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# Doing business in Slovakia



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## brochure

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## **Doing business in Slovakia**

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# 1. Doing business in Slovakia

## 1.1 Business environment

The Slovak Republic was founded on 1 January 1993 as a sovereign democratic state with a parliamentary system of government. The President (Ivan Gašparovič since 2004) is the Head of State directly elected for 5 years. The National Council of the Slovak Republic (SR) is the law-making body which consists of 150 MPs elected for 4 years. The government chaired by the Prime Minister (Robert Fico since 2006) is the highest body of executive power.

Slovakia, consisting of 49,035 km<sup>2</sup>, belongs to one of the smaller European Union (EU) countries. Slovakia joined the EU on 1 May 2004. This date marks, not only for Slovakia but also for other Central and Eastern European countries, Malta and Cyprus, the end of the process of integration of their economies into the European Economic Area (EEA) which currently consists of 30 European countries. The entry of Slovakia into the EU was a natural continuation of the Slovak economy integration into the world economy. The process started with Slovakia's entry into the GATT/WTO and another significant turning point in Slovakia's history was its entry into the Organisation for Economic Cooperation and Development (OECD), the so-called "elite club of 30 richest nations", in 2001.

In 2004 Slovakia became the member of the North Atlantic Treaty Organisation (NATO) the 26 member states of which take care of international stability in the North Atlantic area and on 1.1.2009 Slovakia joined the European Economic and Monetary Union.

Slovakia is a continental country situated almost in the heart of Europe. Slovakia always used to be a crossroad of important transport and trade routes between the Baltic Sea and Adriatic Sea and between the Black Sea and North Sea. Slovakia borders with four EU countries, i.e. Czech Republic, Poland, Hungary and Austria and it borders with Ukraine to the east. Due to its advantageous location Slovakia is frequently described as the stepping stone between the EU and the East.

Bratislava, the capital of Slovakia has a competitive advantage compared to other big cities thanks to its strategic location. Its proximity to neighbouring countries, in particular to their capitals (Bratislava – Vienna 65km, Bratislava – Budapest 205km, Bratislava – Prague 350km) offers a huge opportunity for Slovak companies to sell their products or services in these neighbouring countries or to use the potential offered in these countries.

In order to enable centralised control of local projects funded by the EU the territory of Slovakia was divided into 4 regions with a comparable population according to the “*La Nomenclature des Unités Territoriales Statistiques*” (NUTS 2) in 1998 on the basis of an agreement between the EU Statistical Office (EUROSTAT) and Slovak Statistical Office. Based on such a division the territorial systemization of Slovakia is as follows: the territory of the Bratislava region was separately included as the Bratislava region NUTS; the territory of the Trnava, Trenčín and Nitra region was joined into the Western Slovakia NUTS; the territory of the Žilina and Banská Bystrica Region was joined into the Central Slovakia NUTS and the territory of the Prešov and Košice region was joined into the Eastern Slovakia NUTS. The 10 biggest cities in Slovakia include the capital of Bratislava, Košice, Prešov, Žilina, Nitra, Banská Bystrica, Trnava, Martin, Trenčín, Poprad and Prievidza.

After the division of the Czech and Slovak Federal Republic into the Czech Republic and Slovak Republic on 1.1.1993 Slovakia had to win its position on the European and international scene from scratch. During its 15 years of existence Slovakia has managed to renew old trademarks and develop new ones in some national economic sectors. Apart from the main foreign trade marks such as US Steel, KIA, PSA Peugeot Citroën, Volkswagen, Samsung, Sony and Siemens which have opted for Slovakia and which form a large proportion of its exports worldwide, Slovakia has become famous for the production and export of its own products with their own trade marks in the following sectors:

- brewing industry (**Zlatý Bažant**), production of champagne (**Hubert**), red wine (**Frankovka modrá**) and white wine (**Tokajské víno, Tramín**), production of liquor (**Borovička, Demänovka**), non-alcoholic beverages (**Budiš, Vinea**),

- food industry: production of cheese and dairy products (**Slovenská bryndza, Slovenská parenica, Slovenský oštiepok, Oravský korbáčik or Zázrivský korbáčik, Niva, Encián, Karička**),
- chocolate and confectionery industry (**Figaro, Deva, Horalky, Tatranky, Kávenky, Skalický trdelník**),
- cellulose and paper industry (**Harmasan**),
- production of chemistry products and heavy engineering products (**Božena, TwinSpin**),
- production of water heating technology (**Tatramat**),
- glass-making industry (**Rona**),
- rubber industry (**Matador**)
- IT industry: NOD 32 anti-virus software (**ESET**),
- production of TVs (**OVP Orava**) and refrigerators (**Whirlpool**),

## 1.2 Cross-border cooperation

Within the cross-border cooperation programs between the Slovak Republic – Czech Republic, Slovak Republic – Poland, Slovak Republic – Hungary and Slovak Republic – Austria 2007-2013 all parties have undertaken, while respecting the principle of good neighbourhood relations, to develop cross-border regions in order to support the further strengthening of their cohesion and improving partnership cooperation between people.

The cross-border region in the territory of the Czech Republic borders with the Southern Czech regions of Pardubice, Olomouc and Vysočina. The total length of the common border between Slovakia and Czech Republic is 251.8 km. In Poland the cross-border region borders with the *Śląskie, Małopolskie and Podkarpackie counties*. *The length of the state border between Poland and Slovak Republic is 541 km*. In Hungary the Győr-Moson-Sopron, Komárom-Esztergom, Pest, Nógrád, Heves, Borsod-Abaúj-Zemplén, Szabolcs-Szatmár-Bereg municipalities and the city of Budapest regions border Slovakia. The total length of the common border between Slovakia and Hungary is 668.6 km. In Austria Slovakia borders with the Weinviertel, Wiener Umland/Nordteil, Wien, Wiener Umland/Südteil and Nordburgenland regions. The total length of the common border between Slovakia and Austria is 106 km



The territorial units which are appropriate for the cross-border cooperation program between the Slovak and Czech Republic or between the Slovak Republic and Poland according to the European Commission methodology are the NUTS III cross-border regions. In Slovakia these are the Trnava, Trenčín and Žilina regions for cross-border cooperation between Slovak and Czech Republic and the Žilina and Prešov regions for the cross-border cooperation between Slovak Republic and Poland.

### **1.2.1 Demographic development**

Slovakia's population numbers 5,412,254, out of which 2,629,804 are male and 2,782,450 female. The number of inhabitants residing in each of the particular regions was as at 31.12.2008 is as follows: the Bratislava region: 616,578 which represents 11.39 %; Trnava region: 559,934 which represents 10.34%; Trenčín region: 599,859 which represents 11.08%; Nitra region 706,375 which represents 13.05%; Žilina region: 696,347 which represents 12.86%; Banská Bystrica region: 653,697 which represents 12.07%; Prešov region: 803,955 which represents 14.85% and Košice region: 775,509 which represents 14.32% of the total population of Slovakia.

Religion – Roman-Catholic (60.4%), Evangelic-Augsburg (6.2%), Greek-Catholic (3.4%), Calvinist (1.6%), atheist (9.8%), other (17.4%).

Nationality – 4,613,875 people of Slovak nationality (85.43% out of the total population), 513,650 of Hungarian nationality (9.51%), 101,960 of Roma nationality (1.89%), 47,327 of Czech nationality (0.88%), 24,014 of Ruthenian nationality (0.44%) and 11,586 of Ukrainian nationality (0.21%), whereas other nationalities account for (1.63%).

### **1.2.2 Economic structure**

The Slovak economy has continuously accelerated its performance over the past four years. In 2008 this tendency changed. According to an improved estimate the dynamics of formation of the gross domestic product has been reduced as compared to 2007 at constant prices by 4 pp to 6.4%. The volume of GDP output in current prices has increased by 9.5% to SKK 2,028.4 bil. (EUR

67.3 bil.). From the viewpoint of individual quarters real growth has gradually slowed down from 9.3% in the 1<sup>st</sup> quarter to 2.5% in the 4<sup>th</sup> quarter. <sup>1)</sup>

The economic slowdown was related to the slowdown in the growth of foreign demand to 3.2% (by 10.6 pp). The grow rate of domestic demand was the same as last year (by 6.4%). All the main components have contributed to the year-to-year growth. The biggest influence was the one of higher investment demand. Formation of gross capital has increased by 8.2% (formation of gross fixed capital by 6.8%). Final consumption of households has increased by 6.1 %, final consumption of government by 4.3% and consumption of non-profit institutions which serve households by 1.4 % (accounting for 0.9% of GDP). The increase in the import of products and services has slowed down to 3.3 % (by 5.6 pp).

Out of the total GDP growth at current prices of SKK 175.6 billion (EUR 5.8 billion) total consumption accounts for 73.7%, the formation of gross fixed capital for 25.9% and the change in inventory for 2.9%. The net balance of foreign trade has decreased the potential growth of GDP by 2.4%.

Out of the formed gross domestic product added value accounted for SKK 1,839 billion (EUR 61 billion). Its year-to-year increase by 7.2% was related to higher added value in trade, hotels and restaurants and transport; construction; financial intermediation and real estate; public administration, education, health system and other services; agriculture and fishing and lower added value in industry. The formation of gross domestic products was also influenced by the lower collection of taxes on products less subsidies.

From the viewpoint of generation of income the year-to-year increase of the gross domestic product was influenced by the growth of gross operating surplus and mixed income; compensation of employees and the decrease in collected taxes from production less subsidies.

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1 data about the GDP is an improved estimate according to the method of ESA 95 (*European System of National and Regional Accounts*) as amended according to EC regulations

Year-to-year growth of GDP was achieved at productivity growth<sup>2)</sup> by 4.3% (at current prices by 7.3%). Compared with year 2007 its' real slow down was by 4.1 pp (nominal by 2.3 pp). At the same time total employment has increased according to ESA by 2.8% to 2,237.1 thousand persons with an increase in the number of employees by 2% to 1,928.9 thousand.

### **1.2.3 Tourist industry and culture**

The Slovak Republic has natural, cultural, economic and social conditions for the development of almost all types of inland tourism. There are many protected areas in Slovakia called national parks: High Tatra national park, Malá Fatra national park, Veľká Fatra national park, Low Tatra national park, Slovak Paradise national park, Pieniny national park and Poloniny national park as well as numerous protected landscape areas. Apart from large parks there many other smaller areas which are also protected – natural reservations. There are numerous cultural and historic monuments throughout Slovakia of national and international importance and there are numerous important traditional cultural and sports events. There is a network of cultural monuments, protected listed historical monuments and cultural institutions. There are museums and galleries, an existing network of libraries, theatres and cinemas. The tourist industry belongs in the long term to services with a surplus balance. Common problems in the development of the tourist industry in neighbouring countries include the decrease or stagnation in the number of local visitors which has been visible, with smaller differences, since 2000.

Cross-border regions are often typical of a high-quality living environment. The long-term problem which has not improved, not even in the regions with the largest tourist industry, is the low efficiency of tourist industry services. The problem of insufficient use of the potential for the development of the tourist industry is not caused by the insufficient number of accommodation facilities but basically in their quality and in the quality of basic and related tourist infrastructure.

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2 labour productivity of GDP is calculated as a proportion of GDP and number of employees in economy according to the domestic concept of ESA 95. Employment according to ESA 95 – employment expressed as the number of persons (employees and self-employed) who participate in production activity in terms of system of national accounts. Construction of indicators of labour indicators was based on the definitions of ILO and ESA 95.

## 2. Establishment of business in Slovakia

Doing business in Slovakia is available for individuals (natural persons) or business companies (legal persons). An entrepreneur, according to **Act no. 513/1991 Coll. Commercial Code** as amended by further regulations, is a person (natural or legal) subject to entry into the Commercial Register, a person engaged in business activity on the basis of an authorization to practise a certain trade, a person engaged in a business activity on the basis of a trade authorization issued under particular Acts and a natural person engaged in farming activity (agricultural production) who is recorded in the appropriate register under a particular Act.

**A Natural person** who is not registered in the Commercial Register becomes an entrepreneur upon being granted a trade authorisation or a trade authorisation for conducting business activity under a particular Act. The same applies for conducting a business activity by legal persons who are not entered in the Commercial Register.

**Legal person** – a business company or cooperative is formed on the day of entry in the Commercial Register which means that it must be entered in the Commercial Register.

**Foreign person, i.e. a natural person residing or legal person based outside the territory of the Slovak Republic obtains the authorisation to undertake a business activity upon the territory of the Slovak Republic on the date of registration of the business of such a person in the Commercial Register in the extent of the scope of the business activity entered in the Commercial Register.** This does not apply to a natural person with residence in some of the European Union countries or in a member state of the Organisation for Economic Cooperation and Development who conducts business upon the territory of the Slovak Republic and who does not have to be formally entered into the Commercial Register.

## 2.1 Business companies and cooperative

*Business companies are divided mainly according to the scope of the partner's liability for the company payables into:*

- *private*, where partners shall be liable for the company payables with all their property, not only with their capital contribution – *unlimited partnership*,
- *mixed*, where some of the partners shall be liable personally, and others only with their capital contributions – *limited partnership*,
- *capital*, where the company property is completely separated from the partners'. These are *limited liability companies and joint stock companies*.

### 2.1.1 Formation of business companies and cooperative

A basic condition for the formation of a business company is the deed of association or founder's deed. Where this Code permits (limited liability company) the formation of a company by a single person, the deed of association shall be replaced by a founder's deed in the form of a notarial deed. The founder's deed of a joint stock company shall be issued in the form of a notarial deed about the legal act. Thus, a company is established by concluding the founder's deed.

In order to establish a cooperative a constitutive meeting of the cooperative members shall take place the progress of which is certified by a notarial deed. The approved wording of the articles of association is enclosed with the notarial deed.

### 2.1.2 Incorporation of business companies and cooperative

A company officially comes into being on the day as of which it is entered in the Commercial Register. (Natural persons can be also registered in the Commercial Register; however, this is generally not their duty.) A petition (an application) for entry in the Commercial Register must be filed within 90 days of the company's formation, or within 90 days from the receipt of the trade license or similar business authorization.

An application for entry in the Commercial Register shall be filed either by the entitled person whom the entry concerns or by persons so authorized ex

lege (in accordance with law), or by persons who have been so empowered in writing by the persons concerned. An application for entry into the Commercial Register must be accompanied by documents verifying the facts which are to be entered in the Commercial Register. The signatures of the persons applying for entry into the Commercial Register and the signatures on the power of attorney must be authenticated. Performance of the entry into the Commercial Register and notification about deposit of the document in a registry of documents shall be published by the registration court in the Business Gazette. The entry of an entrepreneur and scope of business (activity) shall be notified by the registration court to the competent tax office, state statistical office and to the body which issued the trade license or other business authorisation document.

### 2.1.3 Business assets

Business assets of a business company are deemed to be the sum of things appraisable in money and receivables which belong to the company. An important term in this regard is the registered capital which represents the total of all its founders' or partners' values. This implies that the sum of the above values represents investment contributions into the company:

- *monetary investment contribution* – sum of money,
- *in-kind investment contribution* – sum of values appraisable in money.

*A business share, on the contrary to the investment contribution only expresses the proportion (size) of a particular partner's participation in the company.*

Limited liability companies and joint stock companies shall create **registered capital** under the law. Registered capital shall be created also in a limited partnership as the limited partners' investment contribution to the partnership is mandatory. The amount of registered capital shall be included in the deed of association or in the founder's deed and it shall be entered into the Commercial Register upon the incorporation of a company. A partner undertakes to invest a certain value, specified in advance, in a company, whereas the company undertakes to grant him an ownership interest. This can be a share in profit, a settlement share, a liquidation share or a business share. The total contribution does not have to be paid on the day of formation of the company; however, the minimum percentage of each monetary investment contribution

is stipulated in the Commercial Code. Then it is up to the partners to agree the amount of investment contribution in the company registered capital which shall be invested by them in advance and the time period by when the rest of the investment contribution shall be paid. The maximum period is 5 years.

## **2.1.4 Winding-up and dissolution of business companies**

A company becomes dissolved on the day it is deleted from the Commercial Register. Dissolution of a company is preceded by its winding-up. The winding-up can be done either with or without liquidation (the latter applies if the company's business assets are transferred to its legal successor) and deletion from the Commercial Register is preceded by a tax settlement.

### **A company shall be wound up:**

- on expiry of the period of time or on attainment of the purpose for which it was formed,
- by the resolution of the partners or competent organs of the company,
- by judicial order due to legislation reasons,
- if a bankruptcy order is placed on the company property or if a petition for a bankruptcy order is dismissed due to the lack of company property,
- for any other reason as set out under the particular Act.

## **2.1.5 Legal forms and basic principles of business companies**

### *2.1.5.1 Unlimited partnership*

**An unlimited partnership** is a company in which at least two persons carry on a business activity under a common commercial name and bear joint and several liability for the obligations of the company with all their property.

### *2.1.5.2 Limited partnership*

A limited partnership is a mixed type of company. One or more partners are liable for the company's obligations only up to the amount of the unpaid portions of their contributions as entered in the Commercial Register (limited partners) and one or more partners are liable for the company's obligations with their entire

property (general partners). Only general partners are authorised for business management of the company. Division of profit is also differentiated.

### 2.1.5.3 *Limited liability company*

A limited liability company is a typical capital company. Its registered capital consists of partners' investment contributions determined in advance. A limited liability company may be formed by one person; a limited liability company may have a maximum of 50 partners. The amount of the registered capital of a limited liability company shall be at least EUR 5,000.

The amount of a partner's investment contribution must be at least EUR 750. Before filing a petition for the entry of a company into the Commercial Register, the full premium and at least 30 per cent of each monetary investment contribution must be paid up. The total of the paid-up investment contributions and the value of the nonmonetary investment contributions must amount to at least EUR 2,500. The company has the duty to create a reserve fund.

The company is liable for breaches of its obligations with its entire property. Its partner is liable for their company's obligations up to the unpaid portions of his investment contributions according to the entry in the Commercial Register.

#### *Organs of limited liability company:*

General meeting – the company's highest organ. The general meeting shall be convened by the company's executive officers at least once a year. It is within the powers of the general meeting, for example, to approve actions performed by persons acting on behalf of the company prior to its incorporation, approval of financial statements and decision about distribution of profit, approval of the statutes, appointment and recall of the members of the supervisory board,

Executive officers – a statutory body – one or more executive officers appointed by the general meeting from among the company's partners or other natural persons.

Supervisory board – a body the creation of which is not mandatory and members of which are appointed by the general meeting. The supervisory board supervises the activities of the executive officers, examines financial statements and reports to the general meeting.



#### 2.1.5.4 *Joint stock company*

A joint stock company is a form of a business company designed for larger capital association. The registered capital of a joint stock company is divided into a certain number of shares determined in advance with a specific nominal value. A joint stock company may be founded by a single person if such a person is a legal entity; otherwise by two or more persons.

A joint stock company can be private or public. A public joint stock company is a company where all the shares or a part of the shares of which have been accepted for trading on a regulated market which is based or which operates in some of the contractual states of the Agreement on the European Economic Area.

The minimum amount of the registered capital shall be at least EUR 25,000 30 % of which shall be paid as a monetary contribution at the time of entry in the Commercial Register. In case of a joint stock company shareholders' property is completely separated from company property. Shareholders shall not be liable for company losses; their risk shall be limited only to the loss of the value of shares.

#### ***Organs of joint stock company:***

*General meeting* – the company's highest organ. At the constituent general meeting the action of which is required upon the company's formation based on a public offer of shares decides about the company's formation, approves and appoints company's organs. The general meeting is entitled to modify the statutes, can decide to increase or reduce the registered capital, appoint and recall members of the board of directors and supervisory board, and approve financial statements.

*Board of directors* – the company's statutory organ which manages the company's activity and acts in its name. It ensures the company's proper bookkeeping and submits financial statements and proposal for the distribution of profit to the general meeting for its approval.

*Supervisory board* – the organ which shall monitor how the board of directors exercises its range of powers and how the business activity of the company is conducted. Members of the supervisory board are entitled to examine all

documents and records relating to the company's activities and to check bookkeeping entries.

#### 2.1.5.5 *European company*

A European company or European joint stock company or Societas Europaea (hereinafter as a SE) is a capital business company. An SE is considered as a **joint stock company governed by the law of the state in which it is based**. The registered office of an SE shall be located within the Community, in the same member state as its head office. A member state may in addition impose on SEs registered in its territory the obligation of locating their head office and their registered office in the same place.

The registered office of an SE may be transferred to another member state. Such a transfer shall not result in the winding up of the SE or in the creation of a new legal person.

An SE is governed by the Council Regulation (EC) no. 2157/2001 of 8 October 2001 on the Statute for a European company (SE) and by the **Council Directive no. 2001/86/EC** of 8 October 2001 supplementing the Statute for a European company with regard to the involvement of employees in management. The Slovak Republic **Act no. 562/2004 Coll.** on European Company is related to the European legislation.

#### *Formation of ES:*

- The Formation of an ES on the basis of corporate consolidation

Public limited-liability companies such as referred to in Annex I, formed under the law of a member state, with registered offices and head offices within the Community may form an SE by means of a merger provided that at least two of them are governed by the law of different member states.

- Formation of holding SE

Public and private limited-liability companies such as referred to in Annex II, formed under the law of a member state, with registered offices and head offices within the Community may promote the formation of a holding SE

provided that each of at least two of them:

- a) is governed by the law of a different member state, or
- b) has for at least two years had a subsidiary company governed by the law of another member state or a branch situated in another member state.

– Formation of subsidiary SE

Companies and other legal bodies governed by public or private law, formed under the law of a member state, with registered offices and head offices within the Community may form a subsidiary SE by subscribing for its shares, provided that each of at least two of them:

- a) is governed by the law of a different member state, or
- b) has for at least two years had a subsidiary company governed by the law of another Member State or a branch situated in another member state.

– Conversion of an existing public limited-liability company into an SE

A public limited-liability company, formed under the law of a member state, which has its registered office and head office within the Community may be transformed into an SE if for at least two years it has had a subsidiary company governed by the law of another member state.

*Organs of SE:*

- a) *a general meeting of shareholders and*
- b) *a supervisory organ and a management organ – board of directors (two-tier system) or a statutory organ – an administrative organ which shall have at least three members (one-tier system).*

The capital of an SE shall be divided into shares. No shareholder shall be liable for more than the amount he has subscribed. The capital of an SE shall be expressed in EUR. The subscribed capital shall not be less than EUR 120,000.

#### *2.1.5.6 European Economic Interest Grouping (EEIG)*

European Economic Interest Grouping is governed by **Act no. 177/2004 Coll.**

on European Economic Interest Grouping and on amending Income Tax Act no. 595/2003 Coll. which is related to the **Council Regulation (EHS) no. 2137/85** of 25 July 1985 on European Economic Interest Grouping.

European Economic Interest Grouping in the territory of Slovakia is a legal person which is formed by a founder's deed and entered in the Commercial Register. From the viewpoint of legal forms of business companies which are currently allowed under Slovak legislation the EEIG is closest to the legal form of an unlimited partnership. The members of a grouping shall bear unlimited joint and several liability for debts and other receivables of a Grouping.

A grouping must comprise at least:

- a) two companies or other legal persons which have their central administrations in different member states or two natural persons who carry on their principal activities in different member states, or
- b) a business company or other legal person and a natural person, of which the first has its central administration in one member state and the second carries on his principal activity in another member state.

#### *2.1.5.7 Cooperative*

A cooperative associates an unrestricted number of persons and is formed for the purpose either of carrying on business activity or of meeting the economic, social or other needs of its members. A cooperative must have no fewer than five members; this does not apply if at least two members are legal entities. A constituent meeting is required for the formation of a cooperative. A cooperative is a legal entity which is liable for any breach of its obligations with its entire property. Members are not liable for the obligations of the cooperative. Its statutes may, however, stipulate that all or some members are under an obligation to indemnify the cooperative in respect of its loss up to a certain limit in excess of their membership contribution, provided that the members' meeting so decides.

**Registered capital** of a cooperative is made up of all the membership contributions which are entered in the Commercial Register and must amount to no less than EUR 1,250. Prior to filing an application for such registration in the Commercial Register, at least one half of the proposed registered capital must

be paid up. Upon its incorporation, the cooperative must create an indivisible fund in an amount of no less than 10% of its recorded registered capital. This fund shall be augmented by adding no less than 10% of the cooperative's annual net profit, until it reaches an amount equal to one half of the recorded registered capital of the cooperative.

*Organs of cooperative:*

- a) the members' meeting,
- b) a managing board,
- c) an auditing commission,
- d) other organs established under the statutes.

#### *2.1.5.8 European Cooperative Society (SCE)*

European Cooperative Society is at Community level governed by **Council Regulation (ES) no. 1435/2003** of 22 July 2003 on the Statute for a European Cooperative Society (SCE) and Council Directive 2003/72/EC of 22 July 2003 supplementing the Statute for a European Cooperative Society with regard to the involvement of employees. At the level of Slovak national legislation the European Cooperative Society is governed by **Act no. 91/2007 Coll.** on European Cooperative Society.

Unless otherwise provided by the statutes of the SCE when that SCE is formed, no member shall be liable for more than the amount he/she has subscribed. Where the members of the SCE have limited liability, the name of the SCE shall end in 'limited'.

An SCE shall have as its principal object the satisfaction of its members' needs and/or the development of their economic and social activities, in particular through the conclusion of agreements with them to supply goods or services or to execute work of the kind that the SCE carries out or commissions. An SCE may also have as its object the satisfaction of its members' needs by promoting, in the manner set forth above, their participation in economic activities, in one or more SCEs and/or national cooperatives. An SCE may not extend the benefits of its activities to non-members or allow them to participate in its business, except where its statutes provide otherwise. An SCE shall have legal personality; it is a legal person which shall be entered in the Commercial Register.

*An SCE may be formed as follows:*

- a) by five or more natural persons resident in at least two member states,
- b) by five or more natural persons and business companies or cooperatives and other legal persons governed by public or private law, formed under the law of a member state, resident in, or governed by the law of, at least two different member states,
- c) by business companies or cooperatives and other legal persons governed by public or private law formed under the law of a member state which are governed by the law of at least two different member states,
- d) by a merger between cooperatives formed under the law of a member state with registered offices and head offices within the Community, provided that at least two of them are governed by the law of different member states,
- e) by conversion of a cooperative formed under the law of a member state, which has its registered office and head office within the Community if for at least two years it has had an establishment or subsidiary governed by the law of another member state.

The subscribed capital shall not be less than EUR 30,000.

*Organs of SCE:*

*A SCE has the following organs:*

- a) a *general meeting*; and
- b) either a *supervisory organ* and a *management organ* (two-tier system) or an *administrative organ* (one-tier system) depending on the form adopted in the statutes.

## Forms of doing business

	Unlimited partnership	Limited partnership	Limited liability company	Joint stock company	Cooperative	Trade of natural person
<b>Purpose</b>	business activity	business activity	business activity and other	business activity and other	business activity or satisfaction of economic, social or other needs of its members	business activity
<b>Minimum number of founders</b>	min. 2 natural persons or 2 legal persons	min. 2 natural persons or 2 legal persons	1 natural person or legal person	2 natural persons or 1 legal person	5 natural persons or 2 legal persons	1 natural person
<b>Min./max. number of partners</b>	min. 2 partners	min. 1 limited partner and 1 general partner	min. 1/max. 50	if a natural person, then at least 2	association of indefinite number of persons	-
<b>Liability of partners for company obligations</b>	unlimited liability of company and partners (even after company dissolution)	unlimited liability of company; limited partners only up to the amount of the unpaid portions of their contributions, general partner with their entire property	unlimited liability of company; partners up to the amount of the unpaid contribution	unlimited liability of company; no liability of shareholders	unlimited liability of company; no liability of members	unlimited
<b>Registered capital</b>	no	only indirectly (limited partner's mandatory contribution)	yes, min. EUR 5,000	yes, min. EUR 25,000	yes, min. EUR 1,250	no

	Unlimited partnership		Limited partnership	Limited liability company	Joint stock company	Cooperative	Trade of natural person
<b>Minimum contribution</b>	no	yes (limited partner min. EUR 250)	min. EUR 750 - if there is only 1 founder – min. EUR 5 000	not specified (min. value of share)	as per statutes	no	
<b>Statutory organ</b>	partners	general partners	one or several executive officers	board of directors	board of directors	sole trader	
<b>Other organs</b>	no	no	general meeting or supervisory board	general meeting and supervisory board	members' meeting, auditing commission, other organs of cooperative as per statutes	no	
<b>Mandatory audit</b>	no	no	yes <sup>xi</sup>	yes <sup>xi</sup>	yes <sup>xi</sup>	no	
<b>Mandatory reserve fund</b>	no	no	yes min. 5 % of net earnings, max. 10% of registered capital	yes min. 10 % of registered capital at formation	yes - „indivisible fund“ min. 10 % at formation	no	



	Unlimited partnership	Limited partnership	Limited liability company	Joint stock company	Cooperative	Trade of natural person
<b>End-of-year profit sharing</b>	distributed in equal proportions among partners	general partners - equal proportion; limited partners – as per amount of their contributions	as per capital contribution of partners	as per decision of general meeting	as per decision of members' meeting	net earnings (after taxation) are distributed for instalments of credit, remuneration of sole trader and undistributed proportion remains in business
<b>administrative difficulty of formation</b>	business license, deed of association, authorisation to use real estate as its registered seat, judicial fee, administrative fees, entry in Commercial Register	business license, deed of association, authorisation to use real estate as its registered seat, declaration of administrator of contribution about its payment, judicial fee administration fees, entry in Commercial Register	business license, deed of association, authorisation to use real estate as its registered seat, declaration of administrator of contributions about their payment, judicial fee, administration fees, entry in Commercial Register	business license, founder's deed in the form of a notarial deed, statutes, election of board of directors, authorisation to use real estate as its registered seat, declaration of administrator of contributions about their payment, judicial fee, administrative fees, entry in Commercial Register	business license, notarial deed of constituent meeting, statutes, payment of proportion of registered capital, authorisation to use real estate as its registered seat, judicial fee, administrative fees, entry in Commercial Register	trade certificate, administration fees

*x/ As per Sec. 9 (1) of Act no. 431/2002 Coll. Z. z. on accounting as amended by further regulations:*

*Annual and extraordinary individual financial statements must be audited if the accounting entity*

*a) is a business company that is required to create share capital or it is a cooperative that has fulfilled at least two of the following conditions in the year preceding the year of the audited financial statements:*

- 1. its total assets exceeded EUR 1,000,000; total assets being defined as total assets ascertained from the balance sheet before adjustments by items specified in section 26(3),*
- 2. its net turnover exceeded EUR 2,000,000; net turnover being understood for this purpose as revenues from sales of own products and goods and from the provision of services and other revenues related to ordinary activity of the accounting entity less discounts,*
- 3. the average calculated number of employees exceeded 30 in a particular accounting period,*

*b) is a business company and cooperative the securities of which were accepted for trading on a regulated market ,*

*c) is subject to this requirement under a separate regulation<sup>24</sup>),*

*d) should prepare its financial statements in accordance with section 17a.*

## **2.2 Sole trading**

Conditions of sole trading and control of their observance is governed by **Act no. 455/1991 Coll. on Sole Trading** (Trade Licensing Act) as amended by further regulations.

Trade authorization is the right to undertake a trade. This right is granted to natural persons and legal persons on the condition that they fulfil the general and particular conditions for undertaking a trade.

### **2.2.3 Conditions for carrying on a trade**

**General conditions for the undertaking a trade by natural persons include the age of 18 years, a full legal capacity and without a criminal record.**

In case of a Slovak legal person the general conditions must be met by a natural  
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person or persons who are its statutory organ.

In case of a foreign person's enterprise the general conditions must be met by the person who undertakes the business of the foreign person and in case of a branch of the foreign person's enterprise by the person in charge of the branch of foreign person's enterprise.

**Particular conditions** include professional or other qualification of a natural person if they are stipulated in the Trade Licensing Act or particular Acts if required by this Act. Proper carrying on of a trade can be provided by a professional representative appointed by an entrepreneur.

A professional representative shall be in a working relationship with the entrepreneur when undertaking a trade - this shall not apply, under conditions stipulated in a special Act, in case of an entrepreneur's spouse or direct relative or a sibling, or a partner or member in case of a legal person; and mayor in case of a municipality.

In case of a legal person the particular conditions shall be met by its professional representative to be appointed by the legal person when undertaking a vocational, professional or permitted trade. A particular condition in the case of a permitted trade is also reliability which is assessed in relation to the scope of business with regard to the protection of rights to life, health, property and other rights of persons and public interests. A professional representative shall be appointed by the legal person also in case of several establishments or joined establishment.

## 2.2.2 Classification of trades

Trades are divided according to the conditions for obtaining of the trade authorization into:

- *notifiable trades* whose pursuance is subject to the notification to the Trade Licensing Office in the competent jurisdiction as per the residence of a natural person on the condition that the person notifying the trade meets the conditions of the Trade Licensing Act. These trades are further subdivided into:
  - *vocational* – condition for the undertaking of a trade is a professional

- qualification upon the completion of an apprenticeship in the appropriate field (stipulated in Annex no. 1 of Act),
- *professional* – professional qualification is stipulated in special Acts (stipulated in Annex no. 2 of Act),
  - *unqualified* – not conditional on any professional or any other qualification. All entrepreneurial activities are unqualified which are not excluded, forbidden and which are not stipulated in Annex no. 1 to 3 of the Trade Licensing Act.
  - *permitted trades* – are subject to permission being granted by the state – a license. The conditions of professional qualification are stipulated in the special Acts in Annex no. 3 of the Trade Licensing Act.

### **2.2.3 Trade authorization**

A trade authorization becomes effective depending on the person and type of trade. In the case of notifiable trades a trade authorization becomes effective as of the day when such a trade is reported to the Trade Licensing Office (or on a later day unless stated in the notification); in the case of permitted trades as of the day of delivery of a license.

Documents which prove the trading authorization include a trade certificate, a license or an extract from the Trade Licensing Register. Applications for issuance shall be submitted to the Trade Licensing Office which is in the competent jurisdiction as per the residence of a natural person or registered office of a legal person. In the case of a foreign person, however, the competent Trade Licensing Office is in the municipality according to the address of the place of activity of the foreign person's enterprise or address of the place of activity of the branch of the foreign person's enterprise.

A trade authorization is effective throughout the territory of the Slovak Republic; the space of activity can be only limited by a trade permit.

A trade authorization shall terminate upon the death of a natural person or upon the dissolution of a legal person, upon the expiry of a specific period for which the trade authorization was issued, by a decision of the Trade Licensing Office due to the reasons stipulated by Act or by a notification about termination of undertaking a trade.

## 2.2.4 Period for issuance of trade authorization

The Trade Licensing Office shall issue a trade certificate **no later than 5 working days** after the receipt of the notification of the trade and file copies from the Criminal Record if the entrepreneur's notification contains all the particulars stipulated by the Act and if the entrepreneur satisfies the conditions stipulated in the Trade Licensing Act.

The Trade Licensing Office shall decide about the application for a license **no later than 30 days** from the date of receipt of the application and file copy from the Criminal Record.

## 2.3 Other forms of undertaking a trade

### 2.3.1 Undertaking a trade in agriculture

According to the Commercial Code (Sec. 8 par. 2 (d) of Act no. 513/1991 Coll.) an entrepreneur is also a natural person who undertakes agricultural production and is registered in the municipality register under Act no. 219/1991 Coll. An individual farmer undertakes agricultural production on his/her behalf, on his/her account and responsibility.

### 2.3.2 Silent partnership contract

By concluding a **silent partnership contract** the silent partner may participate in an entrepreneur's business by making a certain investment contribution. The investment contribution may be in the form of a fixed amount of money, a certain thing, a particular right or other property value which can be used in business activity. The silent partner is entitled to a share in the profit and the extent of his share in loss equals the amount of his investment contribution (Sec. 673 et seq. of Act no. 513/1991 Coll., Commercial Code). Any natural or legal person may become a silent partner.

### 2.3.3 Commercial representation

Under a contract of commercial representation (Sec. 652 et seq. of Act no.

513/1991 Coll., Commercial Code) the commercial representative as an independent entrepreneur undertakes to engage in long-term activity on behalf of the principal aimed at the conclusion of specified contracts (“commercial transactions”) or to negotiate and conclude transactions in the name of the principal and on his account and the principal undertakes to pay a commission to the commercial representative. In the specified territory, the commercial representative is obliged to pursue with due diligence the commercial activity which is the object of his obligation. The object of the obligations undertaken by the commercial representative is to find parties interested in concluding such commercial transactions as are specified in the contract. If the contract provides that the commercial representative shall perform acts in law in the name of the principal, the rights and duties relating thereto shall be governed by the provisions on mandate. Without being given a power of attorney by the principal, the commercial representative may not, in the name of his principal, conclude commercial transactions, receive performance for him, or undertake other acts in law in the name of the principal.

## **2.4 Business activities of foreign persons**

Business activities of foreign persons are governed by Sec. 21 et seq. of Act no. 513/1991 Coll. Commercial Code under which foreign persons may engage in business activities on the territory of the Slovak Republic under the same conditions and to the same extent as Slovak persons, unless the law stipulates otherwise.

### **Recognition of professional qualification obtained abroad**

This area is from the viewpoint of legislation governed by Act no. 293/2007 Coll. on the recognition of professional qualifications. Citizens of member states and their family members have the same rights for the performance of regulated professional activity and free provision of services in the Slovak Republic as persons who obtained the respective qualification in the Slovak Republic.

### **2.4.1 Foreign person's enterprise and branch of foreign person's enterprise in the territory of Slovakia**

A foreign legal person formed in order to undertake a trade can locate its enterprise or a branch of the enterprise in the territory of the Slovak Republic. The authorization of a foreign person to undertake a business in the territory of the Slovak Republic shall be effective as of the day of entry of the enterprise of such a person or his/her branch in the Commercial Register in the extent of the scope of business entered in the Commercial Register. The above shall not apply to natural persons with residence in some of the EU member states or in the member state of the Organisation for Economic Cooperation and Development which undertake a trade in the territory of Slovakia which are not compulsorily entered in the Commercial Register.

### **2.4.2 Property participation of foreign persons in Slovak legal persons**

Under the provisions of the Commercial Code, a foreign person may participate in the forming of a legal person or become a partner or member in an already existing Slovak legal entity for the purpose of engaging in a business activity. A foreign person may become the sole promoter (founder) of a Slovak legal person or become the sole owner of a Slovak legal person, provided that the Commercial Code permits a sole promoter (founder) or a single owner.

### **2.4.3 Relocation of a foreign legal person's seat to the territory of Slovakia**

A foreign legal person formed for the purpose of conducting a business activity which has its registered office abroad may relocate its registered office to the Slovak Republic territory if such relocation is permissible under the law of the European Community or under an international treaty binding on the Slovak Republic. Relocation of a registered office under the previous sentence becomes effective on the day as of which it is entered in the Commercial Register.

The internal legal relationships of the legal person shall continue to be governed by the law of the state under which the entity was originally established, even

after its relocation to the Slovak Republic. The same law shall govern liability of its partners or members towards third parties; however, the scope of such liability may not be narrower than that stipulated for an identical or similar form of legal person under Slovak law.

## **2.5 Point of Single Contact (PSC)**

As of 1 October 2007 a natural person or a legal person may at the same time, when notifying a trade or when applying for the issuance of a license, use the service of the **Trade Licensing Office** which fulfils the function of a **Point of Single Contact** by providing for the registration of a taxpayer at the tax administrator's office and by notifying the formation of an establishment. Moreover, natural persons may register in the Trade Licensing Office in the system of mandatory health insurance and at the same time notify the fact that the insurance will be paid by a self-employed person.

Information systems of individual offices are interconnected via the Trade Licensing Register into which the data are entered by the Trade Licensing Office. Information from the Trade Licensing register is immediately provided for the purpose of registration in the systems of tax offices and health insurance offices or for the purpose of providing for file copies of Criminal Records.

## **2.6 Commercial Register**

The Commercial Register is a public list in which entries are made of legally required data a part of which is a registry of documents stipulated by law. The Commercial Register is kept by the district court at the seat of the regional court.

The following shall be entered in the Commercial Register:

- a) business companies, cooperatives, other legal persons, if this is stipulated by a special Act, legal persons formed under the law of the European Community, foreign person's enterprises and branches,
- b) business units and other branches of enterprises, if this is stipulated by a special Act,
- c) natural persons with permanent residence in the territory of the Slovak



Republic who are entrepreneurs under Act no. 513/1991 Coll. Commercial Code and entered in the Commercial Register on their own application, or if this is stipulated by a special Act (e.g. if they are citizens of countries outside of EEA and OECD).

An application for entry in the Commercial Register shall be filed within 90 days from the formation of a company or from the delivery of a document which proves a trading authorization which is a trade certificate or a license or other trading authorization.

An application for entry of a company in the Commercial Register and deposit of a document in the registry of documents is also possible by electronic means in a soft copy of the document which is published on the Internet website of the central portal of public administration <http://www.portal.gov.sk/>.

Such an application for the first entry shall be signed by the applicant's guaranteed electronic signature. Electronic means can be also used to apply for the issuance of an extract from the Commercial Register, a copy of a document from the registry of documents or a confirmation of the fact that a certain entry is not included in the Commercial Register. In such cases the guaranteed electronic signature is not necessary for the application.

### **Periods for entry in the Commercial Register**

The registration court shall make an entry **no later than 5 working days** from the receipt of an application for entry if the conditions stipulated in the Act on Commercial Register are met. The registration court shall issue a confirmation about the entry of the data in the application which shall be sent or issued to the applicant **without any unnecessary delay**.

## **2.7 Assigning of identification number**

An identification number shall be assigned to each legal person and entrepreneur and it is for registration purposes. The identification number is assigned to:

- a) legal persons entered in the Commercial Register by the **registration court**,

- b) non-investment funds, special interest organisations of legal persons and non-profit organisations which provide public services by the **local authority**,
- c) foreign persons, government organisations and government-subsidized organisations, foundations, land and other purpose associations, political parties and political initiatives, church organisations and religious organisations and other legal persons which are not entered in the Commercial Register by the **Statistical Office of the Slovak Republic**,
- d) entrepreneurs undertaking a trade on the basis of a trade authorization including legal persons undertaking a trade on the basis of a trade authorization and foreign natural persons undertaking a trade on the basis of a trade authorization by the **local (trade licensing) office** (as of 1 October 2007),
- e) entrepreneurs undertaking a trade on the basis of other than a trade authorisation by the **Statistical Office of the Slovak Republic**.

## 2.8 Fees

An entrepreneur shall pay:

- a) **under the Act of the Slovak Republic National Council no. 145/1995 Coll. on administration fees as amended by further regulations:**
  - **administration fee of EUR 3** for the issuance of a trade certificate for an unqualified trade with one subject of business
  - **administration fee of EUR 16.50** for the issuance of a trade certificate for a vocational or professional trade with one subject of business
  - **administration fee of EUR 33** for the issuance of a license with one subject of business
  - **administration fee of EUR 3** for an extract from the Trade Licensing Register
  - **administration fee of EUR 3** for the performance of changes in a trade certificate or in a license
- b) **under the Act of the Slovak Republic National Council no. 71/1992 Coll. on judicial fees and on the fee for a file copy from the Criminal Record as amended by further regulations:**

- **judicial fee of Euro 331.50** for entry of an unlimited partnership, a limited partnership, a limited liability company, a cooperative into the Commercial Register – application in a hard copy  
(**Euro 165.50** – application in a soft copy)
- **judicial fee of EUR 829.50** for entry of a joint stock company into the Commercial Register – application in a hard copy  
(**EUR 414.50** - application in a soft copy)
- **judicial fee of EUR 165.50** for entry of a natural person into the Commercial Register – application in a hard copy  
(**EUR 82.50** – application in a soft copy)
- **judicial fee of EUR 331.50** for entry of a branch into the Commercial Register – application in a hard copy  
(**EUR 165.50** - application in a soft copy)
- **judicial fee of EUR 6.50** for an extract from the Commercial Register – application in a hard copy  
(**EUR 0.33** - application in a soft copy)

## 2.9 Legislation

**Act no. 513/1991 Coll., Commercial Code** as amended by further regulations

**Act no. 530/2003 Coll.** on Commercial Register and on the amendment and supplementation of certain acts as amended by further regulations

**Edict of the Ministry of Justice of the Slovak Republic no. 25/2004 Coll.** stipulating the formats of documents for filing of applications for entry into the Commercial Register and list of documents which shall be enclosed to the application for entry as amended by further regulations

**Act no. 455/1991 Coll. on sole trading** (Trade Licensing Act) as amended by further regulations

**Act no. 7/2005 Coll.** on bankruptcy and restructuring and on the amendment and supplementation of certain acts as amended by further regulations

**Act of the Slovak Republic National Council no. 71/1992 Coll.** on judicial fees and on the fee for a file copy from the Criminal Record as amended by further regulations

**Act of the Slovak Republic National Council no. 145/1995 Coll.** on administration fees as amended by further regulations

**Act no. 48/2002 Coll.** on residence of foreigners and on the amendment and supplementation of certain acts

**Act no. 293/2007 Coll.** on recognition of professional qualifications

### 3. Investment climate in Slovakia

The Slovak Republic as a member of the European Union and North Atlantic Treaty Organisation (NATO) is one of the most attractive countries in the world to make investments, with a very stable political and promising macro-economic development. Slovakia has the biggest GDP growth rate within the Visegrad Four countries (10.4% in 2007). As the only one of the countries in the region which are European Union member states, Slovakia joined the European Monetary and Economic Union on 1.1.2009 after succeeding in meeting of the Maastricht criteria and adopted the common European currency, the euro. Furthermore, Slovakia, together with Estonia, belongs to the most open economies among the new EU member states which is expressed as a proportion of foreign trade turnover on GDP. In 2006 the openness reached 175.5 per cent which shows a high degree participation in the international division of labour. As stated in the report of the World Bank "Doing Business" in 2007, Slovakia as one of the fastest transforming countries adopted an ambitious reform package in the field of health care, retirement system, labour market, public procurement and decentralisation. Comparative advantages of investment in Slovakia also include a low average price in comparison with other countries in the region which, however, also shows high productivity with regard to the level of labour force qualification.

Slovakia also has a balanced Labour Code which is employee-friendly and flexible for employers at the same time. There is a growing tendency in the importance of Slovakia as a transit export junction with the markets of non-EU countries (Balkan countries, Ukraine and Russia) which represent a market with a total number of 400 million consumers. The transport infrastructure consists of a rapidly developing international air transport, excellent water transport on the Danube River and all significant European corridors (highways, railways).

Structural reforms which took place in Slovakia relate to the following areas:

- *a new tax system* based on a fair and efficient **19% flat tax rate**,
- *a new retirement system* which introduced the system of saving on personal accounts administrated by private administration companies,

- *banking and financial sector reform* (more than 95% of banking system was privatised),
- *health care system reform*,
- *new rules for the provision of state aid* based on EU directives.

## **National regional aid**

Act no. 561/2007 Coll. on **investment aid and on amendment and supplementation of certain Acts has been** effective since 1 January 2008. Based on this Act, regional investment aid and employment aid is provided for investment projects or for projects for the expansion of industry production, technology centres, strategic services centres and complex tourist industry centres.

National regional aid is one of the forms of state aid and its aim is to support economic development of the most disadvantaged regions and to reduce existing regional differences. It is typically associated with particular regions. Its purpose is to support foreign and local investments even in disadvantaged regions in order to stimulate the creation of new jobs.

Legislation requirements for the provision of the investment incentive differ depending on whether the particular project relates to industrial production, technology centres, strategic services centres or tourist investment industry.

Each project category has separate conditions which must be met so that the investor can apply for state aid. According to European Community legislation, this type of state aid is not eligible for the sectors which are subject to special regulations. This applies to the following sectors: fishing industry, coal-mining industry, ship-building industry, transport and agriculture. National regional aid is limited in the case of the steel industry and production of synthetic fibres.

Investment aid can be provided in the form of:

- (i) subsidies for the purchase of long-term tangible or intangible assets,
- (ii) income tax reliefs,
- (iii) contributions for newly created jobs, and
- (iv) transfer or exchange of real property at a lower price than its market price.

The minimum amount of investment or of investment rate which differs depending on the type of investment project and unemployment rate in the particular region should be met in order to obtain state aid.

### ***Industrial production***

Conditions for the granting of investment aid for industrial production include the following:

- a) construction of a new enterprise, extension of an existing enterprise, diversification of enterprise production in order to include new additional products, or a major change of the production program of the existing enterprise, or a purchase of an enterprise,
- b) purchase of new production and technological equipment,
- c) purchase of long-term tangible assets and long-term intangible assets in the amount of at least EUR 26.56 million, out of which 50% comes from the registered capital of a legal person or from the capital and reserves of a natural person – entrepreneur in the region with an unemployment rate which is lower than the Slovak average. If the investment project is implemented in a district(s) with a higher unemployment rate than the average unemployment rate in the Slovak Republic the amount is reduced to EUR 13.28 million. If the investment project is implemented in a district(s) with a higher unemployment rate at least by 50% than the Slovak average the amount is reduced to EUR 6.64 million.
- d) production, activities, processes, construction project, production and technological equipment which meets the conditions for environment protection,
- e) achieving the proportion of 80% of the volume of revenues from business activities stated in the investment project out of the total beneficiary's revenues.

### ***Technological centres***

Conditions for the granting of investment aid for technology centres include the following:

- a) construction of a new technology centre or extension of the existing centre,

- b) purchase of long-term tangible assets and long-term intangible assets in the amount of EUR 1.33 million, whereas at least 50% must be covered from the registered capital of a legal person or from the capital and reserves of a natural person – entrepreneur,
- c) at least 60% out of the total number of employees shall have a university education.

### ***Centres of strategic services***

Conditions for the granting of investment aid for strategic services centres include the following:

- a) construction of a new strategic services centre or extension of an existing strategic services centre,
- b) strategic services centre of long-term tangible assets and long-term intangible assets in the amount at least EUR 1.16 million, whereas at least 50% must be covered from the registered capital of a legal person or from the capital and reserves of a natural person – entrepreneur,
- c) at least 30% out of the total number of employees shall have a university education.

### ***Tourist industry***

Conditions for the granting of investment aid include the following:

- a) construction of a new complex tourist industry centre or adding a new service to a existing complex tourist industry centre,
- b) purchase of new technological equipment designed for the provision of services in the amount at least 40% out of the total value of the procured long-term tangible and long-term intangible assets,
- c) purchase of long-term tangible assets and long-term intangible assets in the amount at least EUR 16.60 million, out of this at least 50% must be covered from the registered capital of a legal person or from the capital and reserves of a natural person – entrepreneur. If the investment project is implemented in a district(s) with a higher unemployment rate than the average unemployment rate in the Slovak Republic the amount is reduced to EUR 8.30 million. If the investment project is implemented in a district(s) with a higher unemployment



rate than the average unemployment rate in the Slovak Republic at least by 50% the amount is reduced to EUR 3.32 million.

- d) production, activities, processes, construction project or equipment which meets the conditions for environment protection,

According to the Regional Aid Map for the years 2007-2013 the maximum intensity rates of regional aid are as follows:

- Bratislava region – 10% (applies only to the end of 2008 and the eligible districts include Bratislava II, Bratislava III, Bratislava IV, Čunovo, Jarovce, Rusovce, Malacky and Senec)
- Western Slovakia – 40%,
- Central Slovakia – 50%,
- Eastern Slovakia – 50%.

A taxpayer shall be entitled to claim tax relief up to the amount of the tax which corresponds with the tax base proportion calculated on the basis of a certain formula. Entitlement to tax relief as per this Act can be claimed by the taxpayer for the maximum of five successive tax periods whereas the first tax period for which tax relief can be claimed is the tax period in which the decision on the approval of investment aid was issued to the taxpayer. The entitlement to tax relief can be claimed by the taxpayer to the maximum amount for tax relief during the tax period for which the tax relief is claimed, however, only up to the total amount of the cost of the long-term tangible and long-term intangible assets of this investment purchased after the issuance of a written confirmation to the applicant that the investment project fulfils the conditions for the provision of investment aid.

There is no legal entitlement to regional aid. The selection of projects depends mostly on the benefit of the particular project for the particular region and on the assessment whether the aid is going to prevent competition or not. The amount of approved aid depends on the amount of investment, number of new jobs, their education structure and region in which the investment is directed to.

The investment project is submitted by the applicant to the Ministry of Economy of the Slovak Republic which prepares a proposal for the granting of investment aid which is sent to the bodies which grant investment aid (Ministry of Economy,

Ministry of Finance, Ministry of Labour, Social Affairs and Family, owner or operator of real property which belongs under the scope of the application of public administration bodies or the Slovak Land Fund, municipality, region or organisation within their founder's competence) for their review.

## **Slovak Investment and Trade Development Agency**

SARIO – Slovak Investment and Trade Development Agency was based upon the decision of the Ministry of Economy of the Slovak Republic no. 94/2001 on 1 October 2001 as a state funded organisation.

The main mission of SARIO is to contribute to the acceleration of economic growth of the Slovak Republic and to improve the quality of life in Slovakia - SARIO achieves this goal by presenting the economic environment of Slovakia, attracting foreign direct investments and the developing of the FDI projects up to their final stage. The aim of SARIO is also to decrease the unemployment rate, support export activities of Slovak companies, and administration of structural funds of the EU.

### **Key activity:**

Creation of a suitable investment and “business-friendly” environment in Slovakia.

Assisting with the completion of investment projects of foreign investors and ancillary services.

Consultation and solutions for individual State aid to investors.

Mapping out and creating databases of available real estate and industrial parks.

Assistance and service with joint venture creation between Slovak and foreign companies.

Assisting small and medium businesses in their search for export and trade opportunities abroad.

Assisting municipalities and small and medium business applying for money from EU structural funds (within the jurisdiction of SARIO) and helping them complete their projects.

For more information see [www.sario.sk](http://www.sario.sk).

## Technological and business incubators in Slovakia

Slovakia has experienced the development of business incubators in recent few years. As at 31 December 2007, 1 230 new jobs were created in relation with the operation and activities of incubators in 269 incubated companies located in 16 business and technological incubators. Some of the Slovak incubators implement the method of “research-based spin-off” which creates appropriate conditions for the use of outputs of research and development, patents, industrial and utility designs closely interrelated with scientific and technical institutions. The above method is based on a qualified selection of the project, provision of budget priced premises for implementation, administrative services, mentoring and professional consultancy as well as the provision of starting capital. However, it seems that the Slovak high-tech industry is not going to be born without the support of the academic sector, mutual connection between science and research, on one hand, and practice and risk capital, on the other hand.

A network of 16 incubators was built from 2002 to 2007, financed from pre-access PHARE funds, state budget, structural funds and beneficiary’s capital and reserves. These incubators help budding entrepreneurs and provide advantages to them shortly before and at the beginning of their business activities. An important factor with regard to investments into the construction of the network of incubators is its impact on regional employment.

*Network of incubators in Slovakia:*



**A business incubator** is under Slovak conditions a rather new, hybrid type of economic development tool which combines the function of business development, support of trade and development of residences. A business incubator provides premises where entrepreneurs can implement their business projects, together with equipment; additional training, and consultancy services; provision of information and necessary contacts. The concept of a business incubator includes the organisation which systemises the process of the creation of new successful companies by providing premises and a complex, integrated scope of services.

**Technological incubator** – its purpose is the transfer of technologies from scientific, research and university environment into a practical business by creating new innovative technology-oriented companies. Technological incubators implement the “research-based spin-off” method which creates appropriate conditions for the use of outputs of research and development, patents, industrial and utility designs. An incubator provides for suitable conditions for the development of innovative technologies which produce higher added value products. Technological incubators are usually located close to scientific and research parks, universities or research laboratories. People who rent them have access to research equipment and professionals in these institutions, and thus they can participate in “networking” with experienced and successful entrepreneurs in the field of technology, and even engage in strategic alliances in order to use entrepreneurial opportunities as subcontractors or suppliers.

## 4. Taxes and insurance paid by an entrepreneur

### 4.1 Tax reform during 2004 - 2006

The effective tax legislation has been amended several times, with the purpose of its improvement. Some of the changes in the tax legislation have been conditioned by political and other reasons on the basis of which many non-systematic features have been included into the tax legislation which have given advantages for some taxpayers and disadvantages for others. Numerous exceptions and conditions resulted in ambiguous legislation which has caused the need to adopt further regulations or interpretations. The Slovak Republic radically changed its tax system as of 1 January 2004. A new tax system removed any deficiencies and deformations, whereas all types of income are subject to a flat rate tax regardless of its height which is as fair as taxation could possibly be.

The existing tax system which following the above tax reform consists of 9 different taxes:

<b>Direct taxes</b>	
Profit	Personal and corporate income tax
Property	Real estate tax Motor vehicle tax
<b>Indirect taxes</b>	
General consumption	Value added tax
Specific consumption	Excise duty on spirit Excise duty on beer Excise duty on wine Excise duty on tobacco and tobacco products Excise duty on mineral oil Excise duty on electricity, coal and natural gas

As of 1 July 2008 Act no. 609/2007 Coll. on excise duty on electricity, coal and natural gas and on the amendment and supplementation of Act no. 98/2004 Coll. on excise duty of mineral oil as amended by further regulations (thereinafter referred to as “Act no. 609/2007 Coll.”) introduced the taxation of electricity and coal which were not subject to excise duty on the territory of the Slovak Republic until then. At the same time natural gas was transferred from the scope of application of Act no. 98/2004 Coll. on excise duty and mineral oil to the scope of application of the new Act no. 609/2007 Coll.

#### 4.1.1 Direct taxes

<b>Direct taxes</b>	<b>Rate</b>
<b>Personal income tax</b>	19%
<b>Corporate income tax</b>	19%
<b>Real estate tax</b>	
- on land	0.25%
- on buildings	EUR 0.033194 per each, also incomplete, m <sup>2</sup> of built-up square area (max. increase in particular locations is 40 multiple)
- on flats	EUR 0.033194 per each, also incomplete, m <sup>2</sup> of square area  (max. increase in particular locations is 40 multiple)
<b>Motor vehicle tax</b>	tax rates are fixed by the respective municipalities through a public statute
- passenger vehicle	depending on the engine capacity and region
- commercial vehicle and bus	depending on the number of axles and loaded vehicle weight
<b>Inheritance tax</b>	cancelled as of 1.1.2004
<b>Donation tax</b>	cancelled as of 1.1.2004
<b>Real estate transfer tax</b>	cancelled as of 1.1.2005

#### 4.1.1.1 *Income tax*

The income tax is governed by **Act no. 595/2003 Coll.** on income tax. As of 1 January 2004 the income of all taxable parties (natural persons, foreign persons, legal persons and other taxable parties) is subject to a **flat tax rate in the amount of 19%**. The above act has cancelled a wide range of exceptions and exemptions, it has cancelled a separate income tax rate applied till then which was withheld, it has cancelled a flat rate for sole traders applied till then and introduced a flat rate of expenses, currently in the amount of 40%, for vocational trades in the amount up to 60%. Taxation of dividends was cancelled.

#### **Basic principles of Income Tax Act**

The term **taxable parties** shall mean local natural and legal persons and foreign persons, i.e. everybody able to generate a profit.

The **object of the tax** shall mean monetary and non-monetary income derived from all activities and from disposal with all property. Credits, loans and advance payments shall not be regulated by this Act.

The **object of the tax shall not** include any income which was already taxed once, as the principle of a single direct taxation would be violated by taxing such income, this is especially related to:

- paid shares in profit after taxation, dividends and similar indemnities;
- income obtained through inheritance and donation;
- income obtained from certain types of insurance of persons and property, or certain indemnities or similar.

**Foreign persons**, i.e. who do not have their registered office or residence in the Slovak Republic territory have a tax liability which relates to income derived from a source in the Slovak republic territory.

The term **tax expense** shall mean any documented expense (cost) which has been incurred by the taxable party in order to generate, assure, and maintain the income.

Deduction of tax loss – a tax loss may be deducted from the tax base equally

during **seven** (as of 1 January 2010) tax periods immediately following after the period in which the tax loss is booked.

A **Tax return** shall be filed within the specified time period after the end of the tax period and with every change of the tax period.

The way of **payment of tax advances** is defined by law:

- a) **Monthly payment of tax** advances by natural persons in the amount of 1/12 of the last known tax liability for the previous tax period if it was more than EUR 16,596.96 and by legal persons in the amount of 1/12 of the last known tax liability for the previous tax period if it was more than EUR 16,596.96.
- b) **Quarterly payment of tax** advances by natural persons in the amount of 1/4 of the last known tax liability for the previous tax period if it was more than EUR 1,659.70 and less than EUR 16,596.96 and by legal persons in the amount of 1/4 of the tax liability for the previous tax period if it was more than EUR 1,659.70 and less than EUR 16,596.96.

An employer, who is a **taxpayer**, shall withhold tax advances in the amount of 19% from the aggregate taxable income from dependent activities, which was accounted for and paid to the employee for any calendar month or tax period, reduced by any amounts withheld as insurance premiums and contributions payable by the employee and by a non-taxable part of the tax base of the taxable party.

#### *4.1.1.2 Real estate tax*

Real estate tax is governed by **Act no. 582/2004 Coll.** on local taxes and local fees for municipal waste and minor construction waste which also regulates dog tax, tax on the use of public areas, accommodation tax, vending machine tax, non-winning gaming machine tax, tax on the entering and parking of motor vehicles within the historical parts of towns, nuclear facility tax and motor vehicle tax which can be imposed by higher territorial units. All imposed local taxes are optional and the municipalities or higher territorial units may decide as to their own conditions and needs whether they will impose and collect local taxes in their territories. A generally binding regulation issued by a municipality of a higher territorial unit under this Act is decisive. Local motor vehicle tax is administrated by tax offices.



## Basic principles of the real estate tax act

**Tax payers** are owners of real estate, also in case of real estate which is rented over a long term, etc. The owner registered in the real estate register is decisive.

The **object of the tax** includes real estate in the Slovak Republic subdivided into land, buildings and flats.

### The tax base in case of

- land is the value of land calculated by multiplying the square area in m<sup>2</sup> and the value of land per 1 m<sup>2</sup> determined according to the price map;
- a building that is built within the square area;
- a flat is the square area of a flat.

The **tax period** is the calendar year. The situation as at 1 January of the tax period is decisive for the commencement and cessation of the tax liability. In case of the first payment of tax the taxpayer shall file the tax return by 1 January of the tax period. During the following years, if there are no changes, there is no need to file a tax return. The real estate tax shall be imposed by the tax administrator annually according to the situation as at 1 January of the particular tax period. The imposed real estate tax is due within the period of 15 days from fee assessment becoming effective.

#### 4.1.1.3 Motor vehicle tax

The motor vehicle tax applies for all passenger vehicles according to their engine capacity and for commercial vehicles and buses according to their weight and number of axles, if they are used for business activities in Slovakia or for activities from which the income subject to the income tax is derived.

The tax period is the **calendar year**.

As of the beginning of 2008 the motor vehicle tax is paid in the form of **monthly and quarterly advance tax payments** according to the expected tax liability for the current tax period.

A taxpayer whose expected tax liability with a single tax administrator is more

than EUR 660 and less than EUR 8,292 shall pay quarterly advance tax payments for the current tax period amounting to a quarter of the expected tax liability.

A taxpayer whose expected tax liability with a single tax administrator is more than EUR 8,292 shall pay monthly advance tax payments for the current tax period amounting to a twelfth of the expected tax liability. The annual tax payment shall be paid by the taxpayer upon the filing of the tax return by 31 January after the end of the tax period.

A taxpayer whose expected tax liability with a single tax administrator is **not more than EUR 660** shall not pay any advance tax payments for the current tax period; and taxpayers shall not pay any advance tax payments in the tax period in which the tax liability arises.

The tax return shall be not filed within the tax period; however, the taxpayer shall notify the territorially competent tax administrator about his/her tax liability **within 30 days** from the arising of the tax liability, whereas such a notification duty also applies for the cessation of the tax liability. An exemption from the notification duty applies for the employers who use the vehicles of their employees for business usually within short repeated periods.

### **Basic principles of motor vehicle taxation**

The **taxpayer** is basically a natural person or legal person or an organisational unit thereof entered in the Commercial Register that is named in the vehicle documents as the vehicle holder; but also an employer reimbursing travel costs to an employee for the use of a vehicle in the documents of which the employee is named as the holder; and also a fixed establishment or other organisational unit of a person with permanent residence or registered office abroad.

The **object of the tax** are motor vehicles and trailers in the M, N and O categories used in the Slovak Republic in connection with business activities or for activities generating income subject to income tax.

The **tax base** for a passenger vehicle is the engine cylinder capacity in cm<sup>3</sup>; for commercial vehicles and buses, it is their total weight in tonnes and the number of axles.

## 4.1.2 Indirect taxes

<b>Indirect taxes</b>	<b>Rate</b>
<b>Value added tax</b>	
– basic rate	19%
– reduced rate (medicaments and sanitary ware, books and brochures)	10%
<b>Excise duty on spirit</b>	
– basic rate	EUR 1,080/hl <sup>x/</sup>
– reduced rate (spirit produced in a factory for fruit distillation)	EUR 540/hl
<b>Excise duty on beer</b>	
– basic tax rate	EUR 1.6597/°Plato/hl
– reduced tax rate	EUR 1.2282/°Plato/hl.
<b>Excise duty on wine</b>	
– silent wine	EUR 0/hl
– effervescent wine	EUR 79.67/hl
– effervescent wine with alcohol content not more than 8.5% of volume	EUR 56.43/hl
– intermediate products	EUR 82.98/hl
<b>Excise duty on tobacco products</b>	
– cigars, cigarillos	EUR 69.70/1,000 pieces
– tobacco	EUR 64.06/kg
– cigarettes	specific portion of tax EUR 52.44/1 000 pieces + percentage of tax 24% = min. EUR 81.32/1 000 pieces
<b>Excise duty on mineral oil</b>	
– engine fuel	EUR 514.50/1,000 l or EUR 597.49/1,000 l (as per code)
– medium oil	EUR 481.31/1,000 l
– gas oil	EUR 481.31/1,000 l
– fuel oil	EUR 26.55/1,000 kg
– liquefied gaseous hydrocarbons	
a/ as a propellant	EUR 258.91/1,000 kg
b/ as a fuel	EUR 0/1,000 kg

Indirect taxes	Rate
<b>Excise duty on electricity, coal and natural gas</b>	
– electricity	EUR 0.001328/kWh (as of 1 January 2010)
– coal	EUR 10.622054/t
– natural gas	EUR 0.013276/kWh – propellant (as of 1 January 2010) EUR 0.001328/kWh – fuel for heat production (as of 1 January 2010)

x/ amendment of the Act on excise duty on alcohol published under no. 474/2009 Coll., provision of Sec. 6 Tax rate is effective as of 1 March 2010

#### 4.1.2.1 Value added tax

In relation with Slovakia's entry into the European Union, Act no. 222/2004 Coll. on value added tax became effective as of 1 May 2004 and it is based on the European Community regulations which govern the application of value added tax. The value added tax is a general consumption tax. All consumed **goods and services** are continuously taxed with a percentage rate which means for each payer of this tax from his added value. A **19% basic tax rate** is applied for goods and services from the tax base, with the exception of medicaments and other sanitary ware (as of 1 January 2007) and with the exception of printed books, brochures, leaflets and similar printed matter (as of 1 January 2008) for which a **reduced tax rate of 10%** from the tax base is applied.

The annual turnover for mandatory **registration is EUR 49,790**. The duty to pay VAT applies to a wider range of persons. The duty of registration for this tax, not as payers, applies for the companies, for example if they purchase goods in other European Union member states in the value more than EUR 13,941.45 during the calendar year. The value added tax is paid monthly or quarterly depending on the taxpayer's turnover:

- a) **Monthly tax liability** applies for VAT payers whose turnover for the previous calendar year or expected annual turnover **equals EUR 331,939.19 and more**.

b) **Quarterly tax liability** applies for VAT payers whose turnover for the previous calendar year or expected annual turnover is **less than EUR 331,939.19**.

**Importation of goods** includes only goods transported from third countries which are not European Union member states shall be subject to taxation, whereas this applies not only for inland transport but also to any other territory in the EC. **The customs authority shall administer the tax of the importation of goods.** The assessment and collection of taxes in respect of the importation of goods shall be governed by the Customs Code and other applicable customs regulations.

**Exportation of goods** to third countries, i.e. outside the European Community territories shall be exempt from the tax. Dispatch or transportation of goods into the territory of third countries shall be demonstrated by means of a customs declaration in which customs authorities confirmed that the goods left the territory of the European Communities, and by means of a document of the dispatch or transport of goods.

In relation with trade within the internal market in EC member countries, selected taxpayers shall submit a **recapitulative statement** (summarizing report) **for the period of a calendar month or calendar quarter**, depending on the height of income derived from the sale of goods or products abroad.

#### *4.1.2.2 Excise duties*

Excise duties are a special type of consumption tax related to certain goods. Selected types of consumption are subject to taxation under respective EU regulations. Harmonization of national legislation and EU legislation fulfils the principle of free movement of goods. The following act on excise duties were adopted by the Slovak National Council in February 2004:

- no. 105/2004 Coll. on excise duty on alcohol and on the amendment and supplementation of Act no. 467/2002 Coll. on the production of spirit and its placement on the market, as amended by Act no. 211/2003 Coll.
- no. 107/2004 Coll. on excise duty on beer
- no. 104/2004 Coll. on excise duty on wine
- no. 106/2004 Coll. on excise duty on tobacco products

- no. 98/2004 Coll. on excise duty on mineral oil.

In general, the tax liability arises when goods are released for free circulation, i.e. when released from the tax warehouse.

The tax period is a **calendar month**, unless stipulated otherwise in this Act.

If the tax debtor is a warehouse keeper, a transit tax warehouse keeper, a tax warehouse keeper for a foreign representative or if the tax debtor is a registered trader whose commercial activities include the repeated receipt of goods under tax suspension from another member state, it is obliged **no later than on the 25th day of the calendar month** following the month in which its tax liability originated to submit to the customs office a **tax return and pay the tax before the same deadline**. It is also obliged to submit the tax return for a tax period in which no tax liability originated.

The principles of taxation of electricity, coal and natural gas which have been introduced since 2008 in Act

- no. 609/2007 Coll. on excise duty on electricity, coal and natural gas and on amendment and supplementation of Act no. 98/2004 Coll. on excise duty on mineral oil as amended by further regulations,

are different. The tax liability for electricity, coal and natural gas arises on the day of the supply of electricity to the final consumer of electricity or on the day on consumption as such by a legal person or by a natural person who is not the end user. Following the tax preference – exemption of electricity, coal and natural gas from tax by Act no. 609/2007 Coll. it introduced the institute of an eligible consumer.

An **eligible consumer** is a legal person or natural person authorized to use electricity, coal or natural gas that is exempt from tax and that is obliged to request, for this purpose for the registration and authorisation for the off-take of electricity, coal or natural gas exempt from tax.

A **tax debtor** is a legal person or a natural person who is supplied electricity, coal or natural gas for final consumption; or consumed electricity, coal or natural gas.

The **tax period** shall be the calendar month and the **tax shall be due no later**

**than on the 25th day of the month** following the calendar month in which the tax liability arose.

Registered entities (tax debtor, eligible consumer) **shall keep records** in the extent necessary in order to correctly determine the supplied or consumed amount of electricity, coal or natural gas and sum of excise duty.

### 4.1.3 Avoidance of Double Taxation

The issue of double taxation is governed in Sec. 45 of Act no. 595/2003 Coll. on income tax as amended (thereinafter referred to as the “Act”).

If a taxable party with an **unlimited tax liability** earns income originating in a country that has **signed a treaty** on the avoidance of double taxation with the Slovak Republic (thereinafter referred to as the “Treaty”) double taxation shall be avoided **in accordance with the treaty**.

If the treaty **provides for a set-off of the tax**, any amount of the tax paid in the other contractual state shall be **set-off** against the tax payable under this Act up to the amount, which may be collected in the other country according to the treaty, while the **maximum** set-off shall be equal to the tax payable with respect to the income originating from sources abroad.

For the purposes of set-off of the tax, the term **tax base** with respect to the income liable to the tax abroad, shall mean the **tax base calculated as the difference** between the income from dependent activity and insurance premiums and contributions which the employee is obliged to pay (or contributions for foreign insurance coverage of the employee, who is liable to a mandatory insurance coverage of the same kind abroad).

If the taxable party earns income originating from sources in a country, in which the **tax period differs** from the tax period effective in the Slovak Republic, and the taxable party **fails to have available a document** proving the payment of the tax, which would be issued by the tax administration abroad, the taxable party shall declare in its tax return the **expected income** originating from sources abroad and the tax payable on such income for the tax period, for which the tax return is filed.

The **method of exclusion of income** shall be used if a taxable party with an unlimited tax liability earns income from dependent activities as a consideration for his/her work performed for the European Communities or the institutions thereof, which is documented as taxed in favour of the general budget of the European Union; or from sources in a country, with which the Slovak Republic has not entered into any treaty, as long as such income is documented as taxed abroad; or from sources in a country, with which the Slovak Republic has entered into any treaty, as long as such income is documented as taxed abroad, if this method is more favourable for the taxpayer.

If a taxpayer who is a natural person with unlimited tax liability, natural person or legal person, including fixed establishment, paid, remitted or credited interest income in states and dependant territories as per Appendix no. 3 of the Act and demonstrably withheld tax from such interest income in accordance with a legal act of the European Community which governs the taxation of income of natural persons from savings in the form of interest payoff, this tax shall be set-off against the tax payable up to the amount which may be withheld according to this Act. If the tax withheld by a natural person or legal person, including fixed establishment, in this manner is higher than the total tax liability of the taxpayer the difference shall be considered as a tax overpayment. If, at the same time, the tax was withheld from the interest income of the taxpayer derived from sources abroad according to a treaty or tax legislation of the state of the source of this income the process to avoid double taxation shall be as stated in the above provisions.

Countries which have signed the treaty for avoidance of double taxation with the Slovak Republic can be found on the website of the Slovak Republic Tax Directorate: <http://www.drsr.sk/>.

#### **4.1.4 Tax refund to persons registered for VAT**

##### *4.1.4.1 Tax refund to a foreign person from another member state*

A foreign person who has a registered office, place of business, establishment, residence or usually dwells in another member state and applies for a tax refund shall be entitled to the refund of a tax charged on movable property and services supplied thereto by a taxpayer within the territory of the country, and



entitled to the refund of a tax paid thereby within the territory of the country on the importation of goods, under the conditions and within the scope as specified in Sec. 55(a) paragraph 2 to 5 and Sec. 5(e) of Act no. 222/2004 Coll. on value added tax as amended by further regulations.

An applicant from another member state, when filing an application for the tax refund of the tax charged on movable property and services under the Act on value added tax valid in the Slovak Republic **as of 1 January 2010**, shall address the application to the Bratislava I Tax Office, **however, it shall be submitted to the respective tax administrator in the state of settlement by means of an electronic portal** which will then deliver the application to the Bratislava Tax Office in electronic form.

An application for a tax refund shall be filed for the period of a maximum one calendar year and the sum of the tax in the application the refund of which is requested shall be **at least EUR 50**. The application for a tax refund may be filed for a period less than one calendar year, however, not less than three calendar months, if the sum of the tax, the refund of which is requested is at least EUR 400. The tax refund may apply for a period less than three calendar months, if this period represents the rest of the calendar year and the sum of the tax the refund of which is requested is at least EUR 50.

If the tax base in an invoice or in an import document is at least EUR 1,000 and more, or in a fuel purchase invoice EUR 250 and more, the applicant shall submit a copy of the invoice or of the import document along with the application for a tax refund by electronic means.

The Bratislava I Tax Office shall inform the applicant about the decision on the application for a tax refund within four months from the day of receipt of the application, unless there are any justified doubts about the correctness of the claimed entitlement to the tax refund and additional information is required by the Tax Office.

#### *4.1.4.2 Application for a tax refund by a local taxpayer in another member state*

A local taxpayer who applies for a tax refund in other member state than the one in which the goods and services were supplied to him/her or into which the goods were imported by him/her shall submit the application for a tax refund addressed to the respective tax administrator in the member state of the tax refund **in an electronic form to the Slovak Republic Tax Directorate** in Banská Bystrica which will then deliver the application to the member state of the tax refund in an electronic form.

An application for a tax refund shall be filed no later than on 30 September of the calendar year which follows after the period for which the entitlement to the tax refund is claimed. The content of the application for a tax refund is appropriately stipulated in Sec. 55(b) par. 2 to 4 of Act no. 222/2004 Coll. on value added tax as amended by further regulations.

#### *4.1.4.3 Tax refund to a third country national*

A third country national who does not have his/her registered office, place of business, establishment, residence or does not usually dwell in the European Community territory shall be entitled to the refund of the tax charged on movable property and services supplied thereto by a taxpayer within the territory of the country, and entitled to the refund of the tax paid thereby within the territory of the country on the importation of goods, under the conditions and within the scope as specified in Sec. 56 paragraph 2 of Act no. 222/2004 Coll. on value added tax as amended by further regulations. A third country national who applies for a tax refund shall submit the **application for a tax refund to the Bratislava I Tax Office**. The application for a tax refund shall be filed for the period of the calendar year no later than on 30 June of the calendar year which follows after the period for which the entitlement to a tax refund is claimed. The application for a tax refund can be filed by a third country national if the sum of the tax the refund of which is requested is **at least EUR 50**.

The application shall be filed in writing to the address: Bratislava I Tax Office, Radlinského 37, P.O.BOX 89, 817 89 Bratislava 15, Slovak Republic.

A third country national shall submit together with his/her application for a tax refund the following:

- a) original of the invoice issued by the taxpayer in the local country which states the sum in EUR and in case of importation the respective import document and document demonstrating the payment of the tax,
- b) confirmation of the tax office of the state in which she/he has a registered office, place of business, establishment, residence or in which she/he usually dwells demonstrating that the third country national is identified for tax or similar excise duty, whereas this confirmation shall be not older than one year.

The Bratislava I Tax Office shall decide about the application on the tax refund within six months from the day of filing the application.

#### **4.1.5 Tax administration**

**Income tax** is administered by the competent Tax Office in which the taxpayer resides or its the registered office.

**Real estate tax** is administered by municipal authorities, in which the real estate is situated.

**Motor vehicle tax** is administered by the competent local Tax Office in which the vehicle is registered to December 31 of the preceding year, if it concerns a taxpayer, who uses a vehicle, the documents of which the holder of the vehicle is a person, who has a permanent residence or registered office abroad, according to the permanent residence or the registered office of the taxpayer. If the taxpayer concerned is an employer, and if it disburses travelling reimbursements to employees for the use of the vehicle, the documents of which the employee is registered as the holder, the motor vehicle tax administration is executed by the competent local Tax Office in which the employer has its registered office. If a taxpayer is a permanent establishment or any other organization constituent of a person with a permanent residence or a registered office abroad, the tax administration is executed by the competent local Tax Office in which the registered office of the permanent establishment or other organization constituent in the territory of Slovak Republic falls. The change of

local competence during the period of taxation is not taken into account.

**Value added tax** is administered by the competent Tax Office in which the taxpayer resides or its registered office; a foreign person, if he starts to pursue inland any activity, which is subject to value added tax, he must submit a petition for registration to **Tax Office Bratislava I**.

**Excise duties** on mineral oils, spirits, wine, tobacco and tobacco products, electricity, oil and natural gas are administered by the competent local customs office in which the legal entity has its registered office or a natural person has their the permanent residence. If the legal entity does not have a registered office in the territory of Slovak Republic or if the natural person does not have permanent residence in the territory of Slovak Republic, the Bratislava Customs Office becomes the competent office.

## **4.2 Social insurance and health insurance**

### **4.2.1 Social insurance**

Social insurance, i.e. sickness insurance, pension insurance – old-age and disability, further accident insurance, guarantee insurance, unemployment insurance is pursued as of January 1, 2004 by Social Insurance as a statutory institution under **Act No. 461/2003 Coll.** Since 1 January 2005, the Social Insurance Institution conducts also activities within the framework of old-age pension saving - mainly the collection of benefits, processes them and forwards them to the relevant Pension Asset Management Company and registers contracts on old-age pension savings.

Liable to obligatory **sickness insurance** are

- a) an employee, who works in the territory of Slovak republic or outside the territory of Slovak Republic during a period assigned by the employer, subject to international treaties which takes precedence over the acts of the Slovak Republic.
- b) a self-employed person, whose income from enterprise and other self employment according to the Income Tax Act or return associated with

enterprise and other self employment was higher than 12-times the 44,2% of the average monthly wage per calendar year, which precedes the current calendar year in two years.

These persons are liable to **pension insurance** at the same time.

An employee, who enjoys sickness insurance, is liable to **unemployment insurance**; a self-employed person can voluntarily be insured for unemployment.

The amount of the sickness insurance premium, the amount of the old-age insurance premium, the amount of the disability insurance premium, the amount of the accident insurance premium, the amount of the guarantee insurance premium, the amount of the unemployment insurance premium and the amount of the Reserve Fund of the Solidarity premium (hereinafter "premium") are determined by a percentage from the assessment base attained during the critical period.

#### *4.2.1.1 Self-employed person*

The obligation to register at the Social Insurance Institution and as to whether it must pay the social insurance premium does not apply to the self-employed person in the year, in which he will start or started to do business. The self-employed person who started or will start to undertake business only in 2010 is obliged to pay the sickness insurance premium and the pension insurance premium only from 1.7.2011 (until then the self-employed person can voluntarily register for sickness insurance and pension insurance).

The obligation to pay social insurance premium applies to the self-employed person after achievement of certain limit of gross income in the preceding period. In that case the sickness insurance premium, the old-age insurance premium, the disability insurance premium and the Reserve Fund of Solidarity premium is paid calculated by the assigned percent from the assessment base which is monthly at least **44.2% from the average monthly wage for the calendar year, which precedes the current calendar year in two years.**

A self-employed person is obliged to:

- register for sickness insurance and pension insurance within eight days since the origination of these insurances and to sign out within eight days

- since their discharge;
- submit to the competent Branch Office the income tax statement certificate for the preceding calendar year until the 30 June of the calendar year;
  - report to the competent Branch Office any change of name, surname, permanent residence and abolishment of the unlimited settlement authorization or temporary residence permit within eight days since the change of these facts.

#### *4.2.1.2 Employer*

The employer **pays the** sickness insurance **premium**, the old-age insurance premium, the disability insurance premium, the accident insurance premium, the guarantee insurance premium, the unemployment insurance premium and the Reserve Fund of Solidarity premium.

The employer **pays** for the employee **the premium** for sickness insurance, the pension insurance premium and the unemployment insurance premium. The employer makes the deduction of the sickness insurance premium, the pension insurance premium and the unemployment insurance premium which the employee is obliged to pay.

*According to the Social Insurance Act as amended, the employer is in particular obliged to:*

- register in the Employers Registry controlled by the competent Social Insurance Branch within eight days since the day when he started employing at least one employee, and to sign out from this registry within eight days since the day, when he does not employ any employee,
- register the employee in the Registry of insurees and savers of the old-age pension saving for sickness insurance, for pension insurance and for unemployment insurance before the origination of these insurances no later than before the employee starts to pursue the activity and to sign the employee out no later than the next day after the discharge of these insurances,
- cancel the registration in the Registry of insurees and savers of the old-age pension saving, if the insurance relation did not originate and to report any changes in the data,

- register in the Registry of insurees and savers of the old-age pension saving the employee who is a natural person, who performs work on the basis of an agreement on works performed apart from the employment for the purpose of accident insurance, guarantee insurance and for the purposes according to a special statute before the labour relation originates no later than prior to the start of the work performance and signs this employee out from the Registry of insurees and savers of the old-age pension saving no later than the next day after the labour relation expires.

The employer is obliged to submit to the Branch Office the **statement of premiums and contributions to old-age pension saving** for the particular calendar month due with the maturity date of the premiums and contributions to the old-age pension saving paid by him, divided into particular employees and into sickness insurance, old-age insurance and old-age pension saving, invalidity insurance, accident insurance, guarantee insurance, unemployment insurance and Reserve Fund of Solidarity and, on call of the organization of Social Insurance, branch to submit the records for assignment of the right amount of the premium and the contribution to the old-age pension saving of the Social Insurance Act as amended.

#### *4.2.1.3 Social security of the EU citizen in the territory of SR*

In accordance with Article 13(1) of the **Council Regulation (EC) No. 1408/71** on the application of social security schemes to employed persons, to self-employed persons and to members of their families moving within the Community (hereinafter „Regulation“), persons to whom this Regulation applies shall be subject to the legislation of a single Member State only.

Subject to the general rule listed in Article 13.2 (b) of the Regulation, a person who is self-employed on the territory of one Member State shall be subject to the legislation of that Member State even if he resides in the territory of another Member State.

This implies that a person who is self-employed on the territory of Slovak Republic is in terms of the article above subject to Slovak legislation in the field of social security, that means it is subject to the Social Insurance Act as amended if that person is not the subject of legislation of another Member

State due to enforcement of some of the special rules for the assignment of the exercisable legislation.

Exceptions from the general rule are special rules concerning e.g. the delegation and being normally self-employed on the territory of two or more EU Member States.

Based on Article 14a(1)(a) a person normally self-employed on the territory of a Member State who performs work on the territory of another Member State, continues to be subject to the legislation of the first Member State, provided that the anticipated duration of that work does not exceed 12 months.

A self-employed person asks the competent institution of the delegating Member State for the application of the delegation. Providing that the aggrieved person fulfils the demands of a delegation, the competent institution issues an acknowledgement on that matter - Form E 101. It justifies that the person continues to be subject to the legislation of the delegating Member State whilst being self-employed on the territory of another Member State, and thus is free from paying contributions in the state where he temporarily performs work.

The person who is normally self-employed on the territory of two or more Member States shall be subject to legislation of that Member State, in whose territory he resides, if he pursues his activity partly on the territory of that Member State (Article 14a(2) of the Regulation).

The Regulation defines in Article 1(h) the notion as residence as the habitual residence, where the person normally resides, where he has his family, property, his interests.

Person who is normally self-employed on the territory of two or more Member States reports that situation to the institution assigned by the competent office of the Member State, in whose territory that person resides.

If the person normally self-employed in the territory of two or more Member States is the subject to the system of the State of residence, the competent institution issues the Form E 101 to that person.

A person listed in Article 14a (2) of the Regulation is handled for the purpose



of the legislation application assigned in accordance with that Regulation so, as if he had pursued his professional activity or activities on the territory of that Member State.

With respect to the fact, that Council Regulation (EC) No. 1408/71 on the application of social security schemes to employed persons, to self-employed persons and to members of their families moving within the Community has been changed, amended and updated several times, and in order to take into account the development at Community level including Court judgments as well as changes in legislation at domestic level, this Regulation will be replaced as of 1 May 2010 by **Council Regulation (EC) No. 883/2004** of 29 April 2004 on the coordination of social security schemes, which modernizes and simplifies the rules of the free movement of persons.

More information on the social security of migrating workers at: <http://www.employment.gov.sk/index.php?SMC=1&id=16757>.

#### **4.2.2 Health insurance**

Health insurance is regulated by **Act No. 580/2004 Coll.** on Health Care and on changes and amendments of Act No. 95/2002 Coll. on Insurance Industry and on changes and amendments of certain Acts as amended.

The health insurance for natural persons with their permanent residence on the territory of the Slovak Republic originates at their birth.

The natural person who **does not have a permanent residence** on the territory of the Slovak republic and is self-employed on the territory of the Slovak Republic or is employed by an employer who has a registered office or a permanent establishment on the territory of the Slovak Republic, is obliged to have health insurance on the territory of the Slovak Republic, if the person does not have health insurance in another Member State of European Union or State Party to the Convention on European Economic Area and in the Swiss Confederation.

Under the conditions laid down in Act No. 581/2004 Coll. on Health Insurance Companies, Healthcare Supervision and on changes and amendments of certain Acts as amended, public health insurance is performed on the territory

of the Slovak Republic by these Health Insurance Companies:

- Všeobecná zdravotná poisťovňa <sup>x/</sup>
- Spoločná zdravotná poisťovňa <sup>x/</sup>
- Zdravotná poisťovňa DÔVERA
- Zdravotná poisťovňa APOLLO
- UNION – zdravotná poisťovňa

*<sup>x/</sup> According to the government draft of amendment of Act No. 589/2004 Coll. on Health Insurance and on changes and amendments to Act No. 95/2002 Coll. on Health Insurance Industry and on changes and amendments to certain Acts as amended, about which will the National Council of Slovak republic negotiate in December 2009, shall be that Všeobecná zdravotná poisťovňa and Spoločná zdravotná poisťovňa be joined on 1 January 2010..*

#### 4.2.2.1 Self-employed person

A person with permanent residence on the territory of SR, as well as a person without permanent residence on the territory of SR, shall report changes of the premium payer within eight days since he obtains an enterprise authorization. The report is made by filling in the form “Report of the insuree/premium payer”. Apart from this obligation, the person without permanent residence on the territory of the Slovak Republic is obliged to register at a Health Insurance Company with the form “Registration/De-registration of the insuree” within eight days since the day he obtains the enterprise authorization. Obligatory public health insured are persons – foreign citizens - who are self-employed on the territory of the Slovak Republic and do not have health insurance in any other EU Member State.

The self-employed person is obliged to calculate, pay and contribute regularly monthly premium advances from the start of the enterprise, make an annual premium settlement for the preceding calendar year on the appointed date and submit it to the competent Health Insurance Company.

The starting self-employed person is obliged to pay **advances** in the minimum amount, which is assigned by the premium rate (14% or for disabled person 7%) from the minimum base (44.2% of the average monthly wage); as of 1 July

of the next calendar year, the self-employed person pays the advances with the percentage from the assessment base obtained in the critical period.

#### *4.2.2.2. Employer*

If a natural person (self-employed person) or a legal person has its employees (at least one), he becomes their employer and therefore acts as **premium payer** – employer in the relationship towards the Health Insurance Company, to whom all obligations are transferred that he as the employer is obliged to fulfil for his employees towards the Health Insurance Company. This concerns mainly the obligation to report the change of the premium payer for his employees at the commencement and termination of their employment, placement of the monthly returns about the amount of advances for the employees as well as the transfer of regular advance.

As far as a legal person does not have any employees, it does not have any obligations towards any Health Insurance Company (and health insurance at all). That results from the principle of health insurance itself – health insured can be only natural persons.

#### *4.2.2.3 Health care provided to the EU citizens on the territory of SR*

Providing of health care to insured persons from other Member States of European Union, Norway, Liechtenstein and Iceland in the Slovak Republic is regulated as of 1 May 2004 by **Council Regulation (EC) No. 1408/71** on the application of social security schemes to employed persons, to self-employed persons and to members of their families moving within the Community and Council Regulation (EC) No. 574/72, which determines the procedure for the practice of Council Regulation (EC) No. 1408/71. In the area of health insurance, it is the aforementioned Act on Health Insurance (No. 580/2004 Coll.).

In order to assign the obligations of persons commencing self-employment activities in the SR towards the health insurance in the SR, it is essential to first assign the State of exercisable legislation. That means to assign, the social security rules (including health insurance) of which Member State the self-employed person will follow. If the person will continue to be subject to the legislation of their State of origin, in reasoned cases to the legislation of another

third Member State, that person will have no obligations towards the Slovak Health Insurance Company. But if the person will be subject to the legislation of SR, obligations referring to them will be identical with those referring to a self-employed person in the SR.

The assignment of the State of the exercisable legislation is regulated by Art. 13 to 17 of Regulation 1408/71, whereas it is applicable that:

- A person who is normally self-employed on the territory of two or more Member States is subject to the legislation of the Member State on whose territory he resides if he pursues part of his activity on the territory of that Member State. If he does not pursue any activity at all on the territory of the Member State, on whose territory he resides, he is subject to the legislation of the Member State on whose territory he pursues his principal activity. The criteria which are used for the determination of the principal activity are laid down in Article 98 of the Regulation.
- A person who is self-employed on the territory of the SR and on the territory of other Member State at the same time, in compliance with Art. 14c of the Regulation in the cases listed in Annex VII., which include the SR, is subject to the legislation of the Member State, on whose territory the person performs the dependent activity, whereas if he performs this activity on the territory of two or more Member States, that legislation will be assigned according to Article 14(2) or (3) of the Regulation and he is subject to the legislation of the Member State, on whose territory he is self-employed, i.e. the SR. If he performs this activity on the territory of two or more Member States, the legislation will be assigned according to Article 14(2), (3) or (4) and Article 14d(5) of the Regulation.

**Council Regulation (EC) No. 1408/71** on the application of social security schemes to employed persons, to self-employed persons and to members of their families moving within the Community is being replaced as of 1 May 2010 by **Council Regulation (EC) No. 883/2004** of 29 April 2004 on the coordination of social security schemes.

## 4.3 Legislative regulation

**Act No. 511/1992 Coll.** on Administration of Fees and Taxes and on Changes in the System of Regional Financial Authorities, as amended

**Act No. 595/2003 Coll. on Income Tax**, as amended

**Act No. 222/2004 Coll. on Value Added Tax**, as amended

**Act No. 98/2004 Coll.** on Excise Duty on Mineral Oil, as amended

**Act No. 104/2004 Coll.** on Excise Duty on Wine, as amended

**Act No. 107/2004 Coll.** on Excise Duty on Beer, as amended

**Act No. 105/2004 Coll.** on Excise Duty on Spirit and on changes and amendments of Act No 467/2002 Coll. on the Production of Spirit and its Placement on the Market, as amended

**Act No. 106/2004 Coll.** on Excise Duty on Tobacco Products, as amended

**Act No. 609/2007 Coll.** on the Excise Duty on Electricity, Coal and Natural Gas and on changes and amendments of the Act No. 98/2004 Coll. on the Excise Duty on Mineral Oil, as amended

**Act No. 582/2004 Coll. on Local Taxes** and Local Fees for Municipal Waste and Minor Construction Waste, as amended

**Act No. 311/2001 Coll., Labour Code** as amended

**Act No. 461/2003 Coll. on Social Insurance** as amended

**Act No. 580/2004 Coll. on Health Insurance** and on changes and amendments of Act No. 95/2002 Coll. on Insurance Industry and on changes and amendments to certain Acts, as amended

**Decree of the Ministry of Health of the Slovak Republic No. 239/2006 Coll.** on Details on Statement of Prepayments on Public Health Insurance, Annual Reconciliation of Insurance and Obligations at Annual Reconciliation of Premium and on Specimen of Forms for Annual Reconciliation of Premium for Public Health Insurance as amended by Decree No. 177/2007 Coll., Decree No. 161/2008 Coll. and Decree No. 169/2009 Coll.

**Act No. 576/2004 Coll.** on Health Care, Services Related to Health Care and on changes and amendments of certain Acts, as amended

**Foreign Exchange Act No. 202/1995 Coll.** as amended and Act which changes

and amends Act No. 372/1990 on offences as amended

**Act No. 199/2004 Coll.** on Customs Law and on changes and amendments to certain Acts as amended

**Act No. 128/2002 Coll.** on State Control of Internal Market in Consumer Protection Issues and on changes and amendments of certain Acts as amended

**Act No. 250/2007 Coll.** on Consumer Protection and on Change of the Act of the Slovak National Council No. 372/1992 Coll. on Minor Offences, as amended

**Act No. 147/2001 Coll.** on Advertising and on changes and amendments of certain Acts

**Act No. 300/2005 Coll.** Criminal Code, as amended

## 5. Public procurement

Act No. 25/2006 Coll. on Public Procurement as amended regulates:

- a) public procurement of supply contracts, building works realization contracts, service providing contracts,
- b) building works concessions,
- c) design contest and
- d) administration in public procurement.

For the purpose of this Act, a contract shall be a contract of pecuniary interest concluded between one or more contracting authorities or contracting entities on one hand and one or several successful tenderers on the other, having as its object the delivery of supplies (purchase, leasing, hire purchase with or without an option to buy), execution of building works (execution of building works, design or execution of building works) or provision of a service.

A contract is above the limit, below the limit, below the threshold or of small value, depending on the estimated contract value.

A contract is above the limit where the estimated contract value is equal to or exceeds

- a) EUR 133 000 where a supply contract or service contract is awarded by a contracting authority that is the Slovak Republic; for a contracting authority in the defence sector in the event of a contract in the delivery of supplies listed in Annex 4 of the Act on Public Procurement, who the Slovak Republic represented by its authorities, and EUR 473 000 in the event of a contract in the delivery of supplies or provision of services awarded by the contracting authority,
- b) EUR 206 000 where a supply contract is awarded by a contracting authority, who is a municipality, higher territorial unit, legal entity or association of legal entities, whose member is at least one of the contracting authorities; for a contracting authority in the defence sector in the event of contract in the delivery of supplies not listed in Annex 4 of the Act on Public Procurement, EUR 236 000 where the supply contract or service contract is awarded by a contracting authority, who is a municipality, higher territorial unit or legal

entities, who are founded or established for a particular purpose of pursuing needs in general interest.

- c) EUR 133 000 where the service contract is awarded by a contracting authority who the Slovak Republic is represented by its bodies, except of service contracts listed in character e), EUR 5 923 000 in the event of building works contract.
- d) EUR 206 000 where the service contract is awarded by a contracting authority who is a municipality, higher territorial unit, legal entity or association of legal entities, whose member is at least one of the contracting authorities,
- e) EUR 206 000 where a service contract listed in the category of telecommunication services according to the common glossary of procurement (hereinafter "glossary of procurement") corresponding to Codes CPC 7524, 7525, 7526 and service listed in Annex No. 3 of the Act on Public Procurement are awarded by a contracting authority,
- f) EUR 412 000 where a supply contract or service contract is awarded by a contracting entity,
- g) EUR 5 150 000 in the event of a building works contract.

A contract is below the limit where the estimated contract value exceeds:

- a) EUR 60 000 where the supply contract or service contract is awarded by a contracting authority,
- b) EUR 360 000 where the building works contract is awarded by a contracting authority.

A contract is below the threshold where the estimated contract value:

- a) equals to or exceeds EUR 30 000 where the supply contract or service contract is awarded by a contracting authority,
- b) equals to or exceeds EUR 120 000 where the building works contract is awarded by a contracting authority.

A contract, awarded by a contracting authority, is of small value where:

- a) the estimated contract value is lower than the financial limit assigned for the contract below the threshold and
- b) if the contract is made for a longer period than one calendar year.



The Office for Public Procurement in Bratislava is the central body of state administration for public procurement. The Office prepares concepts of public procurement and prepares special preparation programmes and re-trainings, executes state administration in the area of public procurement, supervises public procurement and cooperates with the European Commission and provides the fulfilling of information obligations towards the European Commission. The Office also issues bulletins, in which the announcements used in public procurement, the list of entrepreneurs and its changes are published.

The Office supervises the obligations observance of contracting authorities and tenderers.

In executing the supervision, the Office mainly:

- a) decides on challenges of participants, persons interested or person who presume that their rights or by law protected interests were or might be aggrieved by the procurement,
- b) decides on objections of the state administration body, if the resources for supply, realization of building works or provision of services were provided from the European Communities via procurement,
- c) pursues control over the process of tendering,

and oversees the competition of bids organized by the controlled object,

- d) hands down penalties for administrative offenses.

More information at [www.uvo.gov.sk](http://www.uvo.gov.sk).

## 6. Sources of enterprise financing in Slovakia

Small and medium enterprises in Slovakia have various financial resources. An SME can be financed from private and public resources, from internal and external resources.

### Venture Capital Funds

**In Slovakia, venture capital is represented by these companies: Fond Fondov, s.r.o., SEAF, Genesis Capital, Slovak Postprivatization Fund, Business Angels Network.**

The company **Fond fondov (Fund of Funds, [www.fondfondov.sk](http://www.fondfondov.sk)), s.r.o.** was established by NARMSP in 1994 and was financed from the PHARE national programme. The financial resources of the Fund enabled the rise and development of many small and medium enterprises. In 1995, the company became one of the founder members of SLOVCA - Slovak Venture Capital Association and a member of EVCA – European Venture Capital Association. Nowadays, the Fond fondov, s.r.o. covers the operation of seven venture capital funds with different investment strategies. All the funds were established from public resources, i.e. from PHARE resources and partly from the state budget:

**Start-up Capital Fund** established in 1995 was later, with respect to excellent results, transformed into a revolving fund. The investment targets of this fund are small and medium enterprises throughout the entire Slovak Republic.

- **Regional Start-up Capital Fund** was established in 2003 and its resources are designed for development of small and medium entrepreneurs in Banská Bystrica, Žilina, Košice and Prešov region.
- **Rozvojový fond pre malé a stredné podnikanie, a.s. (Development Fund for Small and Medium Enterprises)** is the first venture capital fund with contribution of domestic private capital established by the company Fond fondov in 2001. It operates throughout the entire Slovak republic.
- The INTEG Fund and SISME FundS are quite new as they were established

in 2005. **INTEG Fund** is focused on supporting innovative projects of companies involved in the technological incubators InQb STU in Bratislava and Inova Tech in Sládkovičovo. SISME Fund pursues the financing of innovative companies throughout the entire Slovakia.

- **Fond Seed Capital, k.s.** has had its independent legal personality since 2006. Financial resources of the fund are intended for investing into newly established young and innovative small and medium enterprises. Geographical focus of the fund throughout the entire Slovak republic.
- **Slovenský Rozvojový Fond, a.s.** (Slovak Development Fund) was founded in cooperation with Slovenská sporiteľňa, a.s. on 30.6.2006. The aim is to support the business environment in Slovakia and valorise the invested financial resources at the same time. It is intended for operating companies in the development phase throughout the entire SR. The expected return of the fund is 20%. The maximum amount of investment is up to SKK 40 million.
- The portfolio of administered funds is enclosed by the **Micro-loan Fund**, whose resources are provided by means of loans to entrepreneurs from selected districts of Bratislava and Trnava region.

The company Fond Fondov, s.r.o. covers apart from the Venture Capital Funds and Micro-loan Fund also the **Slovak Business Angels Network (SBAN)** system [www.sban.sk](http://www.sban.sk) **for supporting small and medium enterprises by means of Business Angels investing based on matching suitable entrepreneurs' requests and investors' offers.**

For more information: [www.fondfondov.sk](http://www.fondfondov.sk)

### **Act No. 231/1999 Coll. on State Aid, as amended**

Under the conditions laid down by the Act, special Acts (e. g. Act on Export-Import Bank, legislation of European Union related to state aid), state aid can be provided for the support of:

- economic development of regions, where the standard of living is very low or where the unemployment rate is high,*
- realization of significant projects of common European interest or improvement of serious limitations in functioning of the economy,*

- c) *development of certain economic activities or certain economic areas,*
- d) *culture and preservation of cultural heritage.*

State aid can be provided for the development of regions, education of employees and employment support, research and development, environment, for SME, rescue and restructuralization of entrepreneurs in difficulty, for the steel industry, shipping industry, automobile industry, industry of synthetic fibres, for support of ore mining and coal mining and for the support of transport.

Direct forms of state aid are especially:

- *subsidy,*
- *benefit,*
- *grant,*
- *settlement of interests or part of interests from loan provided to the entrepreneur,*
- *settlement of part of the loan,*
- *return financial help.*

Indirect forms of state aid are particularly:

- *assumption of state guarantee or bank guarantee,*
- *provision of allowance on tax or penalty, fine, interest or other sanctions under special regulation,*
- *sale of real estate of the state or municipality for a price lower than market price,*
- *provision of free or partially free consulting services,*
- *deferral of tax payment or permission to tax payment by instalments.*

State aid can be provided in compliance with state aid schemes or as individual state aid. Applications for the provision of state aid from the resources of state budget are submitted to the competent ministry or legal entity, who participates on the provision of these resources.

For more information:

<http://www.build.gov.sk/mvrrsr/source/legislation/003009.doc>

## **Act No. 503/2001 Coll. on the Support of Regional Development as amended**

This Act lays down the conditions of the support of regional development and the sphere of authority of state administrative bodies, municipalities and higher territorial units (self-governing regions) in the provision of this support.

The final recipients of the resources can be business subjects, municipalities and legal entities and municipality associations established by them, self-governing regions and legal entities established by them, non-profit organizations and other legal entities, which ask for the resources and submit a project, according to which should be implemented the measures included in the operational programmes, regional operational programmes, sector operational programmes, programmes of economic development and social development of self-governing regions and programmes of economic development and social development of municipalities.

In order to ensure the use of financial resources from EU Funds in the area of economic and social cohesion and trans-frontier cooperation, the *Regional Development and Support Agency* was established by means of this Act.

More information at

[http://dev.soyamedia.com/\\_majo!/mvrrsr/?id=1&lang=sk&cat=246](http://dev.soyamedia.com/_majo!/mvrrsr/?id=1&lang=sk&cat=246).

### **Financing from EU resources**

#### ***Structural Funds and Cohesion Fund***

Resources of the Cohesion Fund and Structural Funds for the Slovak Republic for the years 2007-2013 were assigned according to the National Strategic Reference Framework for the period 2007-2013 as follows:

- *Cohesion Fund (CF)* **EUR 3 898 738 563**
- *European Regional Development Fund (ERDF)* **EUR 5 962 278 231**
- *European Social Fund (ESF)* **EUR 1 499 603 156**
- *European Agricultural Fund for Rural Development (EAFRD)*  
**EUR 1 969 418 078**
- *European Fisheries Fund (EFF)* **EUR 13 688 528**

The Community Initiatives 2007-2013 are financed from the Structural Funds. During the period 2004-2006 Slovakia drew resources only within the framework of the Initiatives Interreg and Equal. None of the projects can be financed from the Structural Funds and Community Initiatives at the same time or together from the Cohesion Fund and Community Initiatives.

More information at: [www.nsrr.sk](http://www.nsrr.sk)

1. **Cohesion Fund** – the scope of this Fund is the support of less developed areas. The target unit of the Cohesion Fund is the state
2. **Structural Funds** – aimed at fulfilment of goals laid down in the contracts establishing the European Communities, they are drawn by means of national institutions. The governing body in SR is the Ministry of Construction and Regional Development of SR.
3. **JEREMIE (Joint European Resources for Micro and Medium Enterprises)** – joint initiative of the European Commission, European Investment Bank and European Investment Fund, supporting the access of small and medium enterprises to finances in European regions – JEREMIE. The JEREMIE Initiative enables Member States and regions to make use of part of its allocated structural funds for the support of SMEs by means of specific financial resources. It allows small enterprises to enhance their chances to defend against bureaucracy and to successfully access the available funds.

The scheme will not restrict the financing of SMEs; it will allow the creation of start-up companies and other micro-enterprises through technical help and grants, as well as venture capital and investments of Business Angels. The new EU tool for financing of small and medium business is financed from the Structural Funds.

Three types of supports for SMEs:

- consulting and technical assistance
- venture capital
- guarantees

More information at:

[http://ec.europa.eu/regional\\_policy/funds/2007/jjj/index\\_en.htm](http://ec.europa.eu/regional_policy/funds/2007/jjj/index_en.htm)

#### **4. JASMINE (Joint Action to Support Micro-finance Institutions in Europe)**

The aim of the JASMINE Initiative of the European Commission is to simplify and improve the access of SMEs and socially weaker groups of people to financial resources. In terms of the Lisbon Strategy of growth and employment, the Initiative provides easily available small and micro loans all over Europe. The loans are designed for small enterprises with less than 10 employees and for unemployed persons who are interested in entrepreneurship but do not have access to the initial capital needed. The maximum loan amount is EUR 25 000.

More information at

[http://ec.europa.eu/regional\\_policy/funds/2007/jjj/index\\_en.htm](http://ec.europa.eu/regional_policy/funds/2007/jjj/index_en.htm)

### ***Community Programmes***

#### **Competitiveness and Innovation Framework Programme**

- one of the goals of this programme is the support of SMEs
- programme period 2007- 2013
- budget EUR 3.6 billion.
- includes three specific programmes

##### ***1. Entrepreneurship and Innovation Programme (EIP)***

- focuses on the support of SMEs, industrial competitiveness and innovations,
- special attention is paid to utilization of eco-technologies,
- includes tools for financing of SMEs administered by the European Investment Fund (specialized institution of ES providing venture capital and guarantee tools for SMEs),

##### ***2. Information and Communication Technology Policy Support Programme –*** supports aims of the new integrated strategy i2010 - European Information Society 2010,

##### ***3. Intelligent Energy Europe Programme***

- support the using of renewable energy sources and improving effectiveness of energy sources.

More information at: [http://ec.europa.eu/cip/index\\_en.htm](http://ec.europa.eu/cip/index_en.htm)

### ***Seventh Research Framework Program***

The scope of FP7 is to sustain the innovation capacities of European small and medium enterprises and their contribution to the development of new products based on new technologies and new markets by means of providing help at outsourcing research, by improving their research efforts, broadening their networks, better utilization of research outcomes and obtained technological know-how.

More information at : [http://cordis.europa.eu/fp7/home\\_en.html](http://cordis.europa.eu/fp7/home_en.html)

### ***Other national resources for support of SME financing:***

- banks: Ľudová banka, Tatra banka, Slovenská sporiteľňa, OTP banka, Poštová banka, VÚB banka, UnicCredit banka, ČSOB, mBank, Commerzbank, Dexia banka, Citibank, Istrobanka, etc.
- *Slovenská záručná a rozvojová banka, a.s.* provides bank guarantees and loans,
- *EXIMBANKA SR* supports Slovak exporters who are business subjects with their registered office or permanent residence on the territory of SR and who under the stipulated conditions produce and/or export goods and services of mainly Slovak origin
- *National Agency for Development of Small and Medium Enterprises* was established in order to support the development of small and medium enterprises in the Slovak Republic considering state structural, industrial, technical, regional and social policy. The agency is one of the implementation agencies for Structural Funds that also supports small and medium enterprises via a network of incubators, a micro-loan programme and the venture capital of Fund of Funds.



# 7. Export

## 7.1 Foreign trade of SR

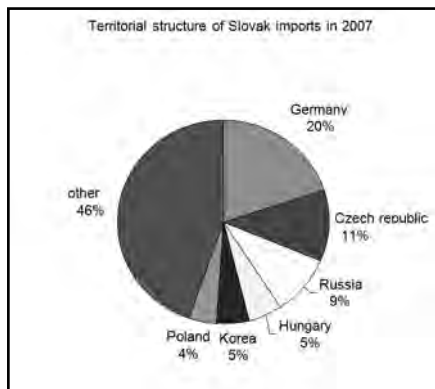
Trade between Slovakia and other countries of European Economic Area, i.e. EU - 26 and Iceland, Norway and Liechtenstein is free and not liable to duty. On the basis of the common customs policy, Slovakia together with other EU countries applies the common customs tariff as well as the common union duty towards non-EU countries.

The volume of export and import of the Slovak Republic is continuously growing. In 2006 and 2007, the volume of exported Slovak products increased from SKK 1 233 billion to 1 421 billion, whereas the volume of imported products from abroad increased from SKK 1 308 billion to SKK 1 442 billion. Finally the passive business balance was observed in the last two years. However, this balance has a decreasing tendency (in 2006 - 4.5% of GDP and in 2007 SKK 21.4 billion - 1.2 % of GDP).

More than 85% of the total Slovak export and 70% of the total Slovak import is constituted of trade with EU. The surplus of the trade balance from 2007 was SKK 238 billion. Foreign trade with Asian countries had a negative development. Last year, we exported to these territories goods in the value of almost SKK 50 billion, but imports were five times bigger. Trade with Russia could be considered as an exception, as we are dependent on the import of oil and gas. The biggest passive balance was noticed in the foreign trade activity of Slovakia with the Russian Federation, Korean Republic, China, Taiwan, Japan and Malaysia. The Slovak Republic had the biggest active balance with the United Kingdom, France, Austria, Italy, Netherlands, Poland, Spain, the U.S.A., Germany and Romania.

In 2007, the Slovak Republic's biggest trade partners were Germany, Czech Republic, Russian Federation, Hungary, Poland and Italy. The territorial structure of the Slovak imports and exports in 2007 is depicted in the following graphs.

## Territorial structure of foreign trade



Source: Statistical Office of SR



Source: Statistical Office of SR

An important fact is that exports and imports are concentrated in fewer and fewer companies. In 2007, the ten biggest exporters realized almost 42.5% of our export. This concentration was almost one third in imports. Compared with 2006, it is more in both cases. The exporters and importers in the top ten were, except for one, the same. Together they participated on 3/4 of the Slovak foreign trade turnover. Some of these companies are Volkswagen Bratislava, Kia, Samsung Electronics and U.S. Steel Košice.

The decisive sectors for the growth of foreign trade dynamics were the automobile, electro-technical and machine industry. This influenced also the structure of exports and imports. Passenger vehicles and their parts and TV sets dominated in the exports. It is a positive fact that the import of products with lower added value, such as metal plates and other raw products from iron or unalloyed steel, sank. The biggest part in imports was constituted by supplies for these sectors, whilst products with liquid crystals and petroleum gases and hydrocarbons decreased the most in their structure. The least contributing sectors were food-processing, leather, clothing and textile industry, whose export efficiency stagnated or sank moderately.

## 7.2 Pro-export Policy of Slovak Republic

In the sense of the Pro-export Policy of the Slovak Republic for years 2008-2013, the Slovak government supports with particular rules Slovak exporters who are business subjects with their registered office or permanent residence on the territory of SR and who under stipulated conditions produce and/or export goods and services of mainly Slovak origin.

The measures for the implementation of the aims of the pro-export policy are:

- simplification of trade conditions,
- determination of territorial priorities,
- provision of unified promotion of SR,
- increase of foreign investments,
- improvement of the quality of institutional framework,
- other programmes with pro-export effect,
- increase of service export and
- broadening of financial services for Slovak export.

These measures can be implemented only by means of synergistic access of all institutions involved in the process of export support, such as – *Ministry of Economy of SR* as the key subject of foreign trade, which is by course of Act No. 575/2001 Coll. as amended to represent the interests of SR in the area of trade and pro-export policy abroad, the *Ministry of Foreign Affairs of SR* with its network of representative offices and Business-economic departments of SR abroad, the *Ministry of Agriculture of SR*, *Ministry of Construction and Regional Development of SR*, EXIMBANKA SR, SARIO, SZRB, SOPK, NARMSP and others. Provision of the unified promotion of SR is an essential requirement for the effective implementation of the targets set.

### 7.2.1 Export-import bank of the slovak republic (EXIMBANKA SR)

The main aim of EXIMBANKA is to support the maximum volume of Slovak exports of sophisticated production mainly to the EU and OECD countries, as well as developed countries, at securing of resource return through the minimalization of risks which arise from insurance, loan, guarantee and financial operations.

More information at [www.eximbanka.sk](http://www.eximbanka.sk)

## **7.2.2 Slovak investment and trade development agency (SARIO)**

SARIO is an agency that supports investment and trade representing the basis of the system for governmental support of exports. The SARIO Agency i.e. significantly aims at supporting the export activities of Slovak business subjects, so that this support would be significantly reflected on Slovak foreign trade markets. SARIO further:

- participates in the creation of export strategies,
- takes part on expositions and fairs, organizes business missions, projects aimed at export support, organizes special seminars and specialized events for exporters,
- draws up analysis oriented towards the Slovak business environment with emphasis on regions,
- cooperates with SMEs which want to export and helps them to penetrate into foreign markets.

More information on the website [www.sario.sk](http://www.sario.sk).

## **7.2.3 Slovenská záručná a rozvojová banka (SZRB)**

The SZRB (Slovak Guarantee and Development Bank) started its activities in 1991. Its basis was the approved mechanisms and positive experiences of similar foreign institutions. At the turn of 2003 and 2004, the bank started to provide two types of bank guarantees – with direct and indirect assurance. The new guarantee mechanism brought the redistribution of risk between the SZRB, the client and the partner. Its products are mostly loans for agriculturists, SMEs, young people during university studies and after graduating. The SZRB provides also applicants for Eurofund-support the chance to obtain pre-financing for preparation and project implementation.

More information at [www.szrb.sk](http://www.szrb.sk).

## **7.2.4 Slovak chamber of commerce and industry (sopk)**

The Slovak Chamber of Commerce and Industry is a statutory institution established by Act of Slovak National Council No. 9/1992 Coll. on Chambers

of Commerce and Industry as amended that pursues activities for support and preservation of entrepreneurship of its members domestically and abroad. Currently, several bilateral chambers of commerce (French-Slovak Chamber of Commerce, American Chamber of Commerce, British Chamber of Commerce, Slovak-Italian Chamber of Commerce) are active in Slovakia and support export and investment activities.

For more information [www.sopk.sk](http://www.sopk.sk)

### **7.2.5 National agency for development of small and medium enterprises (narmsp)**

The National Agency for Development of Small and Medium Enterprises is focused on the development and growth of SMEs. The objective of the Agency is to sustain the competitiveness of the sector within EU common market and on the markets of third world countries through means of stimulation of sector growth, internationalization and helping SMEs to access capital resources.

The department of international activities of the Agency participates on the support of Slovak exports by providing professional consulting and information on the internal market of the European Union and its policies, organizing cooperation events and supporting the participation of SMEs at international events. It enables the Slovak small and medium enterprises to find partners for foreign cooperation also outside Europe through its Database medium for finding partners (BCD – Business Cooperation Database) and cooperation events.

More information at [www.nadsme.sk](http://www.nadsme.sk)

## 8. Protection of Intellectual Property

The State handles the protection of intellectual property – intangible property with national and international Acts. The Industrial Property Office of the Slovak Republic (IPO SR) with its seat in Banská Bystrica administers legislation and international treaties on the protection of industrial property, which the Slovak Republic is bound to. The Office executes state administration in the field of protection of:

1. patents,
2. utility models,
3. topographies of semiconductor products,
4. designs,
5. trademarks,
6. designations of origin and
7. geographical indications.

The Office administers the central fund of patent and trademark documentation, makes it accessible to the public and operates as a specialized centre of patent information in Slovakia.

### 8.1 Patent

Patents shall be granted for inventions which are new, involve inventive activity and are industrially viable. Not only new products, equipments and technologies can be patented but also chemically produced substances and drugs. The validity period of a patent is 20 years from date of the submission of the patent application. The patent can be registered by submitting a national application, by submitting the European patent application to the IPO SR or directly to the European Patent Office or by submitting a single international application (PCT) to IPO SR or directly to the World Intellectual Property Organization (WIPO) residing in Geneva.

The IPO SR administers the central Registry of Patents on its website <http://registre.indprop.gov.sk/registre/searchForm.do?lang=sk&register=p>

## 8.2 Utility model

Utility model is a form of legal protection of new industrially applicable technical solutions which are the results of inventive activity in any technical field. The law provides the utility model applicant with an opportunity to set up a claim to priority for an earlier patent application or European patent application. The utility model protection remains for 4 years from the date of the utility model application and can be extended twice, for 3 years each time, at the request of the utility model owner. This protection is suitable for objects with a shorter life-time. The utility model can be registered abroad with the national application of utility model or the international application (PCT) which is administered by WIPO residing in Geneva. The IPO SR administers the central Registry of Utility Models at its website <http://registre.indprop.gov.sk/registre/searchForm.do?lang=sk&register=uv>.

## 8.3 Designs

Among the basic conditions of registration of a design into the Registry and certification are also the novelty and specific character of the design. The registration of a design is valid for 5 years from the date of the submission of design application. The validity period can be extended for a total term of 25 years. The design protects the external form of a product. The Institute of registered design does not protect the technical, construction, functional, material or other substance of the product, although this substance would be obvious from concrete production or generalized. A Slovak subject can obtain design protection abroad by submitting an application for design at the competent registration place directly in the country where the protection is claimed. The international design protection is regulated by the Hague Agreement Concerning the International Registration of Industrial Designs of 1925 but Slovakia is not its contracting party. Within European Union, the application of registered design of Community (RCD) can be submitted directly to Office for Harmonization of the Internal Market (OHIM) or at the Industrial Property Office.

The IPO SR administers the central Registry of designs at its website <http://registre.indprop.gov.sk/registre/searchForm.do?lang=sk&register=vz>.

## **8.4 Topographies of semiconductor products**

Through legislation, the topographies of semiconductor products (the so-called silicon chips) are protected as they are products of creative intellectual activity of the author and which are not common in the semiconductor product industry. The topography of semiconductor products is a series of interrelated displays which are fixed or coded in any way. The series displays the 3D layout of layers which the semiconductor product consists of. The period of topography protection terminates 10 years after the end of the calendar year, in which the topography protection originated.

## **8.5 Trademarks**

The protection period of a registered trademark is 10 years from the submission of the trademark application. The period can be extended for another 10 years at the request of the trademark owner through renewing the registration after paying an administrative fee. There are currently three means of obtaining trademark protection abroad: by submitting a national application directly to the country or countries in which the applicant wants to claim protection, by submitting an application to the International Office at WIPO residing in Geneva directly or via IPO SR or by submitting an application for a Community trademark (CTM) directly at the Office for Harmonization of Internal Market (OHIM) or also at the registry of IPO SR, that will send it to OHIM within 14 days.

The IPO SR administers the central Registry of Trademarks on its website <http://registre.indprop.gov.sk/registre/searchForm.do?lang=sk&register=oz>.

## **8.6 Protection of designations of origin and geographical indications**

Designations of origin or geographical indications can protect agricultural products and groceries, wine, spirits, mineral waters, handcrafted products and other products, of which the final quality or properties are affected by natural conditions or are connected with a certain geographical territory, tradition, legend, have a good reputation that can be attributed by their geographical origin.



Agricultural products and groceries can be registered and protected only at the level of the European Community on the grounds of Council Regulation (EC) No. 510/2006 on the Protection of Geographical Indications and Designations of Origin of Agricultural products and groceries of 20 March 2006. The application for designation of origin or geographical indication is submitted to IPO SR. The application for registration of designation of origin into the international registry of World Intellectual Property Organization residing in Geneva is based on registration and protection of origin at a national or regional level.

The central registry can be found at website address:

<http://www.upv.sk/index2.php?lang=sk&idd=19&idd2=1912>.

More information on the protection of intellectual property in Slovakia at [www.upv.sk](http://www.upv.sk).

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