

## **SLOVAKIA – TAX CONSIDERATIONS ON SHORT-TERM LETTINGS**

The following information is a guide to help you get started in learning about some of the tax requirements that might apply to you when providing short-term accommodation in Slovakia.

Tax can be tricky and it is important to ensure that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are supplying short-term accommodation in Slovakia, you should make sure that you understand each of the following types of taxes, and pay the ones that apply to you;

- Income taxes
- Value added tax (VAT)

Please understand that this information is not comprehensive, and is not intended to be legal or tax advice. If you are unsure about your local tax obligations, we encourage you to check this with official local sources, or to seek advice from qualified professionals.

Please note that we do not update this information in real time, so you should confirm that the laws or procedures have not changed recently.

### **INCOME TAX**

Where you earn income in Slovakia, it is likely that you will be required to pay a percentage of the tax on this income to the Slovak tax authorities. Below is a brief outline of tax that may arise on income earned from short-term lettings in Slovakia and some information on how this tax can be paid over to the Slovak tax authority.

**Slovakia's tax year** runs from 1 January to 31 December.

#### **Coming within the charge to income tax in Slovakia.**

You are not obliged to file a personal income tax return if your total taxable income from **all sources** reportable in Slovakia (including employment income) does not exceed €1,915.01 per year.

Please note that €500 of rental income may be exempt from taxation in Slovakia.

Further information can be found on the tax authorities [website](#).

#### **Reporting tax in Slovakia.**

There are specific tax forms released by the Slovak Tax Authorities:

- Form Type A - Individual receives only employment income.
- Form Type B - Individual receives other taxable income such as rental income, income from the sale of property etc.

The forms can be downloaded from the following [link](#).

### **Reporting tax - filing deadline.**

The general deadline for filing your tax return is 31 March in the year following the tax year. This deadline may be extended by up to three calendar months by notifying the Tax Office. In specific cases (generally a Slovak tax resident who receives income from abroad, for which he claims the avoidance of double taxation), the tax return deadline can be extended by up to six months.

### **Reporting tax - payment deadline.**

The payment of tax due has to be made within the regular or extended deadline for filing the tax return (as outlined above). If you did not obtain a specific bank account reference number ("OUD") prior to the tax return filing deadline, you should file tax return by 31 March at the latest. Afterwards tax administrator will assign you OUD and will be sent to you by registered post. Payment of tax should be made within 8 days of receiving the OUD.

This usually applies in the first year you are obliged to file the tax return. In following years, you will use the same OUD to submit the payment (i.e. the payment has to be made by the regular/extended tax return deadline).

### **Slovakia Tax Authority contact details.**

You should file your tax return to any Tax Office, branch of Tax Office, contact point, etc. Tax return is then processed by respective regional Tax Office depending on your registered permanent residence in Slovakia. Below are the contact details of the Tax Office in Bratislava and the website where more detailed information can be found.

- Tax Office Bratislava Infoline: +421 2 57378 111
- email: [duba-ba.kontakt@financnasprava.sk](mailto:duba-ba.kontakt@financnasprava.sk)
- website: <https://www.financnasprava.sk/en/homepage>

### **Slovak income tax rates.**

The personal income tax rates applied depend on your overall income. For the 2018 tax return year, a tax base (including rental income) of up to €35,268.06 is subject to a 19% tax rate. Amounts in excess of this are subject to a 25% tax rate.

### **Slovak specific rules applicable to income earned in relation to short-term lettings.**

Slovak tax legislation does not provide any specific rules in relation to short term lettings. Moreover the interpretation of the Slovak tax authorities may differ, we therefore recommend to contact the tax advisor to advise on applicable case.

In general short term letting income is considered as passive property rental income. However based on the interpretations of Slovak tax authorities it may also be viewed as a business rental income that can be carried out only after obtaining the trade licence. We understand, that services that are provided together with letting are the main decisive criterion to distinguish between the property rental income and business rental income. Moreover the length of letting may be taken into consideration.

Property rental income – is provided for longer time period to ensure the residential need of lessee and his household. The lessor provides together with the property to lessee only necessary basic services such as delivery of water, electricity, heating etc. Moreover lessee is usually responsible for daily maintenance such as small repairs (e.g. changing a lightbulb).

Business rental income – is provided for shorter time period for holiday purposes, or as temporary accommodation. The lessor provides together with the property and in addition to basic services, also additional services such as for example cleaning, change of bedlinen, hygienic products or meals. Lessor is usually responsible for the daily maintenance of the property (e.g. changing a lightbulb).

In case it is not possible to classify the short term letting as property rental income or business rental income it should be classified as other income.

**Typical expenses that can be deducted from an individual's income in relation to short-term lettings.**

In case of property rental income following rules applies:

A business assets register is a summary of all assets and values owned by you that are used to achieve and maintain income captured in accounting for rental income. As you can see from 'sample computation 2' below, you can deduct more expenses from rental income if a property asset register is kept, however you must keep simplified tax evidence e.g. (evidence of income, expenses, payables, receivables, business assets registry and inventory). On the other hand you may decide to deduct only basic expenses from your rental income, as can be seen in sample computation one below, and you do not need to keep any evidence in this case (the property is not included into business asset registry).

In cases where the property is not included on an individual's business asset register, tax deductible expenses related to the rental of a property are:

- Managements fees (without contributions to Fund of Repairs and Maintenance),
- Utilities (electricity, heat for heating and hot water, gas),
- Other services (waste water disposal, lighting and cleaning of common areas, inspections and cleaning of chimneys, waste disposal),
- TV Concession fees (compulsory fees for radio and television broadcasting).

The property insurance costs, property tax, contribution to repairs and maintenance fund, tax depreciation and mortgage interest might only be considered where the property is included in the business asset register of the individual.

Note: In cases where the property was only rented for part of the year, or in cases of short term letting, only the corresponding portion of expenses can be applied as a tax deductible expense.

In case of business rental income following rules applies:

The scope of expenses that you can apply is the same as in case of property rental included into business asset registry described above. You also have to keep the simplified tax evidence or accounting. However, you may also decide to apply the lump-sum expenses instead of actual expenses provided that you are not VAT registered person. These can be applied up to 60% from the total business income but not more than 20,000 EUR per year. In addition, you can deduct the mandatory social security contributions paid from business rental activities.

Where you have any doubts regarding the tax treatment of your income, you should seek advice from a tax professional.

**Special reliefs from income tax in Slovakia that an individual providing short-term lettings may be able to avail of.**

The only relief related to property rental income is statutory exemption of €500, which can be deducted from your property rental income. There is not any special relief related to business rental income.

### **Deductions for tax depreciation in Slovakia.**

Tax depreciation can only be applied as an expense if the property is included on an individual's business asset register (property rental income) or in case of business rental income. The tax depreciation does not generally apply to fixtures and fittings as these can be deducted in full as maintenance expenses were the property is included on an individual's business asset registry.

Note: It is recommended that you seek advice in cases involving more expensive fixtures and fittings in the property in order to ascertain the proper tax treatment.

### **Slovak income tax obligation for non-resident individuals.**

If you are not a resident of Slovakia you are obliged to declare your property and business rental income from properties located in Slovakia, if your total taxable income from Slovakia exceeds the threshold of €1,915.01.

### **Slovakian income tax obligations for a Slovakian individual in receipt of foreign rental income.**

If you are resident in Slovakia you are obliged to report foreign property and business rental income in Slovakia. The double taxation avoidance rules should apply based on the applicable double tax treaty.

### **Capital taxes in Slovakia.**

In general, the income received from the sale of assets is subject to a progressive income tax rate from 19% to 25%. This needs to be declared in the tax return Form B, within the tax return filing deadline, outlined above.

Different conditions for an exemption of income from the sale of immovable property from taxation in Slovakia apply, depending on whether the property was or was not included in the individual's business asset register.

1. If the property WAS NOT included on the business asset register during the five years prior to the sale of the property and the property was owned by an individual for more than five years, the income from sale of the property could potentially be exempt from taxation.
2. If the property WAS previously included in the business asset register then the profit from the sale of the property would be taxable in Slovakia (unless the income from sale of property was received after five years since the property was excluded from business asset register).

### **General property taxes payable.**

The following real estate taxes exist in Slovakia: land tax, building tax, tax on flats and non-residential premises in a flat/house.

The property tax return is separate tax return to the income tax return which you must file. The property tax return is linked to property ownership not rental income. The deadline for filing the tax return for the above taxes is 31 January of the current year, in cases where there was a

change in the ownership of a property. The tax is paid for the upcoming tax period, i.e. tax paid before 31 January 2018 relates to the 2018 tax year. Going forward, the tax due is assessed automatically by the municipality and the tax assessment is delivered to you as the property owner.

Each municipality/city has different tax rates for various city areas set for one quadrat meter. As an example, the tax rate per one quadrate meter in old town of Bratislava is €0.611.

### **Other**

You must register with the Tax Office by the end of the month following the month in which you started to rent the property, or by the end of the month following the month you have received trade licence for carrying out the business rental activities. Details of this can be found on the [Tax Office website](#).

### Sample Tax Computation 1 - Property rental income - property IS NOT included in Business Asset Register

Zuzana owns a 2 bedroom house (70 m<sup>2</sup>) in Bratislava. She rents out the spare room (20 m<sup>2</sup>) at the weekends (50 days per year).

Zuzana received total gross rent in 2018 of €5,000.

Zuzana incurred the following expenses in relation to this house in 2018: house insurance €500, local property tax €350, mortgage interest €5,500 and electricity €600.

(Please note that the Slovak tax law does not address the allocation of expenses in cases when only part of the property is rented a couple of days per month. The expenses should be therefore allocated based on the allocation key that is appropriate to the nature of expense and that will ensure the fair and reasonable allocation. You may discuss with your tax advisor the allocation of expenses based on the number of days rented and square meters of rented floor e.g.  $600 \text{ EUR} / 365 \text{ days} * 50 \text{ days} / 70 \text{ m}^2 * 20 \text{ m}^2 = 23.50 \text{ EUR}$ . For allocation of the tax depreciation you may consider only floor space e.g.  $(4,000 \text{ EUR} / 70 \text{ m}^2) * 20 \text{ m}^2 = 1,142.86 \text{ EUR}$ ).

		€
Gross rental income		5,000
<i>Less allowable expenses:</i>		
	House insurance	-
	Local property tax	-
	Mortgage interest	-
	Electricity	(23.50)
Statutory exemption from taxation of rental income		(500)
Coefficient of taxable income from rent		0.90
Expenses reduced by coefficient		(21.15)
<b>Taxable property rental income</b>		<b>4,478.85</b>

Sample Tax Computation 2 - Property rental income - property IS included in Business Asset Register		
Acquisition price of property: €160,000		
Acquisition Date: January 2016		
Depreciation period: 40 years		
		€
Gross rental income		5,000
<i>Less allowable expenses:</i>		
	House insurance	(19.57)
	Local property tax	(13.70)
	Mortgage interest	(215.26)
	Electricity	(23.50)
	Depreciation	(1,142.86)
Statutory exemption from taxation of rental income		(500)
Coefficient of taxable income from rent		0.90
Expenses reduced by coefficient		(1,273.40)
<b>Taxable property rental income</b>		<b>3,226.60</b>

Sample Tax Computation 3 - Business rental income - lump-sum expenses	
	€
Gross rental income	5,000
Lump-sum expenses (60% of total business rental income)	(3,000)
Mandatory social security contributions paid from business rental income	(1,250)
<b>Taxable business rental income</b>	<b>750</b>

## **VALUE ADDED TAX**

Value added taxes can be complicated and you should take time to understand the rules as they apply to you and your particular situation.

Broadly speaking, Value-Added Tax (VAT) in Slovakia is a tax on consumption. Most goods and services supplied in Slovakia are subject to VAT.

A person who supplies goods and/or services in Slovakia may have to charge VAT and pay this to the Slovakian tax authority. As with all taxes, we encourage you to consult with a tax advisor regarding your potential VAT obligations in Slovakia.

If you are currently renting a room to guests, you may be required to apply VAT to your rental charge and to pay this VAT amount to the Slovakian tax authorities. As Airbnb is not supplying the rental, it is the responsibility of the host to consider local VAT obligations of the rental charge.

### **Do I need to collect any VAT from guests if I am letting short-term accommodation in Slovakia?**

In general, individuals who are considered to be in business in Slovakia need to charge VAT on their supplies, once the criteria for VAT registration is met.

Currently, in Slovakia, you are required to register for VAT if your turnover exceeds €49,790 in the preceding 12 consecutive calendar months. As such, where you supply short term accommodation and you breach this threshold, you should register for VAT.

If you are an individual who is not resident in Slovakia, but your accommodation is located in Slovakia, then you should also register for Slovakian VAT as no registration threshold applies to you.

We encourage you to consult a tax advisor if you need assistance in determining whether you need to register for and charge Slovakian VAT.

For further guidance on registering for VAT, please see the Slovakian tax authorities' [website](#).

### **VAT applies to me. How do I determine how much tax I need to collect from my guests?**

VAT rates differ per country and change periodically. We recommend you to check on a regular basis with the local tax authority to get the most up to date VAT rates for the country where you are required to pay VAT.

For example, at the date of issuance of this document, the VAT rate applicable to supplies of holiday accommodation in Slovakia can be:



- 10% for all accommodation services under code 55 of CPA statistic classification (e.g. accommodation in time-share properties, holiday homes, visitor flats, bungalows and cottages, apartment hotels, youth hostels, mountain refuges and holiday cabins, Camping ground, recreational and vacation camp, accommodation for workers in workers hostels or camps etc.)
- 20% for all other types of accommodation services.

However, there are other VAT rates currently in force in Slovakia, so we recommend that you confirm with a local tax advisor the VAT rate applicable to your supplies.

### **VAT applies to me. How do I collect VAT from guests?**

If you determine that you need to charge VAT on the supplies that you make to guests, please keep in mind that you have to collect this VAT from your guests and report and remit this VAT on a periodic VAT reports. In Slovakia, the VAT reports typically covers a quarterly or monthly period and is required to be filed by the 25th day following the end of the relevant VAT period (i.e. the January VAT reports is due to be filed by the 25th of February). VAT reports may be filed quarterly where a person has been VAT registered for more than 12 months and the turnover in that period is less than €100,000. The VAT payment is required to be made on the same day that the VAT reports is required to be filed.

Some formalities, such as issuing a receipt or an invoice to your guests, may be required. Please find more information on this [here](#).

For further guidance on filing returns, please see the Slovakian tax authorities' [website](#).

There may also be requirements around whether you use VAT-inclusive or VAT-exclusive pricing, though in general the price should be VAT inclusive. We recommend that you check your obligations in terms of pricing and the applicable invoice requirements with a local tax advisor.