level, the immigration system is governed by Regulation No. 604/2013 (the “**Dublin Regulation**”), which introduced rules applicable throughout the EU in connection with processing and reception of asylum seekers. During the migrant crisis, the EU has introduced revision of this system and immigration quotas, that have been subject to criticism of multiple Member States.

Immigration and entry permits are governed primarily by EU legislation, applicable also in the Slovak Republic. To enter the EU a person must present the necessary papers to the border authorities.

Those may include:

- a valid travel document, usually a passport,
- a short-stay visa (if the intended length of stay in an EU country is up to three months),
- a long-stay visa (if the intended length of stay in an EU country is more than three months),
- documents to show the purpose of stay,
- documents to prove sufficient amount of money for stay and return.

If a person intends to work in an EU country, a work permit and/or a residence permit shall be required, as well.

Vaccination of persons travelling abroad and from abroad is conducted in accordance with international health regulations and the current epidemiological situation in the countries in which or from which a person travels.

Schengen visa is a short stay visa, which can be issued for one or multiple entries. If a person has been granted a single entry visa, the same visa cannot be used to re-enter the Schengen area. If a multiple entry visa has been granted, person can enter and leave the Schengen area repeatedly during the period of its validity and permitted duration of stay.

16.2. Immigration Requirements/Formalities

- Is a residence permit required?
- If so, does the investor have to apply for one before entering the country?
- What information must be supplied to the immigration authorities?
- How long does it take to receive authorization?

The conditions for the entry and stay of foreign nationals in the Slovak Republic are laid down in Act No. 404/2011 on Residence of Aliens (the “**Act on Residence of Aliens**”). The Act on

Residence of Aliens regulates the scope of the police force activities for the provision of border control of the Slovak Republic borders and in the area of the residence of aliens in the Slovak Republic territory, scope of activities of public authorities in the area of visas, conditions for entry of aliens into the Slovak Republic territory and conditions for leaving the territory. Furthermore, conditions of residence, issuing documents for aliens, registration of persons and residence control, administrative expulsion and ban on entry, detention of third country nationals and placement into facilities, police transport and transit of third country nationals through the Slovak Republic territory, rights and duties of persons during border control and during residence, administrative offences at the department of border and residence control. The Act on Residence of Aliens also applies to asylum seekers.

Based on an application and in compliance with the purpose it pursues, a foreign national may be granted, once the requirements of the Act on Residence of Aliens are met, a permit for temporary stay (for the purpose of business, employment, study, special activity, research and development, family unification, performing service obligations by civil units of armed forces, who has the status of a Slovak citizen living abroad, who has the status of a person with long term residence in another member state; the residence on the basis of a blue card of the European Union), permanent stay (residence for five years; residence of unlimited duration; residence of a third country national with acknowledged status of a person with long term residence in the European Union) or tolerated residence. The residence of the Union citizen and the residence of the family member of the Union citizen is a permanent residence.

An application for granting of temporary residence shall be filed by a third country national in person abroad at a representing authority accredited for the state which has issued a travel document for him/her or at a representing authority accredited for the state in which he/she has a permanent residence. The representing authority which has received the application issues a certificate of receipt to the applicant on the date of its receipt, and performs an interview with the applicant in order to preliminarily evaluate the application.

16.3. Visas

- Is a visa required for travel or stay in the country?
- If so, for how long is the visa valid?
- How does the investor apply for a visa?
- What documents are required?
- How long does it take to receive a visa?
- What fees are involved?

Foreign nationals who are subject to visa requirement and want to enter the Schengen area, with the Slovak Republic being their target destination, must file a visa application with the competent Slovak embassy or consulate. Foreign nationals legally residing in a third country (i.e. other than the country of their citizenship) may apply for a visa at the embassy/consulate competent for the country of their current residence.

The type of visa a person will need depends on the length and purpose of the visit. A decision on the particular type of visa is made by the competent embassy or consulate general.

There are three types of visa currently available. Type A Schengen visa (airport transit visa) which only authorises the holder to transit through the airport's international transit area. A person may normally stay in the international transit area at the airport without a visa while waiting for a connecting flight. Type C Schengen visa (entry visa) which entitles its holder to enter and stay in the Schengen area for not more than a total of 90 days within a six-month period subsequent to the date of the first entry. This visa may be issued for one or several entries (single entry and multiple entry visa). Then there is a National visa type D (long-stay) which may be issued in relation to the granted residence permit or in connection with Slovak Republic's commitments under international treaties or for the benefit of the Slovak Republic. Long-term visa holders are allowed to travel to other Member States, however the total length of stay cannot exceed 90 days in any given six month period.

The visa application procedure shall not take longer than 15 days, in exceptional cases the decision may take up to 60 days. Exemptions apply to nationals of third countries which have

signed Community-level visa facilitation agreements. Such countries include Albania, Bosnia and Herzegovina, Montenegro, Macedonia, Moldova, the Russian Federation, Serbia, Georgia and Ukraine. With respect to the nationals of the aforementioned countries, the decision must be delivered within 10 calendar days of the delivery of a completed visa application.

In general, when applying for a Schengen visa, foreign nationals have to submit a completed "Application for Schengen Visa" form, full-face colour photo, valid travel document; documents demonstrating the purpose and conditions of the planned stay, accommodation-related documents, documents confirming sufficient means of subsistence. Furthermore, documents enabling an assessment of the applicant's intention to leave the territory of the Member States before the expiry of the visa applied for, e.g. means of transport – a return (not open) air/bus/train ticket; and a travel medical insurance. Family members of EU or EEA nationals are exempt from the obligation of submitting travel health insurance. Such exemption does not apply to the family members of the Slovak citizens. For the purposes of the visa application procedure, the embassy or consulate general may ask foreign nationals to submit other documents in order to verify the declared purpose of the visit and applicant's intention to return to their home country or the country of their residence.

Fees involved with procedure of getting visa depend on the type of visa a person is applying for. Fee charged for uniform Schengen visa application is EUR 60; EUR 35 for uniform Schengen visa application for children from the age of 6 to 12 years; EUR 33 for national (long-stay) visa granted in connection with the performance of the Slovak Republic's commitments under international treaties or for the benefit of the Slovak Republic or along with a residence permit in the Slovak Republic; EUR 9,50 for national (long-stay) visa issued in connection with a collection of granted residence permit in the Slovak Republic and EUR 35 for visa application administration fee for nationals of third countries who have signed a Visa Facilitation Agreement with the Community.

17. Expatriate Employees

17.1. Cost of Living and Immigration

- How does the cost of living compare to that in the investor's home country?
- What is the rate of inflation?

In general, the cost of living (rent, utility costs, prices, etc.) in the Slovak Republic is lower than in the Western European countries like UK, France or Germany and are comparable to neighbouring Central and Eastern European countries. Living costs vary from region to region and are also dependent on fluctuations in the prices of food, energy and other everyday necessities. In the biggest cities, especially in Bratislava, the costs may reach the Western European level.

In 2015, the rate of inflation was below 1%.

17.2. Drivers' Licenses

- Must the investor obtain a driver's license for that country?
- How does the investor obtain a driver's license?
- What fees are involved?
- Is an examination, either practical or written, required?

Driving licenses obtained in another EU Member State and international driving licenses are recognised. If a person has a driver's licence issued by any EEA country he/she has an option to change this driver's licence for a Slovak driver's licence after expiration of 185 days from granting or registering of residence in the Slovak Republic. If a person has a driver's licence issued by a country, that is party to the Vienna Convention on Road Traffic or the Geneva Convention on Road Traffic other than an EEA country there is an obligation to exchange this driver's license after expiration of the period of 185 days after moving to an EU country.

To get an EU driving license, a person must be normally resident in that EU country, i.e. that person should live there for at least 185 days in each calendar year because of personal or work-

related ties. If the person has personal/work-related ties in two or more EU countries, the place where a person is normally resident is the place where a person has personal ties (as long as he/she go back regularly). This last condition does not have to be met by a person living in an EU country to carry out a task for a fixed period of time. If a person moves abroad to go to a college or university, the place of normal residence doesn't change. Furthermore, person has to meet the minimum age requirements, which differ depending on the vehicle in question, as well as the minimum medical requirements and pass a driving test which consists of written as well as practical examination.

Administrative fee for issuance of a driver license is EUR 6.50, other costs connected to participation on the examination and training prior to it depend on the driving school/instructor chosen.

17.3. Education

- What types of schools are available for the investor's family?
- What fees are involved?
- What is required for enrollment?
- Can the investor or company receive a tax benefit?

The Slovak Republic has a general system of education. For the investor's family, international schools in English language are available, albeit private and requiring fees. There are several types of schools providing different level of education in the Slovak Republic, there is a level of kindergarten or pre-school education, primary schools, secondary schools as well as 35 universities which represent a third level of education. Most of the schools are owned by state, but there also are private schools and schools owned by church, so the fees depend on the type of school a person is attending. Enrollment requirements vary from institution to institution. There however are some basic requirements needed for enrollment into university, e.g. completed studies of second level.

The Slovak Republic also offers a range of private internationally accredited schools, where certified teachers from all around the world provide for education in multiple languages.

There are no specific tax benefits in connection with education of investors in the Slovak Republic.

17.4. Housing

- What type of housing is available for the investor?
- Can the investor own property?
- Must the investor have housing before entering the country?
- Can the investor subsidize housing and receive a tax benefit?

The capital city, Bratislava, as well as other urban centres offer a wide range of houses and apartments to rent for expatriates. Prices for rental and sale of residential premises depend and vary based on, city itself, location within the city, as well as size and state of the premises.

Constitution of the Slovak Republic stipulates that anyone has the right to own property (including real property); ownership right of all owners has the same legal content and protection. The only limitations of ownership right to real estate are stipulated in Section 19a of Foreign Exchange Act, which determines that a foreigner may acquire ownership rights to real estate in the country except to real estate which acquisition is restricted by special regulations, e.g. Act No. 49/2002 Coll. on Protection of Heritage Fund, as amended (the "**Heritage Protection Act**"), Act No. 543/2002 Coll. on Nature and Landscape Protection, as amended (the "**Nature and Landscape Protection Act**"), Act No. 220/2004 Coll. on Protection and Use of Agricultural Land, as amended (the "**Act on Protection and Use of Agricultural Land**").

If a person is applying for Schengen visa before entering Slovak Republic he/she must in general provide accommodation-related documents.

There are no specific tax benefits in connection with housing of investors in the Slovak Republic.

17.5. Importing Personal Possessions

- How can the investor import personal belongings?
- Are import duties payable?
- Are there requirements for clearing the belongings through customs?

The Slovak Republic is a member of GATT and EU. Thus, common EU customs policy applies. Goods imported to the EU customs area and exported to third countries via the Slovak Republic are subject to customs control. Personal possessions are however exempt from custom duties.

17.6. Medical Care

- What level of medical care is available?
- Is there national health care?

The Slovak Republic has a general system of medical care. Healthcare provided by state is available, on equal terms, to all citizens and registered long-term residents. Every village and smaller town has a health centre and every larger city has at least one hospital. Foreigners may obtain medical treatment for direct payment it therefore is fundamental for them to have an insurance that covers the costs.

Most medical services in Slovakia are free of charge for those who qualify, but some services are only subsidised and citizens must pay a part of the cost. Co-payments exist for some prescription drugs, some dental treatment and medical devices. Some non-essential treatments are excluded from cover.

Medicinal products are divided into three groups, with the first category consisting of essential drugs, which are fully reimbursed by the insurance companies. The second category is partially subsidised and the third group receive no subsidy at all. Prescribed medicinal products for those who suffer from chronic illness or those who belong to the medically vulnerable groups e.g. pregnant women, war veterans, diabetics or tuberculosis patients are exempted from all charges.

17.7. Moving Costs

- What costs are involved in moving?
- Can the investor receive any tax allowances?

The extent of moving costs depends on the country of origin of the employee.

Investor may receive tax allowances as a form of investment aid (for more information see Sections 3.2.-3.4.).

17.8. Tax Liability

- What is the expatriate's tax liability? (See also Section XIII)
- What are the allowances?
- Are there any applicable tax treaties?

For details on taxation see Section 13. on Tax on Individuals.

17.9. Work Contracts

- Does the investor need a work contract to work in the country?
- If so, does the contract have to be for a certain duration, for the performance of a specific job or for a specific position?
- Does the contract have to be with a national or resident of the country or related state?

For details on work contracts see Section 11.

17.10. Work Permits

- Does the investor need a work permit to work in the country?
- How and where does the investor apply for the permit?
- What documents are required?
- What fees are involved?

- How long does it take to receive the permit?
- For how long is the permit valid?

In general, foreigners coming to work to the Slovak Republic must have a work permit or one of the permits needed for the purpose of employment (for details see Section 11.2.) and a temporary residence permit for the purpose of work. Local labour office grants the works permits, but there is no legal entitlement to grant a work permit to a foreigner. For details on work permits see Section 11.
