Slovak Republic

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Slovak Republic 2015

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1.	**Gross wage earnings**	7 113	10 616	17 729	7 113
2.	**Standard tax allowances**				
	Basic allowance	3 803	3 803	3 803	3 803
	Married or head of family	0	0	0	0
	Dependent children	0	0	0	0
	Deduction for social security contributions and income taxes	953	1 423	2 376	953
	Work-related expenses				
	Other				
	Total	4 756	5 226	6 179	4 756
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	2 357	5 390	11 550	2 357
5.	**Central government income tax liability (exclusive of tax credits)**	448	1 024	2 195	448
6.	**Tax credits**				
	Basic credit	0	0	0	0
	Married or head of family	0	0	0	0
	Children	0	0	0	514
	Other (ETC)	0	0	0	0
	Total	0	0	0	514
7.	**Central government income tax finally paid (5-6)**	448	1 024	2 195	- 66
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	953	1 423	2 376	953
	Taxable income				
	Total	953	1 423	2 376	953
10.	**Total payments to general government (7 + 8 + 9)**	1 401	2 447	4 570	887
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	564
	Total	0	0	0	564
12.	**Take-home pay (1-10+11)**	5 712	8 170	13 159	6 790
13.	**Employers' compulsory social security contributions**	2 219	3 312	5 532	2 219
14.	**Average rates**				
	Income tax	6.3%	9.6%	12.4%	-0.9%
	Employees' social security contributions	13.4%	13.4%	13.4%	13.4%
	Total payments less cash transfers	19.7%	23.0%	25.8%	4.5%
	Total tax wedge including employer's social security contributions	38.8%	41.3%	43.4%	27.2%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	29.9%	29.9%	29.9%	29.9%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	46.5%	46.5%	46.5%	46.5%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Slovak Republic 2015

The tax/benefit position of married couples

		100-0	100-33	100-67	100-33
	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1.	**Gross wage earnings**	10 616	14 120	17 729	14 120
2.	**Standard tax allowances**				
	Basic allowance	3 803	6 977	7 607	6 977
	Married or head of family	3 803	0	0	0
	Dependent children	0	0	0	0
	Deduction for social security contributions and income taxes	1 423	1 752	2 376	1 752
	Work-related expenses				
	Other				
	Total	9 029	8 729	9 982	8 729
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	1 587	5 390	7 747	5 390
5.	**Central government income tax liability (exclusive of tax credits)**	302	1 024	1 472	1 024
6.	**Tax credits**				
	Basic credit	0	0	0	0
	Married or head of family	0	0	0	0
	Children	514	514	514	0
	Other (ETC)	0	0	0	0
	Total	514	514	514	0
7.	**Central government income tax finally paid (5-6)**	- 212	510	958	1 024
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	1 423	1 752	2 376	1 752
	Taxable income				
	Total	1 423	1 752	2 376	1 752
10.	**Total payments to general government (7 + 8 + 9)**	1 210	2 262	3 334	2 776
11.	**Cash transfers from general government**				
	For head of family				
	For two children	564	564	564	0
	Total	564	564	564	0
12.	**Take-home pay (1-10+11)**	9 971	12 422	14 960	11 344
13.	**Employers' compulsory social security contributions**	3 312	4 055	5 532	4 055
14.	**Average rates**				
	Income tax	-2.0%	3.6%	5.4%	7.3%
	Employees' social security contributions	13.4%	12.4%	13.4%	12.4%
	Total payments less cash transfers	6.1%	12.0%	15.6%	19.7%
	Total tax wedge including employer's social security contributions	28.4%	31.7%	35.7%	37.6%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	29.9%	29.9%	29.9%	29.9%
	Total payments less cash transfers: Spouse	30.0%	9.4%	29.9%	9.4%
	Total tax wedge: Principal earner	46.5%	46.5%	46.5%	46.5%
	Total tax wedge: Spouse	42.3%	25.2%	46.5%	25.2%

As from 1.1.2009 Slovakia has joined the Euro zone; the national currency became the Euro (EUR). In 2015, EUR 0.90 was equal to USD 1. In that year, the average worker earned EUR 10 616 (Secretariat estimate).

1. Personal income tax system

1.1. Central government income taxes

1.1.1. Tax unit

The tax unit is the individual.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- *Basic relief:* An allowance for all taxpayers is set at 19.2 times the minimum living standard (MLS) for a basic adult as of 1 January 2015 (EUR 3 803.33). In 2015, the basic personal allowance for taxpayers with gross earnings net of employee social security contributions in excess of the threshold of EUR 19 809 per year (19 809 = 100 × MLS, which is approximately equal to an employee's monthly gross wage of EUR 1 906) is gradually withdrawn. If gross earnings net of employee social security contributions exceed EUR 19 809, the personal allowance is calculated as 44.2 times the minimum living standard minus 0.25 times gross earnings net of employee social security contributions. The basic personal allowance reaches 0 if the gross earnings net of employee social security contributions amount to EUR 35 022.31 per year (employee's monthly gross wage of approximately EUR 3 370). The value of the basic tax allowance cannot become negative.
- The regressive tax allowance is taken into account only once a year (when the tax return is filed or when the annual clearing is performed). Monthly tax prepayments during the year are therefore not affected.
- *Marital status relief*: An additional allowance is given to the principal earner in respect of a spouse living in a common household if the spouse earns no more than EUR 3 803.33. As from 1 January 2007 the value of the spouse allowance depends on the gross earnings net of employee social security contributions of both principal and spouse. As of 2013, to be entitled to spouse allowance one of the following conditions should be met:
  - spouse is taking care of (not necessarily personally) children up to 3 years (or up to 6 years if child is disabled) or
  - spouse is unemployed or
  - spouse is receiving nursing allowance or
  - spouse is disabled.

  If the principal's gross earnings net of employee social security contributions in 2015 are lower or equal to EUR 35 022.31 (= 176.8 times MLS) and the spouse's gross earnings net of employee social security contributions are lower than EUR 3 803.33, the spouse allowance is calculated as the difference between 19.2 times MLS and the spouse's gross earnings net of employee social security contributions. If the gross earnings net of employee social security contributions of the spouse exceed EUR 3 803.33, the spouse allowance is 0. If the principal's gross earnings net of employee social security contributions exceed EUR 35 022.31 (= 176.8 times MLS), the spouse allowance is calculated as 63.4 times MLS minus 0.25 times the principal's gross earnings net of employee social security contributions. This amount is reduced by the spouse's gross earnings net of employee social security contributions. The value of the spouse allowance cannot become negative.

The digressive tax allowance is taken into account only once a year (when the tax return is filed or when the annual clearing is performed). Monthly tax prepayments during the year are therefore not affected.

For the purposes of this Report, only families with unemployed spouse are entitled to spouse allowance (spouse income does not influence any equations of spouse allowance as of 2013). Child care up to 3 years does not affect the calculation of tax wedges as according to the Taxing wages methodology any children in the household are assumed to be aged between six and eleven inclusive.

- *Relief for children*: The prior allowance for children has been replaced by a non-wastable tax credit as from January 2004. As from July 2007, the monthly tax credit is automatically indexed by MLS growth as of 1st July when also the new amount of MLS comes into force. Monthly tax credit in 2015 is EUR 21.41 per child for the whole year as MLS did not change during the year. The annual amount will be EUR 256.92. The tax credit for each dependent child is deducted from the tax liability; if the credit exceeds the tax liability, the excess will be paid to the taxpayer. In order to receive this credit, the parent must annually earn at least 6 times the minimum monthly wage, which for 2015 is set at EUR 380.0 (the total annual earnings must therefore be at least EUR 2 280.0). The credit can be taken only by one partner. It can be taken by one partner for part of the tax period (year) and by the other partner for the rest of the tax period (year); this choice will have to hold for all dependent children. (For the purposes of this Report, it is assumed that the credit is claimed by the principal wage earner).
- *Relief for social and health security contributions:* Employee's social security contributions (see Section 2.1.) are deductible for income tax purposes.

1.1.2.2. Main non-standard tax reliefs applicable to an average wage worker

- Supplementary pension insurance, special-purpose savings and life insurances repealed as from January 2011. As of 2014 allowance for supplementary pension insurance has been reintroduced. Supplementary pension contributions are tax-deductible up to the maximum limit of EUR 180 per year.
- As of 2013 voluntary contributions to the privately managed fully funded pillar up to 2% of gross earnings net of employee social security contributions are tax-deductible. Maximum yearly limit for this tax relief is calculated as: 2% × 60 × AW(t-2), where AW(t-2) average wage two years ago. It is legislated that this relief will be automatically abolished as of 2017.

1.1.2.3. Non-wastable tax credit: employee tax credit (ETC/zamestnanecká prémia)

Prior to 2015 low-income workers were eligible for employee tax credit. The employee tax credit was effective since 2009 and depended on employee's earnings and the number of months worked. In order to receive employee tax credit, earnings should be at least 6 times of the minimum wage and 12 times the minimum wage. The credit was than calculated as a 19% of the difference between the basic allowance and the tax base (gross earnings net of employee SSC). Since 2015 the tax base (at the level of the minimum wage, EUR 3 948.96) is higher than the basic allowance (EUR 3 803.33) the tax credit is automatically zero (so effectively anyone can be eligible).

1.1.3. Tax schedule

As from 2013 the previous flat tax rate of 19% was replaced by new tax schedule with two tax brackets. The ceiling for the first bracket is set out as 176.8 times MLS (equal to EUR 35 022.31) what secure its automatic indexation. The tax schedule is as follows:

Annual taxable income (EUR)*	Rate (%)
0-35 022.31	19
35 022.31 and over	25

* Employee's social security contributions (see 1.12.) are deductible for income tax purposes.

1.2. State and local income tax

No separate state and local income tax exist. As from 2015 the share of distribution of PIT revenue has changed. Out of the total revenue from the personal income tax (PIT) collected by the central government, 68.5% of PIT is transferred into the budget of the municipalities and 29.2% of PIT is transferred into the budget of the self-governing regions. The remaining revenue of the state budget is 2.3% of PIT.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. Employees' contributions

Compulsory contributions of 13.4% of gross wages and salaries are paid by all employees into government operated schemes. The total is made up as follows:

Health Insurance		4.0%
Social Insurance		9.4%
of which:		
Sickness	1.4%	
Retirement	4.0%	
Disability	3.0%	
Unemployment	1.0%	

There are maximum assessment bases MSSAB (maximum threshold for contributions to apply) that apply to social security contributions. From 2004 these MSSAB are no longer fixed values but depend upon the average wages (AW). As of 2013 formulae for calculation of all maximum assessment bases has been unified. Monthly MSSAB for social security contributions are calculated as: 5 × AW(t-2), where AW(t-2) is the average wage two years ago. The average wage (AW) is determined by the Statistical Office of the Slovak Republic – for 2013 it was EUR 824 per month.

As of 2015 the health insurance contribution (HIC) allowance has been introduced. The allowance decreases the employee's and employer's assessment base for the health insurance. It amounts to EUR 380 per month (EUR 4 560 annually) and decreases with rising income up to EUR 570 (EUR 6 840 annually) when it reaches zero. With EUR 1 rise in the monthly income the monthly allowance is reduced by EUR 2. The HIC allowance is applicable only on standard employment income (not self-employed income or income based on temporary contracts). However, to determine the amount of allowance all types of incomes are assessed, to target only low income workers.

2.2. Employers' contributions

The total contribution for employers is 35.2% of gross wages and salaries. The contribution comprises the health insurance contribution (10% of gross wages and salaries) and the social insurance contribution (25.2%). The social insurance rate reflects contributions to sickness insurance (1.4%), disability insurance (3%), retirement insurance (14%), the Guaranteed Fund (0.25%), accident insurance (0.8%), for unemployment (1%) and to the Reserve Fund (4.75%). All contributions are rounded down on two decimal places.

Since January 2005, Slovakia has introduced the privately managed fully funded pillar. This means that a given proportion (9 percentage points) of social contributions paid by the employer for retirement insurance flew directly to the private pension funds and not to the Social insurance agency as in previous years. As from September 2012 pension sharing scheme has been changed. Employer's retirement contribution rate to the fully funded pillar has been reduced from 9% to 4% (for more see pension contribution sharing scheme table below). Private pension funds are treated outside of general government; these contributions are therefore not taken into account in the calculations of average and marginal tax rates. For the purposes of this Report, the total contribution rate for employers in 2015 is 31.2%.

As of 2015 the health insurance contribution (HIC) allowance has been introduced (for more see 2.1).

The MSSAB also applies to the employer's SSC. The next table presents the annual values of MSSAB:

	Formula for MSSAB	Value of MSSAB
Health insurance	5.0 × AW (t-2)	49 440.00
Social insurance		
of which		
sickness, retirement, unemployment, disability, Guarantee fund, Reserve fund	5.0 × AW (t-2)	49 440.00
accident		No limit

SSC: Pension – contribution sharing in case of II. Pillar participation

Period	Percentage of gross earnings		
	I Pillar	II Pillar	Total
Previous system (up to September 2012)	9% (5% employer + 4% employee contribution)	9% (employer contribution)	18%
Current system (from September 2012)	14% (10% employer + 4% employee contribution)	4% (employer contribution)	18%

* As from 2017 contribution rate to the II. pillar will automatically increase by 0.25 p.p. per year (i.e. contribution rate to the I. pillar will decrease in the same volume), stopping at 6% in 2024.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

The central government pays an allowance in respect of each dependent child in the amount of EUR 23.52 per month in 2015. In January 2008 an extra allowance for dependent children whose parents are not eligible for the non-wastable child tax credit was introduced. The monthly amount of this allowance is EUR 11.02. For the purpose of the tax wedge calculations this allowance is not relevant, as only non-workers and taxpayers with annual earnings lower than six times the minimum monthly wage (which is the condition for eligibility for the non-wastable child tax credit) are entitled to the extra allowance.

The non-wastable tax credit mentioned in Section 1.121 is part of the social support for families with dependent children. However, it is not considered as a transfer for the purposes of this Report.

3.3. Transfers related to social status

To determine the claim to state social benefits (for example the allowance for housing costs), the minimum living standard amounts are relevant as they form the basis of the income test. For 2015, these amounts are:

	MLS monthly (1.1.2015-31.12.2015)
First adult	198.09
Second adult	138.19
Child	90.42

A family is entitled to a social allowance if the total combined net monthly income of the family is less than the calculated MLS for this family. The allowance varies with the family type.

The benefits available to a family in material need (valid since 1st of January 2014) are:

- EUR 61.60 per month for an individual;
- EUR 117.20 per month for an individual with between one and four children;
- EUR 107.10 per month for a couple without children;
- EUR 160.40 per month for a couple with between one and four children;
- EUR 171.20 per month for an individual with more than four children;
- EUR 216.10 per month for a couple with more than four children.
- activation allowance: EUR 63.07 per month – for people who become active either by accepting qualifying employment opportunities or participating in retraining courses.
- housing allowance: EUR 55.80 per month for individual in material need, EUR 89.20 for a household in material need (if household has more than 1 person).
- protection allowance: EUR 63.07 per month for an individual in material need where employment is not possible due to such circumstances as a disability or old age, EUR 34.69 per month for individual on sick leave for at least 30 consecutive days and EUR 13.50 for a pregnant woman from 4th month of the pregnancy and lasts until the

child's age of 1 year (for the purpose of this Report, protection allowance is assumed to be EUR 63.07 for each individual).

- specific allowance: EUR 63.07 per month – entitlement arise for long-term unemployed individuals who move into work for 6 months (does not affect the calculations in this Report).
- dependent child allowance: EUR 17.20 per month for a child who properly fulfils compulsory school attendance.

4. Main changes in tax/benefit systems since 2014

The main change relate to introduction of the health insurance contribution allowance (HIC). Other changes relate to change in PIT revenue distribution between municipalities, self-governing regions and state budget. Since the MLS has not been indexed since 2014 all allowances, credits and brackets related to MLS have not changed as well.

5. Memorandum items

5.1. *Identification of AW and valuation of earnings*

The Ministry of Finance of the Slovak republic estimates the average earnings of the AW based on the data supplied by the Statistical Office of the Slovak republic, Labour Force Survey data (LFS). Earnings data (without self-employees) are based on average wage definition including industries falling under categories B to N inclusive, with reference to International Standard Industrial Classification of All Economic Activities, Revision 4.

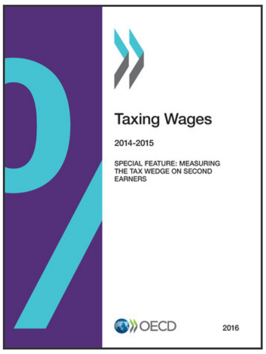
2015 parameter values

Average earnings/yr	Ave_earn	10 616	Secretariat estimate
Minimum living standard (MLS) 2015	basic_adult	198.09	
	basic_adult1	138.19	
	basic_child	90.42	
Basic allowance	basic_al_mult	19.2	
	basic_al	3 803.33	
	basic_al_mult1	100	
	basic_al_mult2	44.2	
	basic_al_redn	0.25	
Spouse allowance	spouse_al_limit	3 803.33	
	spouse_al_mult1	176.8	
	spouse_al_mult2	63.4	
	spouse_al_redn	0.25	
Income tax rate	Tax_sch/tax_rate	0.19	35 022.312
		0.25	
Tax credits - nonwastable	tax_cr	256.92	
	min_wage	380	
	minwage_mult	6	
	etc_thresh	3 948.96	
Employee social security contributions	SSC_rate	0.134	
	SSC_sick	0.014	
	SSC_ret	0.04	
	SSC_dis	0.03	
	SSC_unemp	0.01	
	SSC_health	0.04	
Employer social security contributions	SSC_empr	0.304	
	SSC_empsick	0.014	
	SSC_empret	0.1	
	SSC_empdis	0.03	
	SSC_empunemp	0.01	
	SSC_emphealth	0.1	
	SSC_gua	0.0025	
	SSC_acc	0.008	
	SSC_fund	0.0475	
Health Insurance Contribution allowance	HIC_treshold	4 560	
	HIC_rate	2	
Maximum assessment base	MSSAB	49 440	
Cash transfers	transf_1	282.24	
	transf_indiv	739.2	
	transf_indiv_child	1 406.4	
	transf_couple	1 285.2	
	transf_couple_child	1 924.8	
	transf_hous_indiv	669.60	
	transf_hous_couple	1 070.40	
	transf_activ	756.84	
	transf_dep	206.40	

2015 tax equations

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:			
	Basic	basic_allce	B	IF(earn-SSC<=basic_al_mult1*basic_adult, basic_al,MAXA(basic_al_mult2*basic_adult-basic_al_redn*(earn-SSC),0))
	Spouse	spouse_allce	P	IF(earn_spouse=0,1,0)*Married*Positive(IF(earn_princ-SSC_princ<=spouse_al_mult1*basic_adult, basic_al_mult*basic_adult,spouse_al_mult2*basic_adult-spouse_al_redn*(earn_princ-SSC_princ)))
	Social security contributions	SSC_al	B	SSC
	Total	tax_al	B	basic_allce+spouse_allce+SSC_al
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc,tax_sch)
6.	Tax credits:			
	Employee tax credit	etc_cr	B	IF(earn>=min_wage*minwage_mult, tax_rate*Positive(basic_al-MAX(etc_thresh, earn-SSC)), 0)
	Children	child_cr	P	(earn>=min_wage*minwage_mult)*Children*tax_cr
	Total	tax_cr	B	etc_cr+child_cr
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	B	MINA(earn,MSSAB)*SSC_rate+MINA(MAX(0;(earn-MAX(0;HIC_treshold-MAX(0;(earn-HIC_treshold)*HIC_rate))));MSSAB)*SSC_health
11.	Cash transfers	cash_trans	J	Children*transf_1+Positive(IF(0,75*((earn-SSC-CG_tax_excl)/12)<(basic_adult+Married*basic_adult1+ Children*basic_child); ((1-Married)* (IF(Children>0;transf_indiv_child;transf_indiv))+ Married*(IF(Children>0;transf_couple_child;transf_couple))+IF((Married+Children)>0;transf_hous_couple;transf_hous_indiv)+(Children*transf_dep)+IF(A7>0;transf_activ;0)+IF(B7>0;transf_activ;0)-0,75*(earn-SSC-CG_tax_excl));0))
13.	Employer's soc security	SSC_empr	B	MINA(earn,MSSAB)*SSC_empr+earn*SSC_accMINA(MAX(0;(earn-MAX(0;HIC_treshold-MAX(0;(earn-HIC_treshold)*HIC_rate))));MSSAB)*SSC_emphealth

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.



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