

**OCTOBER 2016**

**mandat**  
TAX & AUDIT SERVICES

**Fresh tax, legal and economic information**



**MANDAT news**

In the October issue includes:  
**The introduction of taxation of profit shares (dividends)**

## THE INTRODUCTION OF TAXATION OF PROFIT SHARES (DIVIDENDS)

**In this issue of our Mandat News newsletter, we will discuss the draft amendment to Act No. 595/2003 Coll., on Income Tax. The government proposal was submitted for approval to the parliament and currently undergoes the first reading.**

The most important changes include the introduction of taxation of profit shares (dividends) paid from profits of companies and cooperatives. This restrictive measure should be viewed as a compensation for the abolition of the obligation to pay health insurance contributions from the profit shares.

The amendment will enter into force on **1 January 2017** and will also apply to profit shares reported for the tax period up to **31 December 2016**, which will be paid after **31 December 2016**.

For legal persons from non-contracting states, profit shares shall be subject to **35%** taxation. Profit shares paid between legal entities from states other than non-contracting states remain exempt from income tax in accordance with the Directive on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States.

Profit shares paid to natural persons arising from non-contracting states are taxed using the **35%** rate. Profit shares accruing to natural persons from foreign sources other than non-contracting states or from the Slovak Republic are taxed at the rate of **7%**.

Only those profit shares from companies or cooperatives, which are paid to employees without acquiring any shareholding in such companies or cooperatives, shall be subject to taxation.

## Legal Entities

- Dividends of Slovak residents from legal entities from non-contracting states and/or dividends paid by Slovak residents - legal entities from non-contracting states (states with which the Slovak Republic has not concluded any treaty on avoidance of double taxation, international treaty on exchange of information in tax matters and/or states which are party to international treaties providing for the exchange of information for tax purposes in a similar scope, by which Slovakia is bound)
- Dividends paid between legal entities of non-contracting states remains untaxed (Directive on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States)
- If paid to a taxpayer from a non-contracting state (2.X) – withholding of 35%
- If paid by a taxpayer from a non-contracting state (2.X) – specific tax base – 35%



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## THE INTRODUCTION OF TAXATION OF PROFIT SHARES (DIVIDENDS)

### **Natural person – non-resident dividend paid from Slovakia**

- Non-resident taxpayer from a non-contracting state (2.X) – withholding of 35%
- Non-resident from a state other than non-contracting states – withholding of 7%

### **Natural person – resident**

- Dividends paid by taxpayers from states other than non-contracting states – specific tax base – 7%
- If paid by taxpayers from non-contracting states – specific tax base – 35%

### **Income from employment**

- Dividends paid by a business corporation or cooperative to an employee without acquiring any shareholding
- The rate of 19% or 25%



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## NOT TO BE MISSED

### **Important dates**

Overview of important dates in the period from October to December 2016 can be found on our website: <http://www.mandat.sk>

## ABOUT US

The companies **MANDAT CONSULTING, k.s.** and **MANDAT AUDIT, s.r.o.** were founded in 2004 as tax advisory and auditing companies. Since their establishment, they have been providing small, medium-sized and companies active in Slovakia with services in the field of tax consultancy, audit and accounting. Long-lasting cooperation with foreign advisory companies hand in hand with the competence of Slovakian tax advisors and auditors enables us rendering our service to the clients originated from abroad.

In present time, 41 well trained members of our staff are at the disposal to our clients.

Information provided in this material are only of a cursory nature. **MANDAT CONSULTING, k.s.** assumes no liability for any decision taken on the basis of this issue.

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