

## **Tax Changes in the Slovak Republic 2025**

On 3 October 2024, the Slovak Parliament approved the government's consolidation package of changes in tax policy, most of the measures will take effect on 1 January 2025. This package brings major changes that will affect both businesses and ordinary consumers. What changes do you need to prepare for?

### **Standard VAT rate increase**

From 2025, the standard rate of value added tax (VAT) will be increased from 20% to 23% and two reduced rates of 19% (instead of the current 10%) and 5% will apply. Simultaneously, the list of goods and services to which the reduced rates apply is changed (see table below). This measure is aimed at strengthening the State's budget revenue and creating sufficient financial resources to stabilise public finances and reduce the budget deficit.

<b>CATEGORIES</b>	<b>RATE 2024</b>	<b>RATE 2025</b>
<b>Basic VAT rate</b>	20 %	23 %
<b>Alcoholic drinks</b>	20 %	23 %
<b>Soft drinks</b>	10 %	19 %
<b>Rent</b>	5 %	5 %
<b>Electricity</b>	20 %	19 %
<b>Social services</b>	10 %	5 %
<b>Basic foods</b>	10 %	5 %
<b>Other foods</b>	20 %	19 %
<b>Medicines and medical aids</b>	10 %	5 %
<b>Books, textbooks</b>	10 %	5 %
<b>E-books, audio / online books</b>	20 %	5 %
<b>Gastro services, accommodation</b>	10 %	5 %

### **Corporate tax increase**

One of the key changes is an increase in the corporate tax rate for entities with annual taxable income exceeding EUR 5 million. The tax rate for these entities will increase from the current 21% to 24%. This measure is intended to ensure higher revenue to the state budget from economically strong companies.

Conversely, a reduction in the tax rate from 15% to 10% will be introduced for small businesses with annual revenues of less than €100,000. The tax rate for taxable income between EUR 100,000 and EUR 5,000,000 per year will remain at 21%.

### **Introduction of a financial transaction tax for entrepreneurs**

The Chamber of Deputies also decided to implement the financial transaction tax effective from 01.04.2025, which represents a new tax burden for companies (including organisational units of foreign persons) and natural persons - entrepreneurs. Financial transactions in which a sum of money is debited from the bank account of an entrepreneur will be subject to a rate of 0.40%, with a maximum tax levy of EUR 40 per transaction. In the case of cash withdrawals from a bank or ATM, an increased rate of 0.80% of the amount withdrawn will be applied. Further, an annual fee of EUR 2 has been set for the use of payment cards. These levies will be made by the banking institutions on behalf of the taxpayers.

For example, the payment of taxes and social and health insurance contributions, payment transactions made among taxpayers' accounts held with the same provider, payment transactions relating to the handing over or return of money from notarial escrow, the purchase of government bonds, etc. will not be subject to the tax.

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