

# ***SLOVAK TAX OVERVIEW***



With its recent tax reform Slovakia has introduced one of the best tax regimes in the world. All individual and corporate income is taxed at a flat rate of 19%. Inheritance and gift tax and taxation of dividends have been abolished.

Slovakia has concluded double tax treaties with most of the developed countries in the world.

## **HOLDING REAL ESTATE**

### **Real estate tax**

Slovakia levies a real estate tax on individuals and companies owning real estate and land. The tax liability depends on the area in square metres, the number of floors, the nature and purpose of the building and its geographical location. (Typically, it will be between GBP 15 and 50 p.a. for an apartment in Bratislava.)

### **Rental income**

Rental income is taxed as ordinary income and is subject to the standard tax rate of 19%. Interest on loans provided to finance real estate, expenses and property related cost (eg. management fees, insurance, etc) can be deducted from the taxable rental income.

### **Depreciation**

Real estate is subject to tax depreciation on an annual basis. (Land cannot be depreciated.) Buildings are depreciated over 20 years, using either a straight line or reducing balance method of tax depreciation. This means that although property is rising in value, the owner can depreciate the entire cost of the building for tax purposes, thus in effect paying much less tax.

Tax losses can be carried forward over a five year period.

## **BUYING AND SELLING REAL ESTATE**

### **Transfer tax**

Real estate transfer tax - equivalent of stamp duty - which had already been reduced (from a progressive 6-20%) to 3% in 2004, has been completely abolished, effective 1 January 2005.

### **Capital gains tax**

There is no specific capital gains tax. 19% income tax is payable on profits realized on the sale of real estate.

### **VAT**

Transactions with real estate are subject to VAT of 19% for transfers made within five years after the official completion of the construction. After this period the transfer can be exempt. Transfer of land is also subject to 19% VAT. Renting of real estate is generally exempt from VAT, however, in certain circumstances the lessor can opt to charge 19% VAT on the lease.

*Sources: PriceWaterhouseCoopers; AMV Consulting, Slovakia*