DOING BUSINESS IN THE SLOVAK REPUBLIC

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This guide is designed to provide basic information on legal aspects of business climate in the Slovak Republic. It is not completely exhaustive and shall not be regarded as legal advice. The information contained herein is accurate as of 1st November 2024 unless otherwise stated herein and is subject to change without notice.

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General Information

1.1. Location and Area

The Slovak Republic, often referred to simply as Slovakia, is a landlocked country located in Central Europe, encircled by Austria, the Czech Republic, Hungary, Poland and Ukraine. The Slovak Republic consists of an area of 49,035 km² divided into 8 regions with the capital city Bratislava. The country has a strategic location between East and West with excellent export potential. The climate is a fairly typical European continental climate with warm, dry summers and cold winters.

Throughout its history, Slovakia has been part of various empires and political unions, including the Austro-Hungarian Empire and Czechoslovakia. Today, Slovakia stands as an independent nation with a growing economy, vibrant cities, and a preserved rural countryside.

1.2. Population and Language

The current population of the Slovak Republic is 5,422,194 (2024), with 53.5% of the population living in cities. The official language is Slovak. Minority languages are also spoken in the country (8.5% Hungarian, 2.0% Roma, 1.8% others).

The Slovak Republic is a predominantly Christian country, the largest group of the population is Roman Catholic (almost 56%). Christians live in almost all municipalities, with the most significant presence in the north of the country. The second-largest group is the non-religious population (24%). There are no cultural or religious influences or prohibitions on the way business is conducted.

Starting from 2004, the Slovak Republic became a part of the European Union (EU). Subsequently, in 2007, the Slovak republic joined the Schengen Area, and in 2009, the country adopted the Euro as its official currency, thereby becoming a member of the Eurozone. Moreover, the Slovak Republic holds memberships in various international organizations like the OECD, WTO, WIPO, NATO, and numerous others.

1.3. Major Industries

According to data issued by the Bureau of Statistics of the Slovak Republic, there are 2,600 industrial enterprises with more than twenty employees. The industries are primarily focused on engineering (28%), power engineering (18%), chemical industry (13%), and mining industry (9%). They are followed by the food industry (9%) and electrical engineering. The Slovak Republic remains the largest per capita car producer in the world, with four major car producers (from 2026 there will be five major car producers) and hundreds of suppliers.

1.4. Sources of Business Information

Below, we have provided contacts of the most important sources of business information:

- Commercial Register, www.orsr.sk
- Trade Register, www.zrsr.sk

- Ministry of Finance of the Slovak Republic, address: Štefanovičova 5, 817 82 Bratislava, phone: +421 2 5958 1111, email: podatelna@mfsr.sk, www.mfsr.sk ("**Ministry of Finance**")
- Ministry of Investments, Regional Development and Informatization of the Slovak Republic, address: Pribinova 25, 811 09 Bratislava, phone: +421 2 2092 8002, email: minister@mirri.gov.sk, www.mirri.gov.sk ("**Ministry of Investments**")
- Slovak Business Agency, address: Karadžičova 2, 811 09 Bratislava 1, phone: +421 2 203 63 100, email: agency@sbagency.sk, www.sbagency.sk
- Central Government Portal, phone: +421 2 3580 3083, www.slovensko.sk
- Ministry of Economy of the Slovak Republic, address: Mlynské nivy 44/A, 827 15 Bratislava, phone: +421 2 4854 1111, email: info@economy.gov.sk, www.mhsr.sk ("**Ministry of Economy**")
- National Bank of Slovakia, address: Imricha Karvaša 1, 813 25 Bratislava, phone: +421 2 5787 1111, email: info@nbs.sk, www.nbs.sk

1.5. Government and Political System

The Slovak Republic is a sovereign, democratic state governed by the rule of law. State power is derived from the citizens, who exercise it through their elected representatives or directly. The President and the legislative body, the National Council of the Slovak Republic, are democratically elected by secret ballot in direct elections.

The National Council of the Slovak Republic is the sole legislative body of the Slovak Republic, making the Slovak Republic a parliamentary republic headed by the President with primarily representative functions. The National Council consists of 150 Members of Parliament who are elected for a four-year period. They exercise their mandates individually according to their best conscience and conviction. The country is divided into eight regions, each with a degree of autonomy.

The Government of the Slovak Republic, as the main public policymaker of the state, has the power to make fundamental policy in matters of the national economy and social security.

1.6. Banking System

The financial market in the Slovak Republic divides into the following main segments: banking, capital market, insurance, and pension savings. Supervision over these segments of the financial market is performed by the National Bank of the Slovak Republic ("**NBS**") (established by Act No. 566/1992 Coll. on National Bank of Slovak Republic, as amended ("**Act on National Bank**").

The banking sector is regulated by Act No. 483/2001 Coll. on Banks, as amended ("**Act on Banks**"). Currently, there are 25 banks and branches of foreign banks operating in the Slovak market. A permit from NBS is required to establish a bank or a branch of a foreign bank in the Slovak Republic.

Activities of all providers of financial services are regulated by specific legislation, among others by Act No. 566/2001 Coll. on Securities and Investment Services, as amended ("**Securities Act**"), Act No. 530/1990 Coll. on Bonds, as amended, Act No. 203/2011 Coll. on Collective Investment, as amended, Act No. 39/2015 Coll. on Insurance Industry, as amended, Act No. 43/2004 Coll. on Old-Age Pension Savings, as amended, Act No. 129/2010 Coll. on Consumer Loans and Other Loans and Credits for Consumers, as amended.

The Slovak stock market is operated by Bratislava Stock Exchange (Burza cenných papierov v Bratislave, a.s.) ("**BSSE**"). BSSE is the sole operator of a regulated market of securities in the Slovak Republic. BSSE is regulated by Act No. 429/2002 Coll. on Stock Exchange, as amended and the Stock Exchange Rules. BSSE functions on a membership principle meaning that only Stock Exchange Members are authorized to directly conclude stock exchange transactions. Stock Exchange membership can only be granted to, and transactions can only be concluded by, a business entity which is a bank/ a securities dealer/ an asset-management company that meets the criteria stipulated by the law and by the Stock Exchange Rules.

Article 2. Foreign Investment

2.1. Investment Climate

The Slovak Republic is generally recognized as an open market economy with an investment-friendly regulatory environment. Foreign investment in the Slovak economy peaked after the country became part of the EU and intensified with its entry into the eurozone in 2009. The introduction of the euro as the official currency meant reduced transaction costs for investors, reduced risk from currency volatility and increased economic and financial stability. Shared service centers appreciate the advantageous time zone (GMT+1) which enables cooperation with clients all over the world. Another reason to invest in the Slovak Republic is a highly qualified workforce that reaches the highest labor productivity in Central and Eastern Europe, with loyalty to the employer as well as excellent language skills. Nonetheless, the labor costs are relatively low compared to the Western European Countries. The government systematically implements measures favorable to businesses and entrepreneurs in the Slovak Republic. These measures include, among others, regular anti-bureaucratic packages, the introduction of the "Kurzarbeit" scheme for employees and the gradual transition of governmental services to the online sphere.

Foreign entities are generally treated under Slovak law in the same manner as domestic entities. Foreign entities generally face no impediments in participating in R&D programs financed and/or subsidized by the Slovak government. They can benefit from the foreign investment schemes introduced by the government or relevant legislation.

2.2. Investment Incentives

Foreign investors can make use of investment incentives and certain types of aid to support their investment in the Slovak Republic. Forms in which such aid can be provided include, among others, tax reliefs, grants and the option to acquire immovable property from the state, higher territorial unit or municipality at a lower price in comparison to its market value. Investment aid in the Slovak Republic is fully harmonized with EU legislation. State aid is governed in particular by Act No. 358/2015 Coll. on Regulation of Certain Relations in Field of State Aid and Minimum Aid, as amended ("**Act on State Aid**"), which regulates basic rights and obligations of state aid providers and recipients, as well as state administration in the field. State aid is to be provided mainly for the following purposes:

- regional development,
- small and medium-sized enterprises, to facilitate access to financing for small and medium-sized enterprises,
- research, development and innovation,

- support of education,
- promotion of employment,
- environmental protection,
- compensation of damages caused by certain natural disasters,
- broadband infrastructure,
- culture and heritage conservation,
- sports and multifunctional recreational infrastructures,
- local infrastructures,
- support of agriculture, forestry and rural areas,
- transport support,
- facilitation of the closure of uncompetitive coal mines,
- support of risk finance investments,
- support of fisheries,
- other purposes, where the Council of the European Union has so provided.

State aid may be also obtained in the form of regional investment aid governed by Act No. 57/2018 Coll. on Regional Investment Aid, as amended. This investment aid may, in general, be provided for: (i) industrial production, (ii) technological centers, and (iii) business service centers. The investment aid is provided in a form of subsidy for long-term tangible assets and long-term intangible assets, income tax reliefs, allowance for newly created jobs or in a form of a transfer of real estate or the lease of real estate for a value lower than the value of the real estate. The regional investment incentive is provided by the Slovak Investment and Trade Development Agency ("SARIO"), a budgetary organization of the Ministry of Economy. These can be granted to new or established investors, SMEs or large companies, in both, domestic or foreign ownership. One of the primary goals is (besides increasing the overall competitiveness of the Slovak Republic in a global environment) to reduce regional differences. Therefore, maximum investment incentives intensity and minimum conditions heavily depend on the investment location. In less developed regions, maximum investment incentives intensity is higher and minimum conditions are less strict.

In addition, state aid may be received for specific purposes, such as for research and development. Conditions for granting incentives for research and development in the Slovak Republic are governed by Act No. 185/2009 Coll. on Incentives for Research and Development, as amended. This type of state aid is provided either in a form of a subsidy or tax relief. Companies located in the Slovak Republic can deduct 100% of their research and development costs from their corporate income tax base. The goal of this preferential tax regime is to motivate companies to localize more research and development competencies in the Slovak Republic, to create job opportunities for research and development employees and to increase the overall competitiveness of the Slovak Republic.
Investors may also receive a loan or a grant from the Slovak Guarantee and Development Bank, which is a 100% state-owned banking institution under the control of the Ministry of Finance. Other public administration bodies (e.g., ministries) may also provide loans for the support of investors and certain specific investments in accordance with rules laid down in Act No. 523/2004 Coll. on Budgetary Rules of Public Administration, as amended ("**Act on Budgetary Rules of Public Administration**") and specific legislations.

SMEs are supported by Slovak Business Agency, which is focused on the growth and development of SMEs. Its task is to strengthen the competitiveness of this sector in the EU common market and third countries markets via stimulation of SME growth, internationalization and simplification of SME access to funds. The Slovak

Business Agency also established National Entrepreneurial Centers which should function as a one-stop-shop for various services provided to SMEs.

2.3. Screening of Investment

Since 1 March 2023, Slovakia introduced a new foreign direct investment ("FDI") screening mechanism and Act No. 497/2022 Coll. on Screening of Foreign Investments, as amended ("FDI Act") came into force. Slovakia has thus joined several other EU countries, which have already implemented FDI screening mechanisms in their laws several months or a few years ago. The purpose of the FDI Act is to ensure protection of security and public order in the Slovak Republic and EU. Based on the new FDI Act, foreign investments are subject to screening or approval procedure by the Slovak governmental authorities.

The new FDI screening mechanism under the FDI Act also replaced the previously effective so called "small" FDI screening which applied to elements of critical infrastructure in Energy and Industry sectors. Since 1 March 2023, the FDI Act covers also this previously known "small" FDI screening mechanism.

2.3.1. *FDI Screening Mechanism*

Foreign investment threshold

The screening mechanism under the FDI Act generally applies to investments into companies with registered seat in Slovakia or acquisition of their materials assets by foreign investors (investors without EU citizenship or investors not established in an EU Member State), or persons and entities directly or indirectly controlled by such foreign persons or entities or governmental authorities or investors whose ultimate beneficial owners are such foreign persons or entities or governmental authorities or when financing of a foreign investment is secured by sources provided by a public body of a third country or an entity, in which a third country has participation or persons and entities acting in concert with foreign persons or entities in connection with the foreign investment).

An FDI is an investment planned or made by foreign investor provided that it allows the foreign investor to (directly or indirectly):
a) acquire a business of the Slovak entity or its part; or
b) perform an effective participation in the Slovak entity (i.e., the amount of share(s) on the registered capital or voting rights of the Slovak entity, which is 10% in case of a critical FDI, and/or 25% in case of any other FDI); or;
c) increase an effective participation in the Slovak entity (i.e., an increase to (in each case) 20%, 33% and 50% in case of a critical foreign investment, and 50% in case of any other FDI) or;
d) exercise control in the Slovak entity; or
e) in case of critical FDI, to acquire an ownership right or other right to the Slovak entity's material assets, where other right means the right to use or dispose of substantial assets of the target person.

FDI made as a part of the enforcement of a pledge or another security right in relation to the Slovak entity or made after the Slovak entity's entry into liquidation, commencement of bankruptcy or restructuring proceedings, are not excluded from the application of the FDI Act and the new FDI Act must be also taken into consideration in connection with financings. The FDI Act will not apply to FDI planned or made by and between entities, whose shareholders or owners are the same persons (the goal being to exclude intra-group transactions and similar corporate reorganizations from FDI screening mechanism).

Process and Timing of Screening

Under the FDI screening mechanism, two regimes are introduced, in particular FDI screening of a (i) standard FDI and (ii) critical FDI.

Standard FDI

Provided that investment is categorized as a standard FDI, there is no legal obligation to notify such FDI to the Ministry of Economy. However, the Ministry of Economy may decide to screen standard foreign investment ex officio (i.e., upon its discretion) within two years from its conclusion (which may be extended in specific cases).

Therefore, for purposes of legal certainty and to eliminate the risk of ex-post FDI screening of the already concluded investment, it is possible to voluntarily notify the investment to the Ministry of Economy for screening. This preliminary and voluntary notification of the investment will eliminate the future risk of a subsequent ex officio re-evaluation of the same investment.

In the case of a standard FDI, the Ministry of Economy first carries out a preliminary FDI screening of the investment, which is a less stringent process than a full FDI screening of the investment. The Ministry of Economy has 45 days from the receipt of the notification of voluntary FDI to conduct a preliminary FDI screening and to decide whether the FDI poses a threat to the security or public order of the Slovak Republic and the EU, or whether to conduct a full FDI screening of the foreign investment. If the Ministry of Economy does not make such a decision, it is assumed that the FDI does not have a negative impact. If the Ministry of Economy decides to conduct a full FDI screening of the FDI, it has a maximum of 130 days from the start of the screening to issue a decision on whether to (i) allow the FDI, (ii) allow the FDI with certain conditions, or (iii) prohibit the FDI. If the Ministry of Economy does not issue such a decision within 130 days from the start of the screening, it is presumed that the FDI does not have a negative impact.

Critical FDI

Provided that the investment is categorized as a critical FDI, the investment must be mandatorily notified to the Ministry of Economy before the investment is made. In the case of a critical foreign investment (as defined in the Governmental Regulation), a full FDI screening of the foreign investment has to take place from the very start, which means the Ministry of Economy has a maximum of 130 days to decide whether the critical FDI is (i) allowed, (ii) allowed with certain conditions or (iii) prohibited. If the Ministry of Economy does not make such a decision within 130 days of the start of the screening, it is presumed that the investment has no negative impact.

2.4. Significant Investments

Act on Significant Investments requires that significant investments be approved by the Government and receive a certificate before the commencement of the investment. A significant investment certificate is a document issued to the holder of the certificate certifying that the significant investment is in the public interest. A significant investment project is an investment project either to prepare a strategic site or an investment in public services that provide public administration carried out in the public interest.

A strategic site is a plot of land of at least 30 hectares which is intended for investment in industrial production, services, research and development, important investments for environmental protection or which are intended for the implementation of investments in the field of public services and buildings, additional buildings and facilities located on this land, which are immediately related to the preparation of the strategic area, in particular facilities for the preparation of the construction, utility networks, energy sources, energy distribution facilities, sewage treatment plants, sewerage, water supply, emission separators, underground and above-ground technological pipelines and regulatory and control equipment related to the construction, which form a single unit. The strategic site is also the land owned by the State for the implementation of investments in the construction of the health facility. Furthermore, it is the construction of a gas pipeline, a gas distribution network facility, a gas transmission network facility, an electric power line, an electric power transmission system facility, an electric power distribution system facility, as well as a strategic transport and engineering infrastructure of national importance, which has been decided by the Government of the Slovak Republic.

To qualify an investment as a significant investment, the investment must cumulatively meet the following criteria: (i) will be implemented in a strategic site, (ii) the investment costs are at least EUR 30 million, (iii) at least 50 new jobs are created in direct connection with the implementation of the investment project, (iv) the investor accepts the requirements related to environmental protection, and (v) government decided the investment project was in the public interest. A significant investment may also be a project carried out in cooperation with the state and meets the legal requirements set out in Act on Significant Investments. The certificate of a significant investment issued by the Government of the Slovak Republic also serves as a building permit, and there is no need to obtain another building permit from the municipality.

Article 3. Business Entities

3.1. Common Business Structures

The following legal entities are recognized as business corporations under Slovak law:

- Joint-Stock Company (*akciová spoločnosť*),
- Simple Joint-Stock Company (*jednoduchá spoločnosť na akcie*) (as from 1 January 2017),
- Limited Liability Company (*spoločnosť s ručením obmedzeným*),
- General Partnership (*verejná obchodná spoločnosť*),
- Limited Partnership (*komanditná spoločnosť*),
- Cooperative (*družstvo*).

Slovak law also recognizes European Society (SE) (európska spoločnosť), European Economic Interest Grouping (EEIG) (európske zoskupenie hospodárskych záujmov) and European Cooperative (európske družstvo).

3.1.1. *Joint-Stock Company (Akciová spoločnosť)*

A joint-stock company ("**JSC**") is a legal entity registered with the Commercial Registry, with mandatory registered capital created from monetary or in-kind contributions of its shareholders. The registered capital of a JSC is denominated into shares that represent the shareholder's participation in the registered capital of a JSC, share on profit and on voting rights at the General Assembly of a JSC.

Shares are securities bearing a physical form or the form of registration in the accredited securities clearing institution, which in the Slovak Republic is the Central Depository of Securities of the Slovak Republic ("**Central Depository**"). Shares may be registered in the name (issued in documentary or book-entered form) or may be issued in the bearer's book-entered form.

A JSC may be established by one founder, who is a legal entity, or more founders being legal entities or individuals by executing the Foundation Deed or Memorandum of Association in the form of a notarial deed, whereby the founders subscribe the shares of a JSC and assume the obligation to pay their issue ratio. A JSC may be established as a so-called public joint stock company or a private joint stock company. A public joint stock company is a company with all or some of its shares accepted for trading on a regulated market situated or operated in any EEA member state.

The minimum amount of the registered capital of a JSC is EUR 25,000. A JSC is also obliged to create a reserve fund prior to its incorporation in the amount of at least 10% of its registered capital.

A JSC is incorporated on the date of its registration with the Commercial Registry. The registration is subject to a fee of EUR 550.

Foreign shareholders of a JSC enjoy the same legal protection as their Slovak counterparts. A JSC is liable with its entire property for breach of its obligations. The shareholder is not liable for the obligations of JSC; however, the shareholder is liable to the company to pay the issue rate of the subscribed shares.

A JSC is tax liable in the Slovak Republic.

3.1.2. *Simple Joint-Stock Company (Jednoduchá spoločnosť na akcie)*

A simple joint-stock company ("**SJSC**") may be founded either by one or several persons. The founding document of an SJSC is the Foundation Deed or the Memorandum of Association, both of which must be drawn up in the form of a notarial deed. An SJSC is a company with its registered capital distributed into a certain number of shares with a certain nominal value. An SJSC is liable for any breach of its obligations with its entire property, a shareholder is not liable for the company's liabilities. The minimum value of the registered capital of an SJSC is EUR 1 and its entire value must be subscribed and all contributions to the registered capital must be paid up prior to its incorporation.

3.1.3. *Limited Liability Company (Spoločnosť s ručením obmedzeným)*

Limited liability companies ("**LLC**s") are the most common form of business entity in the country. An LLC is liable for its obligations with all of its assets, while its shareholders are liable for the LLC's obligations only to the extent of their outstanding contributions to the registered capital. An LLC may be established by one or more founders, the number of which shall not exceed 50. LLCs are founded on the basis of a Foundation Deed (in the case of a sole founder) or a Memorandum of Association (in the case of multiple founders). An LLC that has a single shareholder may not be the sole founder or sole shareholder of another LLC. An individual may be the sole shareholder of no more than three LLCs.

Apart from the above, there are no restrictions on the shareholders in an LLC. There are no restrictions on the executive directors, except for the requirement of a criminal clearance certificate of executive directors and

for a residence permit in the Slovak Republic in case of the executive directors not being citizens of EU or OECD member states.

The contribution to the registered capital may be either monetary or in-kind. The minimum amount of the contribution in the registered capital of the LLC is EUR 750. The minimum amount of the registered capital is EUR 5,000. At least 30% of each monetary contribution and the full amount of all in-kind contributions to the LLC must be repaid by the founders prior to the registration of the LLC in the Commercial Registry kept by the competent court of registration (at least 50% of the registered capital must be repaid prior to the incorporation of the LLC). In the case of a single founder of an LLC, the entire amount of the registered capital must be repaid prior to the registration of the LLC in the Commercial Registry.

The LLC is incorporated on the date of its registration in the Commercial Registry of the competent district court. Registration in the Commercial Registry is subject to a fee of EUR 220. The application for registration in the Commercial Registry must be filed within 90 days of the company's foundation.

An LLC is tax liable in the Slovak Republic.

3.1.4. *General Partnership & Limited Partnership (Verejná obchodná spoločnosť a Komanditná spoločnosť)*

The forms of business entities with unlimited liability of the general partners are the general partnership and the limited partnership.

General Partnership (*Verejná obchodná spoločnosť*)

A general partnership ("**GP**") is a form of business entity in which at least two founders conduct entrepreneurial activity under their common business name and are jointly and severally liable for the GP's obligations with all their assets. The GP shall be liable for its obligations with all of its assets.

The GP does not mandatorily create its registered capital; however, the Memorandum of Association may stipulate the obligation of the founders to contribute capital to the GP.

The GP shall be founded by the conclusion of a Memorandum of Association by its founders and shall enter into existence upon its registration in the Commercial Registry. Entry into the Commercial Registry is subject to a fee of EUR 220.
The GP is tax liable in the Slovak Republic.

Limited Partnership (*Komanditná spoločnosť*)

A limited partnership ("**LP**") is a form of entity in which one or more members are liable for the partnership's obligations up to the outstanding amounts of their monetary or in-kind contributions to the LP registered in the Commercial Registry (limited partners), and one or more members are liable for the partnership's obligations with all of their assets (general partners).

Therefore, an LP may be established by at least one general partner and at least one limited partner in the form of a Memorandum of Association. Otherwise, the rules applicable to the GP shall also apply to the LP and the rules applicable to the LLCs shall also apply to the legal standing of the limited partners.

An LP may be set up by a foreign national or entity. Therefore, foreign LP partners enjoy the same legal protection as their Slovak counterparts. An LP is incorporated on the date of its registration in the Commercial Registry of the competent registry court. Registration in the Commercial Registry is subject to a fee of EUR 220.

An LP is tax liable in the Slovak Republic.

3.1.5. *Cooperative (Družstvo)*

A cooperative is a legal entity which brings together an unlimited number of participants/members and may be founded for multiple purposes, i.e., for an entrepreneurial activity or securing the economic, social or other needs of its members. The minimum number of members shall always be five unless at least two of the members are legal entities. A cooperative is a legal entity which is liable for the breach of its obligations with all its assets, but the members are not liable for the cooperative's obligations.

The cooperative's registered capital shall consist of the aggregate of the membership contributions that its members have undertaken to pay. The minimum amount of the capital entered in the Commercial Registry ("entered registered capital") of a cooperative shall be at least EUR 1,250.

Membership contribution of a member may be monetary or in-kind, and its amount may vary from member to member. The cooperative shall be founded on the basis of a founding meeting which is held for such purpose.

3.2. Establishment of Local Subsidiary or Branch or Representative Office

Foreign entrepreneurs may perform business activities in the Slovak Republic either via a subsidiary established as a separate business entity in one of the aforementioned legal forms or via their branch office in the Slovak Republic.

Local Subsidiary

Local subsidiaries are separate legal entities in which the parent company partly or wholly owns the subsidiary. A local subsidiary must take one of the legal forms described above, the common business practice is for the parent company to establish in the Slovak Republic either an LLC or a JSC.

Branch

In general, the Slovak branch of a foreign company must be registered in the Commercial Registry. Registration in the Commercial Registry should take up to two days after delivery of notice to the Commercial Registry.

The branch is not a legal entity and the foreign company as the founder of the branch is fully responsible for its actions, the branch performs business activities in the Slovak Republic and all other acts on behalf of its founder.

No share capital is required for a branch upon its registration in the Commercial Registry. The assets of the branch shall belong to the founder and shall be maintained in the separate accounting books of the founder.

The branch shall be represented by a Branch Director or Manager appointed by the founder of the branch – the foreign company. The Branch Director or Manager must be registered in the Commercial Registry. There are no special requirements for the Branch Director or Manager, except for the requirement of a clean criminal record certificate and a residence permit in the Slovak Republic, if the Branch Director or Manager is not a citizen of EU or OECD member states.

Subject to the provisions of the applicable double taxation treaty, the branch is considered to be a permanent establishment of a foreign enterprise in the Slovak Republic and is subject to Slovak taxation on all income attributed to the activities of the branch. The branch is a separate accounting unit and is obliged to maintain accounts in the double-entry bookkeeping system in accordance with Slovak accounting regulations. If it is not possible to ascertain the actual profit attributable to the activities of a branch in the Slovak Republic, the tax authorities may consider the profit of the branch to be equal to that of a similar-sized legal entity.

3.3. Filing and Record Keeping Requirements

A joint-stock company, a simple joint-stock company, a limited liability company, a cooperative and a state-owned enterprise are obliged to deposit the ordinary individual financial statements and the extraordinary individual financial statements in the Collection of Deeds within nine months from the date of their preparation.

District and municipal courts in the Slovak Republic keep the Commercial Registers and the Collections of Deeds. Commercial companies are created by registration in the Commercial Register, which is kept by the competent court within the jurisdiction of the seat of the company. The application for registration must be accompanied by the statutory incorporation documents. Documents relating to commercial companies are compulsorily deposited in the Collection of Deeds, which is public and accessible online. If there is a change in the commercial company (e.g., change of shareholder, managing director, etc.), the change must be entered in the Commercial Register of the competent court and the documents proving the change must be attached to the application for change.
Businesses are also required to keep records under other legislation, such as:

- Act No. 222/2004 Coll. on Value Added Tax, as amended ("**VAT Act**"):
  Some of the records must be delivered to the Tax Office, in case of a failure to do so, the entrepreneur may be fined up to EUR 10,000. The records shall be kept until the end of the calendar year in which ten years have elapsed since the end of the year to which they relate;

- Regulation (EU) 2016/679 of European Parliament and of Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (GDPR) and Act No. 18/2018 Coll. on Protection of Personal Data, as amended regulate the obligation to keep records of processing activities. These records are to include, inter alia: the purposes of the processing, a description of the categories of data subjects, a description of the categories of personal data, the categories of recipients, etc.

3.4. Sole Proprietorships

Under the Act. No. 513/1991 Coll. Commercial Code, as amended ("**Commercial Code**") there is a possibility to be a sole owner of a business entity in the following cases:

- Limited Liability Company – may be solely owned by an individual or a legal entity. The individual may not be a sole owner of more than three LLCs and solely owned LLC may not be a sole owner of another LLC;
- Joint Stock Company – legal entity may be the sole founder of a JSC. An individual may not be a sole founder of JSC; however, an individual may become a sole shareholder of an already founded JSC by acquiring all shares of the JSC;
- Simple Joint Stock Company – may be as of 1 January 2017 founded by one person or several persons. An SJSC is a company whose registered capital is distributed into a certain number of shares with a certain nominal value.

The liability of sole owners depends on the type of solely owned legal entity. Incorporation fees are the same as in the case of a legal entity, which is not solely owned.

Article 4. Competition

In the field of competition, the Slovak legislation is harmonized with the European Union rules governing competition.

Slovak antitrust law is largely compliant with the principles applied in EU law and other member states' competition regulations. In addition to EU antitrust legislation directly applicable in the Slovak Republic (mainly Art. 101 and 102 of the Treaty on the Functioning of the European Union ("**TFEU**") prohibiting agreements restricting competition and abuse of a dominant position), Act No. 187/2021 Coll. on Protection of Economic Competition, as amended ("**Competition Act**") provides for public law national regulation on the protection of competition. Competition Act provides for the regulation of the practices restricting competition, including (i) prohibition of agreements restricting competition, (ii) prohibition of abuse of dominant position, and (iii) control of concentrations (merger control regime).

Along with providing protection against restriction of competition, Competition Act also stipulates the supervision and enforcement powers of the Antimonopoly Office of the Slovak Republic ("**Antimonopoly Office**"), which is the national competition authority of Slovakia.

Breach of antitrust rules may result in: (i) heavy fines imposed by the Antimonopoly Office, (ii) invalidity of contractual arrangements affected by anticompetitive behavior, (iii) exclusion from public tenders, (iv) potential criminal liability of individuals involved in prohibited anticompetitive behavior, and even (v) private claims for damages against undertakings involved in anticompetitive practices under newly adopted specific damage claim regime pursuant to Act No. 350/2016 Coll. on Certain Rules on Filing of Claims for Damages Arising out of Breach of Antitrust Law, as amended.

4.1. Agreements Restricting Competition

An agreement restricting competition is an agreement between undertakings, a concerted practice of undertakings and a decision by an association of undertakings which has as its object or effect the restriction of competition. An agreement restricting competition shall be prohibited unless otherwise provided in the Competition Act.

An agreement shall not constitute an agreement restricting competition if its effect on competition is negligible.

In particular, an agreement restricting competition shall be prohibited if it consists of:

- direct or indirect fixing of prices of goods or other commercial terms;
- commitment to limit or control production, sales, technical development or investment;
- allocation of markets or sources of supply;
- commitment of the parties to the agreement that, in relation to individual undertakings, they will, for identical or comparable performance apply different conditions, which would put or may put those undertakings at a competitive disadvantage;
- making the conclusion of contracts conditional so that the parties to the contract accept additional obligations which are unrelated in nature or according to commercial practice to the subject matter of those contracts; or
- coordination of undertakings in a public procurement, a commercial tender or any other similar competition (bid rigging).

The prohibition shall not apply to an anticompetitive agreement which:

- contributes to the improvement of the production or distribution of goods or to the promotion of technical or economic development, while providing the consumer with a proportionate share of the benefit resulting therefrom;
- does not impose restrictions on the parties to the restrictive agreement which are not necessary to achieve the objectives referred to in the previous point; and
- does not allow the parties to a restrictive agreement to exclude competition in relation to a substantial part of the goods concerned on the relevant market.

4.2. Abuse of Dominant Position

Abuse of a dominant position in a relevant market is prohibited.

A dominant position in a relevant market is held by an undertaking or a number of undertakings which are not exposed to significant competition and which, because of their economic power, can behave independently.

Abuse of a dominant position in a relevant market is in particular:

- direct or indirect application of unreasonable prices or other unreasonable commercial terms;
- restriction of production, marketing or technical development of goods to the detriment of consumers;

- application of different conditions for identical or comparable performance to individual undertakings which put or may put those undertakings at a competitive disadvantage; or
- making consent to the conclusion of the contract conditional on the acceptance of other obligations of the other party, which by their nature or according to commercial practice are not related to the scope of the contract.

4.3. Merger Control

Concentration involves the merger or amalgamation of several individual undertakings and also gaining control over a business, directly or indirectly, and also partially. Consent of the Antimonopoly Office may be required in cases of concentration pursuant to the Competition Act.

A concentration is subjected to notification and consent by the Antimonopoly Office if:

- the combined aggregate turnover in the Slovak Republic of the undertakings concerned for the last financial year preceding the concentration was at least EUR 46 million and, at the same time, at least two of the undertakings concerned have each generated, in the Slovak Republic, an aggregate turnover of at least EUR 14 million for the last financial year preceding the concentration; or
- the aggregate turnover for the last financial year preceding the concentration in the Slovak Republic was:
  - in case of a concentration by merger or amalgamation of two or more independent undertakings, at least EUR 14 million generated by at least one of the undertakings concerned and, at the same time, the worldwide aggregate turnover generated for the last financial year preceding the concentration generated by another of the undertakings concerned was at least EUR 46 million;
  - in case of a concentration by the acquisition of control, at least EUR 14 million generated by at least one target undertaking and, at the same time, the worldwide aggregate turnover for the last financial year preceding the concentration generated by any other of the undertakings concerned was at least EUR 46 million.

An undertaking cannot exercise the rights and obligations of the concentration before effective consent with the concentration is granted by the Antimonopoly Office. However, the Antimonopoly Office may grant an exemption from standstill obligation upon reasoned request.

The timeline for the Antimonopoly Office to decide on a concentration is 25 business days after delivery of a complete notification of the concentration (Phase I). If the assessment of the concentration requires deeper analysis due to the identification of competition concerns, the Antimonopoly Office notifies the applicant of it and the timeline for the Antimonopoly Office to decide on the concentration in such case is additional 90 business days (Phase II).

The Antimonopoly Office shall approve the concentration if the concentration does not significantly impede the effective competition in the relevant market, mainly as a result of the creation of a dominant position. The Antimonopoly Office may grant consent with the concentration subject to acceptance of the commitments aimed at eliminating significant impediments to effective competition, with a condition that must be fulfilled in order for the concentration to be in accordance with the law.

Article 5. Taxation

The Slovak tax system is broadly based on other tax systems in the EU and includes corporate and personal income taxes, standard value-added tax, taxes levied on selected assets (such as real estate, motor vehicle tax) or under selected circumstances, and excise duties levied on specific goods such as alcohol or tobacco products.

5.1. Income Tax Rates

Personal and corporate income tax is governed by Act No. 595/2003 Coll. on Income Tax, as amended ("**Income Tax Act**").

Personal income tax rates for natural persons are progressive and vary between 19% and 25%. The 19% tax rate applies to a tax base up to 176.8 times the current amount of subsistence minimum (for the 2024 tax period, tax base up to EUR 48,441.43); a tax base exceeding this limit is taxed at a rate of 25%.

Taxation of self-employed persons/entrepreneurs - natural persons is regulated separately. Tax rates of 15%, 19% and 25% are applicable to the aforementioned group of taxpayers. If the income earned in a given tax period does not exceed EUR 60,000, the taxpayer is taxed at a rate of 15%. On the other hand, if the earned income for the relevant tax period exceeds EUR 60,000, the taxpayer is taxed at either 19% or 25%, depending on whether or not the taxable income exceeds the threshold of 176.8 times the current subsistence minimum (analogous to the taxation of personal income described above).
The corporate income tax rate, like the personal income tax rate, is progressive and varies between 15% and 21%. The reduced rate of 15% applies to corporate taxpayers with a taxable income (revenue) of up to EUR 60,000 for the relevant tax period. The tax base above this limit is taxed at a rate of 21%.

Generally, income from participation certificates, certain debentures and vouchers, interest and royalties are subject to a withholding tax of 19%.

Dividends paid by Slovak legal entities to natural persons are subject to a 10% withholding tax. A 35% withholding tax is levied on dividends paid to taxpayers (individuals or legal entities) resident in a non-contracting state (i.e., a state that is not on the "white list" published by the Ministry of Finance; usually a tax heaven).

5.2. Tax Residency

According to the Income Tax Act, there are currently three criteria for determining Slovak tax residence (unlimited tax liability): (i) permanent residence in the Slovak Republic, (ii) presence (habitual residence) in the Slovak Republic for at least 183 days in a given calendar year, and (iii) domicile, i.e. the possibility to have accommodation that is not only used for occasional accommodation and, taking into account all related facts and circumstances, including the individual's personal and economic ties with the territory of the Slovak Republic, the individual's intention to permanently stay in the domicile is obvious.

A natural person is not considered to be a tax resident if he/she usually resides in the territory of the Slovak Republic only for the purpose of study or medical treatment, or if he/she crosses the border into the Slovak

Republic daily or at agreed intervals only for the purpose of exercising his/her employment, the source of which is in the territory of the Slovak Republic.

Legal entities having their registered office or place of effective management in the Slovak Republic are generally considered to be tax residents (subjects with unlimited tax liability).

Slovak tax residents are taxed on their worldwide income; non-residents are taxed only on their income derived from Slovak sources.

5.3. Corporate Taxation

All companies that are tax resident in the Slovak Republic are taxed on their income. The standard corporate income tax rate is 21%. Corporate taxpayers whose taxable income (revenue) for the relevant tax period does not exceed EUR 60,000 benefit from a reduced corporate tax rate of 15%.

The corporate tax base is determined on the basis of the difference between income and expenses for taxpayers using the single-entry bookkeeping system, or on the basis of a business result for taxpayers using the double-entry bookkeeping system. The tax base is adjusted for certain non-deductible and non-taxable items. Special rules apply to entities which, in order to comply with Act No. 431/2002 Coll. on Accounting, as amended ("**Act on Accounting**"), keep their accounting records in accordance with special rules, i.e., in accordance with International Financial Reporting Standards (banks, insurance companies, etc.).

5.4. Branch Taxation

Although branches are not separate legal entities (their existence depends on their founder), they are separate accounting entities. The accounting of the branch is part of the overall accounting of the foreign founder. At the end of the accounting period, the branch prepares financial statements in accordance with Slovak regulations and is subject to corporate income tax in the Slovak Republic.

The branch's taxable income must not be lower than the income that an independent entity (e.g., a Slovak company) would obtain from similar activities under similar conditions. If the branch's taxable income cannot be determined on the basis of its income less its expenses and adjusted for tax purposes, certain other methods may be used. A taxpayer may apply to the tax authorities for approval of other methods of determining taxable income.

5.5. Personal Income Tax

The taxpayer is obliged to file a tax return for the 2023 tax period if his total taxable income for the 2023 tax period exceeds EUR 2,461.41. With regard to the 2024 tax period, the taxpayer is obliged to file an income tax return for the 2024 tax period if his total income within the tax period exceeds EUR 2,823.24.

Total taxable income includes all income that is taxable and not exempt. Total taxable income also includes income from foreign sources if the taxpayer is a tax resident (with unlimited tax liability), as these tax residents are subject to tax on worldwide income.

Income that is subject to personal income tax includes, among others:

- income from dependent activities (employment);
- income from business, other self-employment, rental and use of works and artistic performances;
- income from capital assets;
- share (dividend) paid out of the profits of a company or cooperative;
- compensatory share on the termination of the participation of a shareholder of a trading company or a member of a cooperative;
- share in the liquidation balance on the liquidation of a trading company or cooperative;
- share in the business result paid to a silent partner of a trading company;
- share of a member of a land community with legal personality in the profits and assets and the share in the liquidation balance.

5.6. Withholding Taxes

The Slovak Republic levies a withholding tax of 10% and 19% at source, which also applies to interest and royalty payments. These rates may vary according to the relevant double taxation treaty. The income subject to withholding tax is exhaustively listed in Income Tax Act (including, inter alia, income from public tenders, monetary and non-monetary benefits provided to the healthcare provider, income from bonds, income from investment funds, lottery winnings, etc.).

Where tax is withheld, the amounts withheld must be paid to the tax authorities by the 15th day of the month following the month in which the withholding took place.

From 1 March 2014, the withholding tax rate has been increased to 35% for payments made to taxpayers' resident in a non-contracting state (i.e., a state that is not on the 'white list' published by the Ministry of Finance; usually a tax haven).

5.7. Dividends

Dividends, a compensatory share, and a share in the liquidation balance are subject to Slovak income tax. These earnings are subject to a 10% withholding tax, with the exception of dividends subject to withholding tax when they are paid to a non-contracting state. This situation can occur when dividends are disbursed to a company residing in a non-Treaty country or when dividends are received by a Slovak tax resident from a company located in a non-Treaty country. In such instances, the dividends are taxed at a higher withholding tax rate of 35%.

5.8. Thin Capitalization

Where a loan or credit is granted by a related party, the borrower must include interest and related charges on borrowings up to a maximum of 25% as the limit on the maximum amount of interest and related charges deductible for tax purposes.

5.9. Transfer Pricing

Income Tax Act introduced the arm's length principle for transactions between related parties. The arm's length principle states that prices between related parties should be similar or at least comparable to those that would

apply between independent parties in comparable transactions. If transactions between related parties are not conducted at arm's length and this results in a reduction of the corporate tax base of the Slovak company, the tax authorities may adjust the corporate tax base to the base that would have been determined using arm's length pricing.

Under Slovak law, related entities are, inter alia, those with economic or personal ties, which means that one entity participates in the assets, control or management of the other entity, or a reciprocal relationship between persons or entities that are under the control or management of the same person, a close person or entity, or in which that person, a close person or entity has a direct or indirect ownership interest. For these purposes, an ownership interest is defined as a direct, indirect or indirect derivative ownership interest of at least 25% of the registered capital, voting rights or profits.

In addition to the arm's length principle, other transfer pricing methods that may be applied to transactions between related parties include:

- the resale method, in which the price of the transfer of property purchased from an associated person and resold to an unrelated person is converted to an arm's length price by reducing the usual amount of the trade margin of comparable unrelated sellers;
- the cost-plus method, whereby the arm's length price is calculated from the actual direct and indirect costs of the property or service transferred between related parties, increased by a mark-up applied by the same supplier to unrelated parties or by the mark-up that would have been applied by an unrelated party in a comparable transaction under comparable conditions;
- the profit-splitting method, which is based on splitting the expected profit of related parties in accordance with the profit that would be expected by independent parties in a joint transaction at arm's length;
- the transactional net margin method, which determines the amount of the net profit margin from a business or financial relationship between related parties in relation to costs, revenues or other bases by comparison with the profit margin used by independent parties.

Although the OECD Transfer Pricing Guidelines are not legally binding in the Slovak Republic, they are widely accepted as an explanatory tool.

5.10. Unit Trusts, Superannuation Funds and Other Managed Investment Vehicles

Supplementary pension saving is a voluntary, so-called third pillar of the pension system, in which participants' funds are managed by supplementary pension companies. As of November 2024, there are four supplementary pension companies. Contributions can be paid into the supplementary pension saving either by participants or by employers on behalf of their employee participants.

Employers pay contributions for employees who perform so-called hazardous work and who have a participation contract from the first day of work. An employee may or may not pay contributions during a period of such work.
Other employees pay their own contributions to the supplementary pension plan as participants in the supplementary pension plan. The employer may also make contributions on behalf of these employees if they have entered into an employer agreement.

5.11. Double Tax Treaties

In the case of a taxpayer who is a tax resident of another state that has concluded an international double tax treaty with the Slovak Republic and whose income is derived from sources within the territory of the Slovak Republic, the taxation of income is governed by the provisions of such treaty and the Income Tax Act. The Slovak Republic has concluded more than 70 double tax treaties with countries from all over the world, including most EU countries, the USA and Canada.

5.12. Capital Gains Tax

There is no separate capital gains tax in Slovakia. Gains from the sale of non-business real estate are exempt if the individual has owned the property for at least five years or has used the property for non-business purposes for more than five years.
Capital gains from the transfer of immovable properties are taxed as part of a taxpayer's annual income.

Income from the sale of shares in public limited companies, limited liability companies or limited partnerships may be exempt from corporation tax if certain conditions are met. These conditions include holding at least 10% of the shares or interests for at least 24 months.

Capital gains from the transfer of immovable property are taxed as part of a taxpayer's annual income. Capital gains are taxable. Income from capital generally includes:

- interest and other income derived from securities;
- interest, winnings, and other income from deposits or provided credits and loans;
- payments received under supplementary pension insurance schemes;
- payments received under endowment insurance;
- income derived from bills of exchange, other than proceeds from their sale;
- income from investment certificates;
- income (revenue) from government bonds and treasury bills.

5.13. Land Tax

Pursuant to Act No. 582/2004 Coll. on Local Taxes and Local Fees for Municipal Waste and Small Construction Waste, as amended, there are three types of real estate tax: (i) land tax, (ii) building tax and (iii) flat tax. There are general rates for these taxes, but local authorities may increase or decrease the rates applicable in their municipalities.

The general rate of land tax is 0.25% of the value of the property. The general rate of the tax on buildings and flats is EUR 0.033 per square meter. The above-mentioned taxes are part of the municipal tax system and their actual rate is determined by the municipalities, based on the location and type of property, within the limits set by law. As a result, specific tax rates may vary significantly depending on the location of the property.

Property tax is paid by owners of buildings, land, flats (apartments) and non-residential premises and by tenants of land registered in the land register.

5.14. Stamp Duty

As of November 2024, there are no stamp duties or similar taxes on share or other property transfers in the Slovak Republic, although small administrative fees are payable to register such transactions.

5.15. Estate and Gift Taxes

The property acquired through inheritance is not subject to tax, except for the income derived from it. Only the inheritance lump sum, based on the total value of the estate, is paid to the notary and the competent court administering the inheritance proceedings.

The same applies to income received as a gift, as gifts are not taxable in the Slovak Republic, with the exception of gifts received in connection with work (employment), functions (e.g., managing director of a limited liability company) or business activities.

In the event of a subsequent sale of the property acquired by gift or inheritance, the seller is exempt from income tax if at least five years have elapsed from the date on which the property was demonstrably acquired by the seller.

5.16. Goods and Services Tax / Value Added Tax

VAT Act entered into force upon the Slovak Republic's accession to the EU on 1 May 2004 and is based on Council Directive 2006/112/EC. VAT is payable on the supply of goods and services within the country, on the purchase of goods from another EU Member State and on the import of goods into the country at a rate of 20%. There are also two reduced tax rates - of 10% and 5%. A reduced rate of 10% applies to the sale of meat, pharmaceutical products, books, etc. A reduced tax rate of 5% is generally applied to transactions related to government-sponsored rental housing.

The threshold for obligatory VAT registration for taxable persons with their registered office, permanent address, place of business or VAT establishment in the Slovak Republic is a turnover of EUR 49,790 for a maximum of 12 previous consecutive calendar months. Voluntary registration is also possible. When registering for VAT, all bank accounts used for business purposes in connection with the Slovak VAT registration must be declared to the tax authority.

If a legal entity (or natural person) commences an activity subject to VAT on the territory of the Slovak Republic and does not have its registered office, place of business or permanent establishment on the territory of the Slovak Republic and carries out its business activities on the territory of another EU Member State or on the territory of a third country, it is obliged to submit an application for tax registration to the Bratislava Tax Office before commencing the activity subject to VAT. This does not apply to the import of goods. A foreign person is not subject to any turnover or other registration limits in the Slovak Republic.

5.17. Sales Tax

There are no specific sales taxes payable by individuals. The sale of property (e.g., immovable property within a certain period from its acquisition) may give rise to a profit, which is then taxable under income tax.

5.18. Worker Compensations Levies

Payments made by an employer to an employee are taxable income of the employee, regardless of their legal basis, their regularity (they may also be one-off payments) and their monetary or non-monetary nature, with the exception of non-taxable and tax-exempt income.
Taxes on employees' taxable income are deducted and paid by employers.

Both companies as employers and employees pay social security contributions to the Social Insurance Agency (a state public institution providing compulsory public social security) and health insurance contributions to health insurance companies (state or private institutions providing compulsory public health insurance), calculated on the basis of an employee's income from dependent activity as defined in the Income Tax Act.
An entrepreneur - a natural person - is also obliged to pay health insurance contributions and, under certain circumstances, social security contributions.

Contributions are paid by employers retroactively for the calendar month, unless otherwise provided by the applicable public social or health insurance regulations. Employers deduct the relevant contributions payable by employees from their salaries/wages and make payments on their behalf.

Contributions by self-employed persons are payable at the latest on the eighth day of the calendar month following the month for which the contributions are due. Social insurance contributions and public health insurance contributions paid by the employer for the calendar month in question are payable on the day fixed as the payday of the income on which the contribution is calculated.

5.19. Excise

Excise duties are a group of indirect taxes of a selective nature that apply only to selected goods, including alcohol, beer, wine, tobacco and tobacco products, mineral oils (e.g., petrol, diesel, oils), electricity, coal and natural gas.

Excise duties are not taxes paid directly by ordinary individuals or businesses. However, they pay them indirectly - when they buy the selected types of goods mentioned above, as the excise duty is included in the selling price.

5.20. Local Taxes

Local taxes are paid to municipalities for the applicable tax period (calendar year, duration of the taxable event, etc.). The following local taxes exist in the Slovak Republic (some of which may also be relevant for legal entities):

- real estate tax (fields, buildings, apartments);
- dog tax;
- tax for using public spaces;
- hotel accommodation tax;
- vending machines tax;
- non-gambling slot machines tax;
- tax on motor vehicle drive in and parking in the historical center of a city;

- tax on nuclear facilities;
- fee for municipal waste and small construction waste.

5.21. Consolidation Package

In September 2024, the Slovak government introduced a set of measures aimed at strengthening public finances, referred to as the Consolidation Package. The Consolidation Package has already been approved by the Parliament and signed by the President, with most measures set to become effective from 1 January 2025. Given the numerous changes in the area of taxation which are expected to affect the business sector in Slovakia, the following is a brief overview of the most important updates that the consolidation will bring:

- the income tax rate for large companies with taxable income exceeding EUR 5 million will be raised to 24%;
- the general VAT rate will increase from 20% to 23%;
- the current reduced VAT rate of 10% will be replaced by a new reduced tax rate of 19%;
- a brand-new tax on bank transfers and withdrawals will be introduced for businesses and self-employed persons;
- the income tax rate for businesses will be reduced from 15% to 10%, and the threshold for taxable income for its application will be raised from EUR 60,000 to EUR 100,000;
- the threshold for taxable income for the application of the 15% income tax rate for self-employed persons will be raised from EUR 60,000 to EUR 100,000;
- the withholding tax on dividends for natural persons will decrease from 10% to 7%.

The consolidation will also influence other various areas, including the Child Tax Bonus and the Parental Pension System, among others.

Article 6. Trade Regulation

According to the Constitution, the Slovak economy is based on the principles of a socially and ecologically oriented market economy. The Slovak Republic also protects and promotes competition. Since the accession of the Slovak Republic to the European Union, the economy is also influenced by European Union law.

6.1. Consumer Protection Laws

Any entrepreneur conducting business in the Slovak Republic is subject to consumer protection laws, which are heavily based on EU legislation. Act No. 108/2024 Coll. on Consumer Protection Act, as amended ("**Consumer Protection Act**"), defines a consumer as an individual, who is not acting in the course of his or her business or profession in connection with a consumer contract, an obligation arising therefrom or a commercial practice. A trader is a person who, in connection with a consumer contract, an obligation arising from it or a commercial practice, acts in the course of his or her business or profession, including through another person acting on his or her behalf or for his or her account.

Consumer Protection Act imposes general obligations of the trader, which are further supplemented by other legislations. Among the basic obligations of traders belong: to supply goods in proper weight, measure, quantity, quality, for agreed prices, provide proper hygienic conditions, the possibility for the customer to

check the correctness of these data, etc. A violation of Consumer Protection Act is punished by a fine of up to EUR 200,000 imposed by relevant authorities. In addition to the fine, the trader may be sanctioned with an obligation to remove or change the content published in the online interface or an obligation to ensure the deletion of the domain.

Furthermore, Act No. 40/1964 Coll. Civil Code, as amended ("**Civil Code**") stipulates specific mandatory requirements for consumer contracts, as well as contractual clauses in consumer contracts, which are inadmissible and thus void, e.g., provisions under which the consumer is obliged to perform, but had no possibility to become familiar with them, provisions which restrict or exclude liability of the trader, which restrict or exclude rights of the consumer to claim damages, etc.

The consumer protection is further regulated and supplemented by Civil Code, Act No. 266/2005 Coll. on Consumer Protection in Distance Financial Services, as amended, Act No. 161/2011 Coll. on Consumer Protection in Provision of Certain Tourism Services, as amended, Act No. 128/2002 Coll. on State Control of Internal Market in Matters of Consumer Protection, as amended, Act No. 391/2015 Coll. on Alternative Dispute Resolution for Consumer Disputes, as amended, Act No. 147/2001 Coll. on Advertising, as amended.

6.2. Anti-Money Laundering and Countering Financing of Terrorism Laws

The Slovak Republic has implemented the European Union directives on Anti-money laundering ("**AML**") in Act No. 297/2008 Coll. on Protection Against Legalization of Proceeds from Crime and on Protection Against Financing of Terrorism, as amended ("**AML Act**") which regulates the rights and obligations of legal entities and individuals in the prevention and detection of the legalization of the proceeds from crime and the financing of terrorism.

The AML Act imposes obligations on so-called obliged persons, which include, among others:

- banks and financial institutions;
- gambling operators;
- postal enterprises;
- bailiffs, when selling real estate, movable property or a business and when receiving money, deeds and other movable property for safekeeping in connection with the execution of an execution;
- trustees acting in bankruptcy, restructuring or insolvency proceedings pursuant to a special regulation;
- auditors, accountants, tax advisers;
- real estate agents, in case of the lease of immovable property, only if the value of the monthly rent is at least EUR 10,000;
- attorneys and notaries public, when they provide a legal service to a client relating to any financial transaction or other proceedings which tend to or directly result in the movement of funds, in:
    - the purchase and sale of immovable property or a business or part thereof;
    - the management or safekeeping of funds, securities or other property;
    - the opening and management of an account with a bank or branch of a foreign bank or a securities account; or

- the establishment, operation or management of a commercial company, associations of legal persons, associations of natural persons, special purpose property association or another legal person;
- asset management services providers;
- organizational and economic advisers, public carriers and messengers or freight forwarders;
- providers of virtual currency wallet services or virtual currency exchange services.

The obliged person shall also be a branch, organizational unit or establishment of a foreign legal person or an individual referred to above, including a representative office of a foreign bank and a representative office of a foreign financial institution, operating in the territory of the Slovak Republic.

A legal person or an individual - entrepreneur shall also be an obliged person if a cash transaction with a value of at least EUR 10,000 is carried out, irrespective of whether the transaction is carried out individually or as a number of subsequent transactions which are or may be linked.

The obliged person is required to carry out specified care (check) in relation to the client, such care may be basic, simplified or enhanced. AML Act regulates the concept of an 'unusual commercial transaction', which is a legal or other action that suggests that its execution may lead to money laundering or terrorist financing. AML Act regulates the procedure for detecting an unusual commercial transaction and stipulates other obligations of obliged persons. AML Act also provides for the definition of the term "ultimate beneficial owner".

6.3. Anti-Bribery and Corruption Laws

The key anti-bribery and corruption legislation in the Slovak Republic is contained in Act No. 300/2005 Coll. Criminal Code, as amended ("**Criminal Code**"). The Criminal Code determines the conduct of individuals, which is deemed a criminal offence prohibited by law, criminal liability of individuals and sanctions for the committed criminal offences. The Criminal Code distinguishes three basic forms of corruption crimes: receiving bribes, bribery and indirect corruption.

Another important anti-bribery and corruption legislation is Act No. 91/2016 Coll. on Criminal Liability of Legal Entities, as amended ("**Act on Criminal Liability of Legal Entities**"), which sets forth the legal basis of criminal liability of legal entities, types of sanctions that can be imposed on them, and criminal proceedings against legal entities. Under the Act on Criminal Liability of Legal Entities, legal entities shall be held liable and face sanctions for certain crimes including acceptances of bribes, bribery, and indirect corruption.

Further protection is included in Act No. 54/2019 Coll. on Protection of Whistleblowers of Anti-social Activity, as amended ("**Whistleblowing Act**") which stipulates the conditions of protection provided to individuals who had reported the anti-social activity or crime to the employer. It further stipulates the rights and obligations of individuals and legal entities related to reporting anti-social activity and the competencies of the Office for Protection of Whistleblowers. The Office for Protection of Whistleblowers was set up to offer support to whistleblowers and provide them with the necessary protection. It has the power to suspend the effectiveness of the employer's actions in the area of labor law (e.g., notice of termination), which it believes to have been undertaken against the whistleblowers in connection with their notification or it may reimburse the whistleblowers for their notifications.

Certain anti-bribery and corruption rules are also contained in other legal acts such as Act No. 315/2016 Coll. on Register of Public Sector Partners, as amended ("**RPVS Act**"), AML Act, Act No. 357/2004 Coll. on Protection of Public Interest in Exercise of Functions of Public Officials, as amended ("**Constitutional Act on Protection of Public Interest**"), Act No. 343/2015 Coll. on Public Procurement, as amended ("**Act on Public Procurement**"), Commercial Code, Civil Code and Act No. 311/2001 Coll. Labor Code, as amended ("**Labor Code**").

RPVS Act regulates the register of persons who enter into contractual business relations with public entities or persons who receive funds from public sources. Those persons are compulsorily entered into the register, while the so-called ultimate beneficial owner must also be identified.

For AML Act, see part 6.2 above.

Constitutional Act on the Protection of Public Interest regulates the incompatibility of the office of a public official with the exercise of other functions, occupations or activities and the obligations and limitations of a public official in order to prevent the conflict of personal interest with the public interest.

Public Procurement Act regulates the awarding of contracts by public entities (state authorities, municipalities, higher territorial units, etc.).

Commercial Code determines bribery as an unfair competition practice caused by any person participating in the economic competition in any way (competitor) and sets the legal basis for private claims for damages and other remedies related to unfair competition practices (including bribery).

Civil Code governs civil-law consequences of corruption in non-commercial relations including claims for damages, return of unjustified enrichment and specifically in relation to corruption and non-monetary losses.

Labor Code determines that employees are obliged to properly manage resources entrusted to them by the employer, protect the employer's property against damage or abuse, not act contrary to justified interests of the employer, to act so that no threat to life, health or damage to property or unwarranted enrichment occurs, which also entails a ban of corruption.

6.4. Protection Against Nationalization or Expropriation

Protection of personal property is safeguarded from expropriation and nationalization on the constitutional level by Act No. 460/1992 Constitution of Slovak Republic, as amended ("**Constitution**") along with the European Convention of Human Rights ("**ECHR**"). The Constitution limits the expropriation or forced restriction of the right of ownership only to the extent necessary and in the public interest, on the basis of the law and for reasonable compensation. The ECHR guarantees the protection of property in the Protocol to the Convention for the Protection of Human Rights and Fundamental Freedoms.

The conditions for the expropriation of land, buildings and rights thereto are further regulated in Act No. 282/2015 Coll. on Expropriation of Land and Buildings and on Forced Restriction of Right of Ownership to Them, as amended ("**Expropriation Act**"). In general, expropriation is only possible in the public interest, to the extent necessary, for a purpose set forth in specific regulations and for adequate compensation.

Expropriation shall be made in return for compensation. If the compensation for the expropriated immovable property is provided in money, its adequacy shall be determined according to the general value determined by

an expert opinion not older than two years. For the purposes of the Expropriation act, the compensation for expropriation may not be less than the general value determined by the expert's report.

Article 7. International Trade

7.1. Importation and Exportation Restrictions

The Slovak Republic is a member of GATT, as well as a Member State of the EU, thus, common EU customs policy applies. Goods imported to the EU customs area and exported to third countries via the Slovak Republic are subject to customs control. The importer/exporter is obliged to file a customs declaration with the particular customs office. The customs value of the goods is determined as the transaction value, i.e., price actually paid or payable for the goods when sold for export to the customs territory of the EU, adjusted in accordance with the Community Customs Code (e.g., with the added value of commission and brokerage, costs of containers and packing, excluding the costs of transport, construction etc.). Payment of the declarant is determined according to the EU Common Customs Tariff. Slovak customs authorities are entitled to inspect the goods, take samples and request all necessary information. Customs declaration form must be filed in the Slovak language.

The European legislation regulating import and export licenses for selected goods is supplemented by Slovak law, which merely regulates trade with certain goods for security reasons, i.e., explosives, firearms, weapons components, ammunition, dual-use items, fireworks, etc.

Cross-border transport of such material, including import, export and intra-EU transport, is subject to the license granted by the Ministry of Economy. In the application for the license, the applicant must attest to the designation and quantity of goods, end consumer, foreign partner for import or export, and supply the original or certified copy of the contract with the foreign partner. Granting of the license is at the full discretion of the Ministry of Economy. The decision is issued within 60 days and the license is valid for one year.
A similar regulation applies to trade with military material, which is subject to the license of the Ministry of Economy. The applicant's statutory body and professional representative must be more than 25 years old, have a permanent or long-term residence in the Slovak Republic, have legal capacity, a clean criminal record and be trustworthy.

7.2. Product Labelling Requirements

Conditions for product labelling are set in Consumer Protection Act. If the nature of the product requires so, it must contain the instructions for use in the Slovak language, which contain information on the nature, assembly, usage, maintenance, possible danger, proper keeping and storage of the products, unless these facts are generally known. Goods must be labelled with information on the type of the product, information on the producer, importer, distributor, and necessary instructions. In some cases, the composition of materials or ingredients of the product must also be present. This information must be provided in the Slovak language.

A special regulation applies to the labelling of dangerous materials, medicines, food, etc.

7.3. Anti-Dumping Laws

Anti-dumping legislation is harmonized at the EU level and the basis of this legislation is created by Regulation (EU) 2016/1036 of the European Parliament and of the Council of 8 June 2016 on Protection against Dumped Imports from Countries not Members of the European Union (which has been amended by Regulation 2017/2321, Regulation 2018/825 and Commission Delegated Regulation 2020/1173).

7.4. Cross-Border Trade Treaties

The Slovak Republic benefits from the EU free market - the free movement of goods, services, capital and people. Apart from Ukraine, all countries neighboring the Slovak Republic are EU Member States. The EU also has a trade agreement with Ukraine. The rule of free trade between EU Member States is one of the founding principles of the EU. The EU is also open to the world market and actively negotiates trade agreements with third countries and regional groupings.

7.5. UN Convention on Contracts for International Sale of Goods

The Slovak Republic is a member state of the UN Convention on Contracts for the International Sale of Goods. If a contract is concluded with an entity that has a place of business in another state, it will be an international purchase of goods, which is regulated by this Convention. However, the contracting parties have the option to exclude the Convention by agreement and to choose the law of the agreed state of the party concluding the contract of sale. In the event of a choice of the law of the Slovak Republic, all legal regulations, including the Commercial Code, shall apply. VAT or other regulations as may be required in connection with the contractual relationship agreed upon may also apply.

Article 8. Intellectual Property

8.1. Trademarks

The former Czechoslovak Republic was a signatory of all the most important multilateral treaties in this respect, and the Slovak Republic, as one of the successor states, has generally entered into such contractual relations. Thus, the Slovak Republic is deemed to be a signatory of the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks to which trademarks apply, Paris Convention for the Protection of Industrial Property, the Madrid Agreement Concerning the International Registration of Marks, and the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods, and the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration.

In the Slovak Republic, trademarks are regulated by Act No. 506/2009 Coll. on Trademarks, as amended ("**Trademark Act**"). A trademark may consist of any sign, in particular words, including personal names, letters, digits, drawings, colors, the shape of goods or their packaging, or sounds, provided that such sign is capable of distinguishing goods or services of one person from goods and services of another person, and can be expressed in the Trademark Register kept by the Industrial Property Office of the Slovak Republic ("**Industrial Property Office**") in a manner which enables the competent authorities and the public to determine clearly and precisely the subject matter of the protection afforded to the proprietor of the trademark. The applicant will acquire the title to the trademark on the date of its registration in the register. The proprietor of the

trademark shall have the exclusive right to use the trade mark in connection with the goods or services for which it is registered. The proprietor of the trade mark shall be entitled to use the ® mark in conjunction with the trademark.

The priority right has been treated in a standard manner, from the moment of filing the application for the trademark registration or date of priority of the previous trademark application pursuant to an international convention. The priority right provided according to international treaties should be applied by the applicant in the application for trademark registration and evidenced within three months of filing the application.

The protection period of any registered trademark is 10 years and will commence on the date of receiving the application by the Industrial Property Office. The protection period of any trademark will be renewed, upon request of the trademark's owner or a pledge creditor or a person who demonstrates a legitimate interest, for the period of the next 10 years.

The rights to any trademark may be fully or partially transferred to any third person by a written agreement. A pledge can be established over a trademark. The transfer of a trademark or the pledge over a trademark will become effective on the date of its registration in the register.

Trademarks may be registered also with the European Intellectual Property Office (EUIPO) based in Alicante, Spain as the Slovak Republic is a Member State of the European Union, which binds it by the Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark ("**Trademark Regulation**"). The local rules governing trademarks are to a large extent harmonized by the Trademark Regulation.

8.2. Copyright

Literary, scientific and artistic works, as well as individual parts of the work and the title of the work, and the adaptations, translations or other adjustments of a literary, scientific or artistic work, as defined in Act No. 185/2015 Coll. Copyright Act, as amended ("**Copyright Act**") are subject to copyright protection.

Copyright Act regulates relations arising in connection with the creation and use of a copyright or artistic performance, in connection with the production and use of a sound recording, audiovisual recording or broadcast, and in connection with the creation or production and use of a computer program or database, so that the rights and legitimate interests of the author, performer, producer of a sound recording, producer of an audiovisual recording, radio and television broadcaster, publisher of a periodical, author of a computer program, author of a database and maker of a database are protected.
The author has the following rights: the right to have his copyright protected, especially the inviolability of his work to be protected against any unauthorized alteration or other unauthorized interference with his work, as well as against any defamatory treatment of his work which would diminish the value of the work or cause damage to the author's honor or reputation; the right to decide whether to publish the work; to be identified as the author and decide on the manner of such identification, in particular by name or pseudonym, for each use of his work, if such identification is possible and customary for the work and the manner of use in question. These are so-called personal copyrights which the author cannot waive or transfer to another person. Hence these rights cease to exist with the death of the author. Author may grant an authorization for intervention into his/her personal rights. Such authorization for intervention into personal rights must be limited in its scope and manner of intervention. Unless otherwise agreed, the authorization may be revoked.

The author also has property rights to the copyrighted work, these are: the right to use his work for the author's own purposes and the right to grant consent to others to use the work. The term "use of work", in particular, refers to the processing, combination of the work with another work, inclusion of the work in a database, reproduction of the work, public distribution of the original work or reproduction of the work through transfer of ownership, loan or lease, and the public performance of the work. The property rights last from the moment of creation of the work during the author's lifetime and for 70 years after his death. In the case of co-authored work, the property rights shall continue during the lifetime of the last of the co-authors and for 70 years after his death.

Copyright Act provides for several exemptions (statutory exemptions) under which the work or a substantial part of the work may be used by third parties without paying remuneration to the author. Such exceptions permitted by Copyright Act are in particular: reproduction for private use, reproductions by libraries, archives & museums, ephemeral recordings made by broadcasters, illustration for teaching or scientific research, use of the work for school performances, quotation for criticism or review, use for advertising the exhibition or sale of works of art, use for the demonstration or repair of equipment, use of the work for informative purposes, or reproducing and making available of orphan works.

The right of authors to receive consideration for use of their works is, inter alia, enforced through organizations for the collective administration of copyrights, regulated by the Copyright Act. Such organizations in the Slovak Republic include LITA for literary works, SOZA for musical works, SAPA for audiovisual works, SLOVGRAM for performing artists and audio-video producers and OZIS for interpreters.

The Slovak Republic has been, since its establishment in 1993, a member of the World Intellectual Property Organization founded by the Bern Convention ("**WIPO**") as one of the successor states of former Czechoslovakia.

8.3. Software Protection

The legal protection of computer programs is regulated by the Copyright Act. In addition to this essential protection, computer programs enjoy protection pursuant to the Commercial Code and the Criminal Code.

A computer program will be deemed to be the author's work in the event it is a result of the author's creative work. The computer program is a set of commands and instructions expressed in any form used directly or indirectly in a computer or similar technical device which is the result of the creative intellectual activity of the author. The commands and instructions may be written or expressed in source code or machine code. The underlying material used to create the computer program shall also form part of the computer program. However, the ideas and principles underlying an element of a computer program, including those underlying its interface, are not protected.

8.4. Designs

Designs are governed by Act No. 444/2002 Coll. on Designs, as amended ("**Act on Designs**"), which regulates the issues of designs, previously known as industrial designs. A protected design is defined as the external modification of a product or part of a product consisting of features, in particular, the lines, contours, colors, shape, texture or material of a product itself or its decoration, which is new and has a specific character. A design is deemed to be new if no identical design was made available to the public before the commencement of the priority right. It is deemed to have a specific character if the overall impression it

produces on the informed user differs from the overall impression produced on such a user by any design which was made available to the public before the date of priority.

The design owner has the exclusive right to use the design, transfer the design, grant approvals for its use, or establish a pledge over the design. Designs are registered in a register kept by the Industrial Property Office. The registration period of a design is five years and may be prolonged, always for another five-year period, up to a total term of 25 years from the date of filing the application.
Designs can be protected not only on the national level but also European level under the European regime, where there are two choices: registering a registered Community design (RCD) with EUIPO or relying on the unregistered Community design right as provided in Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs.

Apart from the European regime, it is also possible to protect design on an international level by registering the design with WIPO.

8.5. Patents

Patents are regulated by Act No. 435/2001 on Patents, Supplementary Protection Certificates, as amended ("**Patent Act**"). Patent Act stipulates essential issues in respect of patent registration proceedings for the national patent before the Industrial Property Office, the European patent before the European Patent Office and the international patent protection. The Slovak Republic has been engaged in international cooperation in the field of registering and protecting patent rights. The Slovak Republic is a party to the Paris Convention for the Protection of Industrial Property, as amended by the latest revisions, the Strasbourg Agreement Concerning the International Patent Classification, the Locarno Agreement Establishing an International Classification for Industrial Designs and the Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the Purposes of Patent Procedure. Effective from 1 July 2002, the Slovak Republic is a party to the European Patent Convention. Therefore, European patent applications may be filed with the European Patent Office in Munich, Germany, designating the Slovak Republic as a country in which protection is asked for, or with the Industrial Property Office designating any Member State other than the Slovak Republic.

Patents are granted to any inventions from the field of technology which are new, involve inventive activity, and are industrially exploitable. Any invention is new if it does not form a part of the state of technology. The state of technology is everything that was disclosed to the public in any way prior to the date from which the applicant enjoys priority rights. The patent owner has the exclusive right to use the invention, to grant its approval to use the invention to any third person, to transfer the patent to third persons, or to establish a pledge over the patent. The patent is valid for a period of 20 years from the filing of the application.
Although a patent owner has the exclusive right to use the invention, to grant his approval to use the invention to any third person or to transfer the patent to third persons, Patent Act recognizes compulsory licenses, which may be granted by the court decision upon motion to anyone who proves the ability to exploit an invention, which is a subject-matter of a granted patent, within the territory of the Slovak Republic, provided that the invention is subject to patent protection and meets the specific conditions stipulated in the Patent Act.

8.6. Confidential Information / Trade Secrets

The protection of trade secrets is regulated in the Commercial Code. Trade secrets consist of all facts of a commercial, manufacturing or technical nature relating to the undertaking which has actual or at least potential material or immaterial value, are not generally available in the relevant business circles, are to be

kept secret at the will of the owner of the trade secret, and the owner of the trade secret ensures their secrecy in an appropriate manner. The owner of a trade secret is the natural or legal person who lawfully handles a trade secret relating to an undertaking operated by that person in the course of business.

The entrepreneur has an exclusive right to the trade secret and may dispose of it. Only the entrepreneur is entitled to grant permission for the trade secret to be used by another entrepreneur and to determine how it will be used by that other entrepreneur. This exclusive right is unlimited in time and thus remains with the entrepreneur for as long as the conditions for the information to be considered a trade secret are fulfilled. Violation of a trade secret is considered by law to be unfair competition.

In the event that the trade secrets have been violated, the entrepreneur entitled to trade secrets shall be entitled to remedies including, among others:

- Right to seek an interim or immediate injunctions against the infringer ordering the infringer, among others, to restrain the infringement, to terminate the infringement, to remedy the defective state; to terminate further disclosure to trade secret or enrichment by the use of trade secret;
- Right to claim damages, unjust enrichment as well as compensation of non-financial losses, which may be awarded in money, damages and the recovery of unjust enrichment.

8.7. Other Protection of Intellectual Property

Under Act No. 527/1990 Coll. on Inventions, Industrial Designs and Rationalization Proposals, as amended, ("**Act on Inventions, Industrial Designs and Rationalization Proposals**") rationalization proposals shall be deemed to be any technical, manufacturing, or operational developments as well as solutions of problems of labor safety and health protection and the living environment which may be disposed of by the innovator. No rights from any rationalization proposal shall arise if prevented by any rights arising from any patent or any registered industrial design. The right to use any rationalization proposal shall arise by entering into an agreement with the innovator on accepting the offer for rationalization proposal and receiving a consideration for the same.

Further intellectual property protection is provided by Act No. 469/2003 Coll. on Designations of Origin for Products and Geographical Indications for Products, as amended, Act No. 517/2007 Coll. on Utility Models, as amended; Act No. 146/2000 Coll. on Legal Protection of Topographies Semiconductor Products, as amended; and Act No. 202/2009 Coll. on Legal Protection of Plant Varieties, as amended.

8.8. Passing Off and Enforcement

The Slovak Republic has adopted Act No. 486/2013 Coll. on Enforcement of Intellectual Property Rights by Customs Authorities, as amended, which regulates:

- the conditions and procedure for the enforcement of intellectual property rights by customs authorities by taking measures against infringements of intellectual property rights in goods located on the domestic market;
- certain relations related to the enforcement of intellectual property rights by customs authorities by taking measures against the infringement of intellectual property rights for goods under the customs supervision;

- the treatment of goods suspected of infringing an intellectual property right or infringing an intellectual property right which are under customs supervision or on the domestic market;
- offences and other administrative offences in the field of infringement of intellectual property rights in relation to goods under customs supervision and goods on the domestic market.

Article 9. Labor and Employment

In general, the Slovak employment-law landscape is fully harmonized and compatible with the EU and international standards (where applicable). Labor relations in the Slovak Republic are generally regulated by the Labor Code and further labor regulations such as:

- Act No. 5/2004 Coll. on Employment Services, as amended ("**Act on Employment Services**");
- Act No. 2/1991 Coll. on Collective Bargaining, as amended ("**Act on Collective Bargaining**");
- Act No. 663/2007 Coll. on Minimum Wage, as amended ("**Act on Minimum Wage**");
- Act No. 125/2006 Coll. on Labor Inspection, as amended ("**Act on Labor Inspection**");
- Act No. 124/2006 Coll. on Safety and Health Protection at Work, as amended ("**Act on Safety and Health Protection at Work**");
- Act No. 283/2002 Coll. on Travel Allowances, as amended ("**Travel Allowances Act**");
- Act No. 462/2003 Coll. on Income Compensation During Temporary Incapacity for Work, as amended ("**Income Compensation Act**"), etc.

9.1. Legislative Protections

The legal regulation and case law are rather employee-protective.

There are restrictions on the number of hours that may be worked in a week. In general, working hours may not exceed 40 in any week (standard full-time job) and, in some particularly arduous or hazardous occupations or in the case of minor employees, the maximum is even lower. The employee's average weekly working time ("average" is considered within the legally set time frame – four weeks in case of evenly distributed working time), including any overtime work, shall not exceed 48 hours.

The employer may agree with an employee in the employment contract on a reduced weekly working time. The reduced working time need not be distributed over all working days.

Generally (exemptions apply), the working hours in each individual shift (day) may not exceed 12 hours (overtime not included). The employer is also generally (exemptions apply) required to distribute the working hours so that between the end of one shift and the beginning of the following shift an employee has an uninterrupted daily rest of at least 12 hours in 24 consecutive hours. The employer is also obliged to set a working schedule so an employee has two consecutive days of rest per week, that should be Saturday and Sunday or Sunday and Monday (so-called "uninterrupted weekly rest") – exemptions exist.

The employer shall grant to an (non-juvenile) employee whose shift is longer than six hours a thirty-minute break for rest and eating.

Overtime is permitted but may not standardly exceed eight hours per week in a period of at most four consecutive months, if the employer has not agreed to a longer period with the employee's representatives, however, at most 12 consecutive months. The employer may order the employee to work overtime up to a maximum extent of 150 hours in a calendar year. The employee may agree to work overtime beyond the limit of 150 hours, up to 250 overtime hours in a calendar year so that a total statutory limit for a total amount of overtime hours in a calendar year (400 hours) is respected. As a general rule, any overtime work shall be carried out only in exceptional situations (due to serious operational reasons) where it is necessary e.g., due to a temporary urgent need for additional work or due to public interest. Thus, overtime should preferably not be planned and systematic.

In accordance with the Labor Code, subject to the conditions specified therein, there are three types of vacation, namely vacation for the calendar year or its proportionate part, vacation for worked days or additional vacation. The basic length of vacation for calendar year is at least four weeks per year, and the employee who reached 33 years by the end of the particular year is entitled to at least five weeks of vacation. Teachers, pedagogic assistants, tutors etc. are entitled to at least eight weeks of vacation per calendar year. Special professions are entitled to additional vacations expressly specified by the Labor Code. Furthermore, special regulations may specify longer vacation for particular professions such as soldiers, police forces, etc.

According to provisions of the Labor Code on additional vacation, an employee that is during the whole calendar year working underground in mineral extraction or tunnelling work, or an employee carrying out exceptionally difficult work or work harmful to health is entitled to one week of an additional (extra) holiday. If the employee has been working under the aforementioned conditions only during a part of the calendar year, he/she is entitled to one-twelfth of the extra holiday per every 21 days so worked.

Other types of time-off entitlements are also granted by law – for example, maternity leave, paternity leave, parental leave, time-off in case of important obstacles on the employee's side (e.g., sickness, doctor visit, wedding, etc.), etc. Labor Code specifies conditions and times when the employer is obliged to excuse the absence of the employee from work or provide the employee with work leave with or without wage compensation.

Specifically in case of sickness – sick leave is a time during which the employee cannot attend the work due to being recognized as temporarily unfit for work by a competent doctor (i.e., physician). There is no minimum number of sick leave days to be given to the employee. The employee is entitled to receive income compensation during his/her illness or injury leave (the "sickness leave"). For the first 10 days of sickness - the compensation is provided by the employer in the amount of 25% of the daily assessment base of the employee for the first three days and 55% of the daily assessment base of the employee for the fourth till the tenth day. The daily assessment base of the employee is calculated on the basis of a formula provided in the Act on Social Insurance and it approx. matches his/her average earnings. From the eleventh day of the illness or injury leave, the compensation is provided by the state (Social Insurance Agency).

On top of sick leave, the employees are also entitled to paid time off for examination or treatment at a healthcare facility (provided they could not have been undertaken outside the working time), for the necessary time of not more than 7 days per calendar year (the law provides a special formula for their calculation) and also for the necessary time for preventative medical examination connected with pregnancy. Additional unpaid time off from work shall be granted for additional necessary examinations or treatments (provided they could not have been undertaken outside the working time).

9.2. Unions

Employees may participate in the decision-making of the employer concerning their economic and social interests, either directly or by means of a competent trade union body, or the work council or the employee's trustee (all three covered under the term "employees´ representatives"), mainly in the form of joint decision-making, negotiation, right to information and inspection activities. Employees are entitled to collective bargaining only through the competent trade union body though (i.e., not via the work council or employee's trustee).

There is also a specific regulation on coexistence and diversification of rights and duties between the individual employees´ representatives operating at the same employer if more than one employees´ representative function alongside each other at an employer.

The employer is obliged to allow the operation of a labor union organization at the workplace, but there is no obligation for the employer to actively organize unions or demand employees to make use of them.

The trade union organization is the only employees´ representative who is entitled to conclude a collective bargaining agreement with the employer governing various topics, e.g., working conditions, wage conditions, and conditions of employment, relations between employers and employees, relations between employers or their organizations and one or more employees' organizations etc., all in a more favorable way than does Labor Code or any other labor-law regulation. Several trade union organizations may operate alongside each other concurrently at one employer.

For some acts of the employer, the participation of employees' representatives is necessary either via consultations (where no consent is necessary) or via previous consent of the employees´ representatives. Labor Code specifically lists situations where participation cannot be omitted and in such a situation, if there are no employees' representatives in place, the employer will not be able to adopt certain decisions. Labor Code also stipulates a situation, where the non-participation of employees' representatives (if they operate at the employer) leads to the invalidity of the employer's decision, e.g., termination notice or immediate termination which needs to be pre-consulted with the employees' representatives.

The employer consults employees´ representatives in advance on:

- the status, structure and supposed development of employment and planned measures, particularly if employment is threatened;
- substantial issues of the employer's social policy, measures to improve occupational hygiene and the working environment;
- decisions that may lead to essential changes in the organization of work or contractual terms;
- organizational changes, including any limitation or cessation, whether in full or in part, of the employer's operation, any merger, amalgamation, split or change of the employer's legal form;
- measures to prevent occupational injuries and diseases and protect employees' health.

For the aforementioned purposes, the employer provides the employees´ representatives with the necessary information, consultation and documents and takes their views into account, as far as possible. Employees' representatives should also be informed of the employer's economic and financial situation and of the presumed development of its activities.

Collective bargaining is separately regulated by Act on Collective Bargaining.

If a certain organization in a given business sector has negotiated a collective bargaining agreement for the given sector (a so-called "Higher Level Collective Agreement"), all the employers within that sector are obliged to respect conditions negotiated in such agreement in relation to all of their employees.

9.3. Termination Rights

In Slovakia, the employment of the employee may be terminated (mainly):

- upon an agreement;
- upon notice of termination;
- by immediate termination;
- in the probation period;
- on expiry of the period, for which the duration of the employment has been agreed.

There are various formal and material requirements to be duly followed depending on a specific scenario (e.g., prior warning letters, pre-consultation with employee representatives, special delivery conditions, other suitable job offers, deadlines, mandatory prohibitions or bans related to protected types of employees, etc.). If not duly followed, the termination may be easily challenged in court.

As per the termination notice - the employer or the employee may terminate the employment by notice for reasons set out in Labor Code (e.g., closing of business, redundancy, underperformance, misconduct, etc.). In the case of notice, the employment shall terminate upon the expiry of the notice period, in accordance with the relevant provisions of the Labor Code. Labor Code also regulates the so-called "protection period" during which the employer cannot give notice to the employee (e.g., pregnancy, maternity leave, paternity leave, parental leave, etc. – various exemptions apply). The employee may give notice to the employer for any reason or without giving any reason.

Summary (immediate) termination by the employer is possible only in very limited circumstances, i.e., where the employee was sentenced for an intentional criminal offence or is in serious breach of labor discipline. Summary termination must take place within two months of the date on which the employer first became aware of the misconduct or, in the case of a criminal offence, of the sentence, however, within 12 months of the event that triggers it at the latest.

Either the employer or the employee may freely terminate the employment during the probationary period (exemptions apply in the case of certain protected women).

Apart from the termination in the probationary period, termination "at will" clauses may not be used in Slovakia (with a small exception of employment of top managers created based on the appointment).

9.4. Redundancy Entitlement

The employee is entitled to statutory severance pay if the employment is terminated by an agreement/termination notice in case of winding up or relocation of the employer or its part, redundancy or when, based on a medical opinion, the employee has lost his/her capability to perform the agreed work for a

longer time due to his/her state of health. The statutory amount of severance pay in the mentioned cases is the minimal amount that must be provided and cannot be waived by the agreement of the parties.

The amount of statutory severance pay depends in principle on the duration of the employment, counted from the employee's commencement date to the termination date, and the termination method (i.e., whether the employment is terminated by agreement or by the termination notice).

If the employee becomes redundant and the termination notice is given, the employee shall be entitled to a severance payment upon termination of employment of at least:

- his/her average monthly earnings if the employment relationship lasted at least two years and less than five years;
- twice his/her average monthly earnings if the employment relationship lasted at least five years and less than ten years;
- three times his/her average monthly earnings if the employment relationship lasted at least ten years and less than twenty years;
- four times his/her average monthly earnings if the employment of the employee has lasted at least twenty years.

If the employee becomes redundant and the termination agreement is concluded, the employee shall be entitled to a severance payment upon termination of employment of at least:

- his/her average monthly earnings if the employment relationship lasted less than two years;
- twice his/her average monthly earnings if the employment relationship lasted at least two years and less than five years;
- three times his/her average monthly earnings if the employment relationship lasted at least five years and less than ten years;
- four times his/her average monthly earnings if the employment of the servant has lasted at least ten years and less than twenty years;
- five times his/her average monthly earnings if the employment of the servant has lasted at least twenty years.

9.5. Employing Overseas Person

A citizen of a Member State of the European Union and of a State which is a contracting party to the Agreement on the European Economic Area and the Swiss Confederation and his/her family members, a national of the United Kingdom of Great Britain and Northern Ireland and his/her family members, a third country national who has been granted asylum or subsidiary protection and a third-country national who has been granted residence in the Slovak Republic as a third-country national with the status of a long-term resident of the European Union shall have the same legal status as a citizen of the Slovak Republic in legal relations arising under Employment Services Act unless otherwise provided for in this act. This basically means that no work permit/residence permit is required to employ such an individual. Registration at the respective police department is required though if staying longer than three months in Slovakia.

Employment of third-country nationals with a place of work in the territory of the Slovak Republic:

In general, subject to various exceptions and modifications, an employer may employ only such a third-country national who holds an EU Blue Card or relevant type of residence permit along with a work permit or a confirmation (or approval) to fill in a vacancy for the purpose of employment, or who meets conditions allowing him/her to work without requiring confirmation on the possibility to fill in a vacancy or the work permit (for example third-country national, who has been granted permanent residence).

9.6. Compulsory Superannuation

Pension insurance is compulsory. The Slovak pension system consists of three independent systems, i.e., three pillars. The employee may receive an old-age pension from the mandatory pension insurance, old-age pension saving or voluntary supplementary pension saving system.

First pillar: Mandatory pension insurance is defined by benefits and funded on an ongoing basis and administered by the Social Insurance Agency. Participation in this compulsory statutory insurance accrues to beneficiaries directly by law.

The amount of the first-pillar pension will depend on (simplified):

- the number of years employed;
- earnings throughout working life;
- the value of the pension in the calendar year in which the individual becomes entitled to pension payments (this is a variable highly dependent on the development of the Slovak economy).

Second pillar: Old-age pension saving defined by contributions and capital-funded insurance administered by pension fund management companies. The capitalization pillar is designed to provide the insured person with a sufficient income in old age in combination with the first pillar.

It is based on savings invested in an individual account intended, together with the old-age insurance provided by Social Insurance Act (first pillar), to guarantee an income to the beneficiary in retirement or to his/her descendants in case of death. The money in a personal pension account is the property of the saver (beneficiary) and, in the event of his death, will pass to the persons he or she designated when signing the contract or will be subject to inheritance.

The amount of the second pillar pension will depend on (simplified):

- the contributions paid for old age pension saving to the personal pension account of the saver;
- the length of saving;
- retirement age;
- the valorization of these contributions;
- form of drawing the pension from the old age pension saving.

Third pillar: Voluntary supplementary pension saving defined by contributions and capital-funded insurance administered by supplementary pension companies. The supplementary pension savings are intended to enable participants to receive a supplementary pension income in old age and a supplementary pension income in the event of termination of so-called hazardous work.

9.7. Workplace Safety Laws

Safety standards at the workplace are set by Labor Code, as well as by other legislation such as Act on Safety and Health Protection at Work. In addition, there is a very large number of generally binding notices, directives, rules, and norms the breach of which may lead to sanctions.

According to the Labor Code, labor protection is a system of measures arising out of legal regulations, organizational measures, technical measures, healthcare measures and social measures aimed at creating working conditions that ensure employees' occupational health and safety as well as maintain their health and working capacity.

In general, an employer is required, to the extent of its operations, to constantly provide for employees' occupational health and safety and to take necessary measures to that end, including preventive measures, providing the necessary equipment and instituting a suitable labor protection management system. The employer shall enhance the level of labor protection in all its activities and adapt the labor protection level to changing circumstances. The employer is also obliged to train its employees regularly on occupational health and safety at work regulations effective at the employer.

The law provides an exhaustive list of the obligations of an employer which depends also on the business activity and premises of the employer and mainly consists of duty to: implement measures to ensure occupational safety and health protection; improve working conditions and adapt them to employees; detect dangers and hazards, assess risks and draw up a written document on risk assessment in all activities performed by the employees; ensure that the safety and health of the employees are not threatened by the workplace, access roads, working equipment, materials, working procedures, manufacturing procedures, arrangements of workplaces and work organization, and provide for the necessary maintenance and repairs for this purpose; adopt measures to eliminate the threat to life and health; and in the event that it is not possible based on the latest scientific and technological knowledge, implement measures in order to reduce them, determine safe working procedures, determine and ensure protective measures which must be implemented, and when necessary, determine and provide the protective equipment which must be used.

9.8. Worker Compensation

There is a minimum wage introduced by Act on Minimum Wage and updated each year by governmental decree. The minimum wage for the year 2024 is EUR 750 monthly or EUR 4,310 per hour, and for the year 2025 the minimum wage is EUR 816 monthly or EUR 4,690 per hour. The job positions, depending on their difficulty, are categorized by law into six groups and each of them has an individual minimum salary set which is a multiple of the general minimum salary. The categorization in a group depends on the level of complexity, responsibility and strenuousness of an employee's work (e.g., in group six, the minimum wage is actually two times the minimum wage stipulated above). Minimum monthly wage limits are set for a standard full-time (40 hours/week) employee (i.e., it can be proportionally reduced in the case of part-time employees).

In Slovakia, various minimum wage surcharges are applicable:

- Overtime work (currently 25% of employee’s average earnings; in case of employees performing risk works, the surcharge is 35% of their average earnings);

- Night work (currently 40% of a minimum wage in EUR per hour; in case of employees performing risk works, the surcharge is 50% of a minimum wage in EUR per hour);
- Saturday work (currently 50% of minimum wage in EUR per hour);
- Sunday work (currently 100% of minimum wage in EUR per hour);
- Public holiday work (currently 100% of employee's average earnings);
- Difficult work – employees performing risk works of 3rd of 4th category (currently 20% of minimum wage in EUR per hour).

Employers are also required to pay contributions for their employees which represent a significant cost of work in Slovakia. Employers must pay mandatory contributions to the social security funds and health insurance fund at a rate of approximately 36.2% calculated from the so-called assessment base (in this case the gross salary), and employees must pay contributions at the rate of 13.4% from the assessment base.

Employers must also provide employees with a broad range of various (monetary/other) benefits as granted by law. Most notably, meal contributions, relaxation passes (under certain conditions), travel allowances, etc.

As per the payment terms - a wage is due in arrears for a monthly period, by the end of the following calendar month at the latest, unless agreed otherwise in the collective bargaining agreement or in the employment contract. The employee must be provided with a payslip each month (containing mandatory information). Payslips are received by employees in written form in person or via registered mail if delivery in person is not possible. It can be agreed between the employer and the employee that the payslips will be provided in an electronic form.

9.9. Pay Equity

In general, all employees of the employer are entitled to receive "equal salary for the same (equal) work or for work to which an equal value has been attributed".

Fair remuneration in private employment relationships is regulated by the Labor Code. One of its basic principles is the principle of equal treatment of men and women in remuneration. Protection against discrimination is generally regulated by the Anti-Discrimination Act, which also prohibits discrimination in employment relations and incorporates the principle of equal treatment in the area of pay.

Equal pay in the civil service is regulated by the Civil Service Act. One of the principles of civil service is the principle of transparent and equal remuneration and the principle of equal treatment. Civil Service Act also provides for the prohibition of discrimination, according to which the civil service is obliged to treat civil servants in accordance with the principle of equal treatment laid down in the Anti-Discrimination Act, including in terms of remuneration conditions.

9.10. Liability for Payment of Wages in Construction Works Supply Chain

Effective August 1, 2024, the Labor Code provides for the liability of a direct supplier in the construction supply chain for the payment of wages by its direct subcontractor to its employees. This liability applies only to the direct subcontractor's employees who perform specific works in the construction sector, such as the construction, repair, maintenance, alteration or demolition of buildings.

A direct supplier may be required to pay the minimum wage (or part thereof) at the request of its direct subcontractor's employee if the direct subcontractor fails to pay the wage to its employee. The employee can make a written request to the direct supplier within six months of the date on which the wage is due.

The direct subcontractor's employee is entitled to be paid the minimum wage in effect at the time of the work or, in the case of partial payment, up to the difference between the amount of the minimum wage and the wage actually paid by the subcontractor.

The direct supplier may refuse to pay the wages if he proves that, at the time of selecting the subcontractor, he could not have foreseen, when acting with due diligence, that the subcontractor would not be able to pay the wages to its employees. A number of factors are taken into account, such as the financial stability of the subcontractor, its history of meeting its obligations, and the absence of arrears or penalties.

A direct supplier that has paid wages to an employee of its direct subcontractor is entitled to compensation from the subcontractor.

Article 10. Immigration

In the Slovak Republic, EU, EEA and Swiss nationals can benefit from the fundamental principle of EU law – the free movement of labor, which also extends to their family members. Workers from the EU, EEA and Switzerland do not require further permits or additional visas to work in the Slovak Republic.

Depending on the purpose of staying in the country foreign nationals of all other countries (also referred to as third-country nationals) must obtain a work permit or a visa. The conditions for the entry and stay of foreign nationals in the Slovak Republic are laid down in Act No. 404/2011 Coll. on Residence of Foreigners, as amended ("**Act on Residence of Foreigners**").

10.1. Visas

Foreign nationals who are subject to the visa requirement and want to enter the Schengen area, with the Slovak Republic being their target destination, must file a visa application with the competent Slovak embassy or consulate. Foreign nationals legally residing in a third country (i.e., other than the country of their citizenship) may apply for a visa at the Slovak embassy/consulate competent for the country of their current residence. In general, there are three types of visas:

- **Airport transit visa** (also referred to as A visa) under normal circumstances it is possible for third nationals to stay in the international transit zone at the airport without a visa during a stopover or transfer between two legs of an international flight. Depending on the nationality, some categories of foreigners are subject to visa requirements, even if they do not leave the international transit zone of the airport.
- **Schengen visa** (also referred to as C visa) are granted by any of the Schengen member states with a validity on the territory of all Schengen states for the stay the duration of which in aggregate shall not exceed 90 days within any 180-day period. The maximum validity period of a Schengen visa is five years. However, in certain cases, the visa may be granted with limited territorial validity, which will be indicated on the visa sticker. The regime on granting the visa and the relevant rules is governed by

Regulation No. 810/2009 of European Parliament and Council of 13 July 2009 establishing a Community Code on Visas.

- **National visa** (also referred to as D visa) are granted for a stay in the territory of the Slovak Republic lasting more than 90 days for a maximum period of one year. The national visa at the same time permits the holder to stay in the territory of other member states for the period of a maximum of 90 days within any six months, following certain conditions laid down by Regulation (EU) 2016/399 of the European Parliament and of the Council of 9 March 2016 on a Union Code on the rules governing the movement of persons across borders (the "**Schengen Borders Code**"). The national visa may be granted in the following cases:
  - if it is necessary in connection with the granted residence in the Slovak Republic (visa is granted for 90 days during which the applicant shall receive a residence permit);
  - if it is necessary in connection with filing of an application for residence (this does not apply if the application is for a temporary residence for business purposes);
  - if the applicant older than 15 years is accepted for language education at a language school in the scope of at least 25 teaching hours per week;
  - if it is in the interest of the Slovak Republic (e.g. on the basis of confirmation of a ministry, university international students, citizens of certain countries, on the basis of Government Regulation No. 521/2021 on Interest of Slovak Republic to Grant National Visa to Highly Qualified Citizens of Third Countries, on the basis of Government Regulation No. 269/2022 on the Interest of Slovak Republic to Grant National Visa to Relocated Third-country Nationals and their Family Members);
  - if it is necessary to fulfil the obligations of the Slovak Republic resulting from international agreements;
  - to a family member of an asylum seeker or a foreigner who has been granted supplementary protection.

The visa application procedure shall not take longer than 15 days, in exceptional cases the decision may take up to 60 days. Exemptions apply to nationals of third countries which have signed Community-level visa facilitation agreements. Such countries include Albania, Armenia, Azerbaijan, Belarus (partially suspended in 2021), Bosnia and Herzegovina, Cape Verde, Georgia, Moldova, Montenegro, North Macedonia, the Russian Federation (suspended in 2022), Serbia and Ukraine. With respect to the nationals of the aforementioned countries, the decision must be delivered within 10 calendar days of the delivery of a completed visa application.

10.2. Residence Permit

Based on an application and in compliance with the purpose it pursues, a foreign national may be granted, once the requirements of Act on Residence of Foreigners are met, a permit for temporary stay, permanent stay or tolerated residence. The residence of the EU citizen and the residence of the family member of the EU citizen is always considered a permanent residence from the perspective of the Slovak legal system.

Temporary residence can only be granted for a specific purpose specified by law, such as for the purpose of business, employment, study, special activity, research and development, family unification, performing service obligations by civil units of armed forces, or to those who have the status of a Slovak citizen living abroad or who have the status of a person with long term residence in another member state. The temporary residence will be granted for a specific period of time that depends on the purpose of the stay. For example,

for the purpose of employment, the temporary residence will be granted for a maximum of five years, for the purpose of business, the temporary residence will be granted for a maximum of three years. The temporary residence will be also granted to the holders of a Blue Card of the European Union. In certain cases, it is also possible to extend the temporary residence for an additional period of time.

Permanent residence may be granted for five years or an unlimited duration. Permanent residence for five years can be granted to a third-country national who is the spouse of a citizen of the Slovak Republic with permanent residence in the territory of the Slovak Republic, to a dependent relative in the direct line of a citizen of the Slovak Republic with permanent residence in the territory of the Slovak Republic, to an unmarried child under the age of 18 entrusted to the personal care of a third-country national who is the spouse of a Slovak citizen with permanent residence in the territory of the Slovak Republic or in other situations stipulated by law. The Slovak Republic further has the discretion to grant permanent residence for a period of five years if it is in the interest of the Slovak Republic.

Permanent residence for an unlimited period may be requested by the holders of the permanent residence for a period of five years if they have been the holders of the permanent residency for a period of at least four years. It shall also be granted to a child under the age of 18 of a third-country national with indefinite permanent residence, or to a child under the age of 18 entrusted to the personal care of a third-country national with indefinite permanent residence.

10.3. Work Permit

One of the fundamental principles of the EU law is the free movement of labor, which enables workers from the EU to move within the territory of the Member States of the European Union freely and become part of the working force of any of the Member States, without the necessity to obtain any visa or working permits. This free movement of labor extends also to EEA area and Switzerland citizens who can benefit from the freedom in the Slovak Republic.

In general, a third-country national may be employed in the Slovak Republic based on:

- **the European Union Blue Card**, which is a temporary residence permitting a third-country national to enter, reside and work in the territory of the Slovak Republic for the purpose of highly qualified employment. Holders can leave and re-enter the territory of the Slovak Republic for the period for which it was issued. High-skilled employment is employment for the performance of which higher professional qualifications are required, as evidenced by a higher education document (e.g., university degree). The application for the issuance of the Blue Card shall be submitted by the third-country national at the Slovak embassy in the country of the applicant's citizenship or directly at the relevant Foreign Police Department in person if the applicant is legally residing in the Slovak Republic.
- **the single permit** which grants temporary residence for the purpose of employment on the basis of the confirmation of the possibility to fill in a vacancy. The single permit can be granted for a maximum period of two years and is the most common way how a foreigner from outside the EU/EEA or Switzerland can be employed in the Slovak Republic.
- **a work permit** which may be granted to a seasonal employee that will be employed for a maximum period of 90 days during 12 consecutive months; to a seafarer on a ship registered in Slovakia or on a ship that sails under the flag of the Slovak Republic; to temporary residence holders for the

purpose of family reunification, and in the period within 9 months from being granted temporary residence for the purpose of family reunification; to holders of temporary residence with acknowledged long-term residence in another EU Member State, in the period within 12 months from the beginning of the stay in the territory of the Slovak Republic; and where it is so stipulated in the international treaties binding for the Slovak Republic (e.g. in-house transfer pursuant to the agreement on WTO).

10.4. Investment Priority Visas

The Slovak Republic recognizes the status of a significant foreign investor. A significant foreign investor is a legal person having a registered office in the territory of the Slovak Republic and a certificate of significant investment issued by the Ministry of Economy. The conditions for recognizing the status of a significant foreign investor are governed by Act No. 371/2021 Coll. on Significant Investments, as amended ("**Act on Significant Investments**").
A third-country national who is representing or working for a significant foreign investor can apply for temporary or permanent residence:

Temporary Residence

The employees of a significant foreign investor have a possibility to pursue professional activities in the territory of the Slovak Republic for a period of 90 days from the date of entry to the territory of the Slovak Republic without the necessity of obtaining a temporary residence for the purpose of employment (the obligation to comply with conditions of stay pursuant to Article 6 of the Schengen Borders Code and meeting the obligation to report residence remain in place).

The immigration rules for the visa status under significant foreign investment are less strict. A third-country national who acts or will act on behalf of a significant foreign investor does not need to provide financial security for business activity. A significant foreign investor also benefits from a reduced time of decision-making on the application for temporary residence (up to 30 days).

Permanent Residence

The significant foreign investor has the possibility of permanent residence for five years on the grounds of expressed interest in the Slovak Republic. A document showing the expressed interest in the Slovak Republic is issued by the SARIO, which is authorized for that purpose by the Ministry of Economy.

Article 11. Real Estate

11.1. Basis of Land Ownership

As a general rule, land in Slovakia may be acquired by both Slovak and foreign persons and entities, while Slovak law foresees two exceptions from this rule.

The first exception applies to mineral resources, caves, underground waters, natural healing resources and watercourses, which according to the Constitution, are exclusive property of the Slovak Republic and therefore cannot be acquired by private persons.

Another exception relates to States, the laws of which prohibit the acquisition of agricultural land by Slovak citizens, residents in Slovakia or legal entities seated in Slovakia; as a form of reciprocity, Slovak law prohibits the acquisition (except from acquisition through inheritance) of agricultural land by such States, citizens of such States, natural persons with residence and legal entities with their seats in such States. This reciprocity-rule shall not apply to States which are members of the European Union, of the European Economic Area, to Switzerland or to States bound by an international treaty with the Slovak Republic regulating this, as well as to their citizens, residents and legal entities seated therein.

11.2. Process for Buying and Selling Land

The process of sale and purchase of land in Slovakia consists in a two steps-procedure, entailing i) the conclusion of a contract on purchase of the land between the owner of the land and the buyer, and ii) registration of the ownership right of the purchaser in the cadaster of real estates, which is a registry kept by Slovak District offices, in which legal information on real estates are recorded. Requirements for purchase contracts and rules of the registration procedure at the cadaster of real estates are regulated in the Civil Code and in Act No. 162/1995 Coll. on Cadaster of Immovable Property and on Registration of Ownership and Other Rights to Immovable Property, as amended.

A contract on purchase of land shall contain the mandatory items foreseen by the law and the signature of the seller on the contract shall be notarized.

The administrative procedure for the registration of the ownership of the buyer in the cadaster requires the submission of a motion to the territorially competent District office keeping the cadaster. The motion can be submitted either electronically or in paper form; the purchase contract and other annexes set forth by the law shall be attached to the motion. The registration procedure is subject to an administrative fee.

The District office shall examine the motion and its annexes and if it finds no relevant legal shortcomings, in a standard procedure it registers the ownership right of the buyer in the cadaster of real estates within 30 days following the submission of the motion; Slovak law in certain cases foresees also the possibility to use abbreviated procedures with a time limit for registration shorter than 30 days. The ownership right to the land passes to the buyer upon registration in the cadaster.

In certain cases, the sale of real estates may be subject to legal limitations or conditions to be fulfilled, such as pre-emption rights of co-owners or, in the case of cultural monuments, the obligation to offer them for purchase to the State.

11.3. Leases

Slovak law allows the lease and sublease of real estate in general and provides a specific regulation of the lease and sublease of the following types of real estate:

- so-called “non-residential premises” (spaces within a building used for other than residential, usually commercial, purposes), regulated by Act No. 116/1990 Coll. on Lease and Sublease of Non-residential Premises, as amended;
- agricultural land, agricultural holdings and forest land, regulated by Act No. 504/2003 Coll. on Lease of Agricultural Land, Agricultural Holdings and Forest Land, as amended;
- flats, regulated by Civil Code and by Act No. 98/2014 Coll. on Short Term Lease of Flat, as amended.

The key aspects of the regulation of the lease of real estate are the mandatory items that a lease contract shall contain, conditions and time periods for termination, terms of payment of the rent, possibility of sublease and terms of use of the leased property.

11.4. Protection of Ownership of Real Estate

The right to own property is guaranteed by the Constitution. Slovak law provides a number of judicial and extrajudicial remedies which owners of real estate might use to protect their ownership right and its proper exercise.

Extra-judicial remedies include mainly the possibility to seek protection from the municipality against an infringement of the peaceful state (typically by “noisy neighbors”) and self-aid, which is permitted against imminent threats and should be exercised carefully, considering that unproper or excessive exercise of “self-aid” may trigger civil and criminal liability.

As to judicial remedies, there are various claims that according to Slovak law owners of property can pursue in civil judicial proceedings to protect their property. The most relevant claims available to owners of real estate are the following ones:

- Claim to impose to refrain from interfering with ownership right available against anybody who illegally hinders the exercise of the ownership right by the owner;
- Claim to impose the clearing of the property, available against a person different from the owner, who illegally holds the owner’s property against the owner’s will;
- Claim to determine ownership of property, if the ownership right is contested.

Furthermore, certain specific violations of the ownership right to real estate constitute criminal offences (e.g., the criminal offences of “Unauthorized interference with the right to a house, apartment or non-residential space” and “Damage and deterioration of a cultural heritage”) and are therefore punishable with criminal law sanctions.

Article 12. Environmental Law

12.1. Zoning and Planning Issues

Act No. 50/1976 Coll. on Spatial Planning and Building Regulations, as amended (“**Building Act**”) oversees the procedures for planning and construction. This legislation is being complemented by two novel Acts: Act No. 200/2022 Coll. on Spatial Planning, as amended, which is currently effective alongside Building Act, and Act No.

201/2022 Coll. Construction Act, which is scheduled to come into effect on 1 April 2025. The two novel Acts are intended to replace Building Act over time.

Spatial planning is a set of activities that determine and regulate the spatial layout of the territory, the functional use of the territory and ensure sustainable spatial development under the conditions of environmental protection, protection of nature and landscape, protection of historical and cultural heritage and protection of public health, national defense, national security, economic development, social development, social cohesion and territorial cohesion. The aim of spatial planning is to systematically and continuously create the conditions for sustainable spatial development so that the territory is used efficiently, safely, economically, aesthetically, ethically and democratically, taking into account the natural, historical and cultural heritage, the protection and quality of the environment and the quality of life of the inhabitants.

The bases for spatial planning are spatial-technical bases and spatial studies. Other spatial planning bases that are obligatory to use, if they have been prepared, are nature and landscape protection documentation, flood hazard map, land improvement project, etc.

Spatial planning documentation has hierarchical levels and is processed nationally (Concept of Spatial Development of the Slovak Republic), regionally (Concept of Spatial Development of the Region), for a part of a region or several regions at common borders (micro-region spatial plan), for municipalities (municipal spatial plan) and parts of municipalities (zone spatial plan). The spatial plans must be based on, respect and be in line with the spatial plan hierarchically above them.

12.2. Building Permits

Buildings may only be constructed pursuant to a building permit or notification to the building authority. The builder is required to notify the building authority in writing in advance of carrying out the specified construction, alteration and maintenance works. The notification of a minor construction shall be accompanied by a simple location drawing; if it is a simple construction, the builder shall attach to the notification to the building authority the documents with the requisites of an application for a building permit and the project documentation. If the building authority finds that the rights of third parties could be affected by the proposed construction or that it is necessary to determine the conditions for the execution of the construction, it shall determine that the notified construction may be carried out only on the basis of a building permit.

The application for a building permit together with the documents and prescribed documentation prepared by an authorized person shall be submitted by the builder to the building authority. In the application, the purpose and method of use of the construction, the location of the construction and the expected time of its completion and, in the case of construction for a certain period of time, the period of use of the construction shall be indicated.

In the building permit, the building authority shall determine the binding conditions for the implementation and use of the building and shall decide on the objections of the parties to the proceedings. The building authority shall ensure that the conditions imposed include, in particular:

- protection of the society's interests in the construction and use of the building;
- complexity of construction;

- compliance with the general technical requirements for construction, or their regulations and technical standards; and
- compliance with the requirements specified by the authorities concerned, in particular the exclusion or limitation of negative effects of the construction and its use on the environment.

A building permit loses its validity if construction has not commenced within two years from the date on which it became final, unless the building authority has set a longer period for the commencement of construction in justified cases.

A completed building or a part of a building capable of independent use or a part of a building on which alteration or maintenance work has been carried out, insofar as these buildings require a building permit, can only be used based on an occupancy permit. An occupancy permit shall also be required for simple constructions.

12.3. Environmental Laws

Slovak environmental law is harmonized with EU environmental law, and relevant EU directives are transposed into Slovak national law. The public and government attitude towards environmental regulation may be considered generally favorable.

Selected activities, stipulated by law, e.g. activities in the mining industry, energy industry, metallurgical industry, chemical, pharmaceutical and petrochemical industry, wood, paper and pulp industry, construction materials industry, machinery and electrical industry, infrastructure projects, water management, agriculture and forestry, food industry, traffic and telecommunications, etc. are subject to environmental impact assessment ("**EIA**"), provided that they exceed the stipulated daily production or other thresholds.

Environmental impact assessment is considered to be one of the main instruments of environmental policy of sustainable development. In the Slovak Republic, EIA has been carried out since 1994 when Act No. 127/1994 Coll. on Environmental Impact Assessment, as amended, came into force. In order to provide for the full harmonization of Slovak legislation in the field of environmental impact assessment with the legislation of the European Union, multiple acts and amendments were adopted.

At present, Act No. 24/2006 Coll. on Environmental Impact Assessment, as amended is applicable ("**Act on Environmental Impact Assessment**"). It regulates the process of impact assessment. Decree No. 113/2006 Coll. of Ministry of Environment, regulates the details of the professional qualification for the purposes of environmental impact assessment.

Other environmental regulations with an impact on the Slovak Republic are the relevant EU acts, including (among others):

- Directive 2001/42/EC of the European Parliament and of the Council on the assessment of the effects of certain plans and programs on the environment,
- Directive 2011/92/EU of the European Parliament and of the Council on the assessment of the effects of certain public and private projects on the environment (codification),

- Directive 2014/52/EU of the European Parliament and of the Council amending Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment.

An applicant who intends to implement structures, other facilities, implementation plan or other intervention in the natural environment or landscape, falling within the scope of EIA, is obliged to file a project containing at least two alternatives, including a zero alternative (without realization of the project), with the competent authority. The aim of the proceedings is to assess the current state of the environment and the possible impact of the project on the state thereof. The municipality, particular governmental agencies, NGOs, as well as general public, are involved in the assessment process. The final decision on the project is made according to the opinions of the relevant authorities, as well as the expertise, produced by a certified expert upon request of the applicant. EIA is the necessary precondition for approval of the project.
Apart from EIA, constituting an ex-ante environmental regulation applicable to large-scale industrial and infrastructure projects, Slovak legislation also contains extensive regulations of various sectors of the environment, e.g., nature and landscape, water, air, forests, waste, packages, protection from noise and electromagnetic radiation, mining and geological research, emission to the air from mobile and stationary sources, etc. The standard of protection is comparable to the standards of other EU Member States. Violations of environmental regulations are punished by fines in administrative proceedings.

Penalties for Breach

Penalties for breaches of environmental legislation can be divided into criminal penalties and administrative penalties.

The Criminal Code contains a number of criminal offences in the field of the environment, such as endangering and damaging the environment, unauthorized handling of waste, unauthorized discharge of pollutants, violation of water and air protection, violation of the protection of plants and animals. Legal entities are also liable for these offences. A legal entity may be subject to any of the following penalties:

- the penalty of dissolution of the legal entity,
- the penalty of forfeiture of assets,
- the penalty of forfeiture of property,
- monetary penalty,
- penalty of prohibition of activity,
- the penalty of prohibition to receive subsidies,
- the penalty of being prohibited from receiving aid and assistance from EU funds,
- the penalty of prohibition to participate in public procurement
- the penalty of publication of the conviction.

Administrative sanctions are regulated by a large number of partial regulations in the field of environmental protection.

Article 13. Corporate Insolvency

13.1. Overview

Slovak insolvency law generally recognizes two forms of bankruptcy, namely insolvency (illiquidity) and over-indebtedness.

Under Act No. 7/2005 Coll. on Bankruptcy and Restructuring, as amended ("**Bankruptcy and Restructuring Act**"), a legal entity is insolvent if it is unable to pay at least two monetary obligations to more than one creditor 90 days after the due date. For the purposes of assessing the debtor's solvency, all claims that originally belonged to only one creditor during the 90 days prior to the filing of the bankruptcy petition shall be considered as a single claim. It is assumed that a legal entity is solvent if taking into account all the circumstances, it can be reasonably assumed that it is possible to continue the management of assets or the operation of the business and the difference between the amount of its payable monetary obligations and monetary assets (hereinafter referred to as the "coverage gap") is less than a tenth of the amount of its payable monetary obligations, or in a period not longer than 60 days, the coverage gap falls below such a limit.
The second form of bankruptcy is over-indebtedness. A company that is liable to keep accounts, has more than one creditor and the value of its liabilities exceeds the value of its assets is overindebted. The value of liabilities and assets shall be determined on the basis of the accounts or by an expert's opinion, which shall prevail over the accounting. Account shall also be taken of the expected results of the continued administration of the assets or, as the case may be, the expected results of the continued operation of the business, if, having regard to all the circumstances, it can reasonably be expected that the administration of the assets or the operation of the business can be continued. The amount of the liabilities shall not include the liabilities which are linked to a subordination obligation or the liabilities which would be satisfied in the bankruptcy in the order in which the subordinated claims would be satisfied.

13.2. Options for Creditors

The Slovak legal system outlines the basic options for creditors which are: preventive restructuring, restructuring and bankruptcy proceedings.

13.3. Preventive Restructuring

Preventive restructuring (regulated by Act No. 111/2022 Coll. on Resolution of Impending Bankruptcy, as amended) is used when insolvency is imminent and it aims to avert the imminent insolvency of the debtor and thus prevent its resolution by bankruptcy proceeding or restructuring.

Public preventive restructuring

This proceeding starts only at the debtor's request. The debtor is obliged to attach, inter alia, a draft plan to the proposal. This is essentially a 'preliminary public plan' drawn up by the debtor, which already at an early stage of the preventive procedure informs the content and direction of the future public plan.

The debtor may also apply for temporary protection, provided that it attaches to the proposal the consent of a majority of the creditors or the consent of at least 20% of all creditors, according to the number of their outstanding claims, and, in the concept plan, the partial waiver or the recognition of the partial unenforceability

of the claim does not exceed 20% of any creditor's claim and the deferral of repayment of any claim does not exceed one year.

Temporary protection has the following effects:

- the debtor is not obliged to file for bankruptcy proceedings;
- the debtor cannot be declared bankrupt or restructured; the bankruptcy or restructuring proceedings opened under the general law on bankruptcy proceedings shall be suspended;
- no enforcement proceedings or similar enforcement proceedings may be brought against the debtor and, as soon as the application for the opening of such proceedings reaches the court, the proceedings shall be suspended;
- a security right over property belonging to the debtor may not be exercised against the debtor and such security right may not be enforced;
- a related claim against the debtor may not be set off;
- during the temporary protection, the other contractual party may not terminate the contract with the debtor, rescind the contract, refuse performance under the contract or change the content of the rights or obligations under the contract as a result of a default by the debtor which occurred before the provision of the temporary protection;
- during the temporary protection, the creditor may not terminate the debtor's financing that was agreed upon before the granting of the temporary protection on the grounds that the debtor fails to meet the agreed conditions or financial covenants;
- the time limits for exercising rights against the debtor, including the time limits for exercising claims arising from irreconcilable legal acts, shall not expire during the period of temporary protection.

If all the statutory conditions are met the court shall decide on the authorization of a preventive public restructuring within ten days from the date of receipt by the court of the complete proposal for its authorization. At the same time, the court shall appoint a trustee for the debtor by random selection from a special list if it provides temporary protection for the debtor or if other statutory conditions are met.

After the authorization of the public preventive restructuring, the debtor shall immediately make an electronic version of the proposal, together with the annexes and the draft plan, available to all affected creditors listed in the list of creditors and, subsequently, to any affected creditor who requests that the list of creditors be supplemented within the prescribed time limit.
The object of a preventive public restructuring is to implement, in accordance with a plan approved by the creditors and the court, measures of an economic and legal nature aimed at averting the debtor's insolvency and ensuring the viability of the debtor's business. Those measures may consist of any change in the debtor's assets, liabilities, commitments or capital structure or a combination of those changes, including the involvement of other persons, in particular an investor or a newly created entity, as well as organizational, personnel, commercial, financial and operational measures.

Non-Public Preventive Restructuring

Non-public preventive restructuring is primarily aimed at an agreement between the debtor and the supervised financial entity, which is in most cases also its largest creditor. A non-public preventive restructuring, unlike a

public preventive restructuring, is primarily aimed at resolving an impending bankruptcy with, in most cases, the largest creditors, which are the banks.

The proceedings as a whole are closed to the public, including the non-public plan. The opening of the proceedings is subject to the debtor's notification obligation to the court, but only if the creditors participating in the non-public preventive restructuring agree to it.

The debtor shall submit the non-public plan for the court's consideration no later than three months after the notification of the commencement of the non-public preventive restructuring procedure. If the court does not decide to reject the non-public plan within 15 days of its submission, the non-public plan shall be deemed to have been confirmed.

13.4. Restructuring

Restructuring is a process regulated by Bankruptcy and Restructuring Act which, under the supervision of a court, trustee and creditors, serves to rescue and rehabilitate a debtor so that it is preserved on the market and at the same time so that its creditors are satisfied to a greater extent than in bankruptcy. Restructuring, unlike bankruptcy proceedings, is remedial in nature and presupposes the continuation of the debtor's economic activity.

If the debtor is bankrupt, it may instruct the trustee to prepare a restructuring report for the purpose of determining whether the prerequisites for its restructuring are met. A creditor/creditors may also instruct the trustee to prepare a restructuring report if they agreed with the debtor to provide the necessary collaboration.

Either the debtor or the creditor is entitled to file a petition for authorization of restructuring. The debtor shall be entitled to file a petition for authorization of restructuring if it has commissioned the trustee to elaborate restructuring report and the trustee has recommended the restructuring in the report not older than 30 days. A creditor shall be entitled to file a petition for authorization of restructuring if it has instructed the trustee to prepare an opinion and the trustee has recommended the restructuring of the debtor in an opinion not older than 30 days and the debtor has agreed to the filing of the petition.

If the petition for authorization of restructuring meets the requirements prescribed by law, the court shall, within 15 days of receipt of the petition at the latest, decide on the commencement of restructuring proceedings by way of an order, which it shall promptly publish in the Commercial Gazette.

The commencement of restructuring proceedings has the following effects:

- the debtor is obliged to limit the exercise of its activities to ordinary legal acts; other legal acts of the debtor are subject to the consent of the trustee who has prepared the opinion;
- no enforcement or execution proceedings may be initiated against the debtor's assets in respect of a claim which is asserted by way of an application in the restructuring; enforcement or execution proceedings already initiated shall be suspended;
- for a secured claim which is claimed by way of application in a restructuring, enforcement of the security right over property belonging to the debtor may not be commenced or continued;
- the other party may not terminate or withdraw from a contract concluded with the debtor because of the debtor's default in performance to which the other party was entitled before the

commencement of the restructuring proceedings; termination or withdrawal from the contract on this ground shall be ineffective;

- contractual agreements allowing the other party to terminate or withdraw from a contract concluded with the debtor on the grounds of restructuring or bankruptcy proceedings shall be ineffective;
- a debt which is claimed by way of application in a restructuring may not be set off against the debtor;
- the transformation, cross-border transformation or cross-border change of legal form cannot be decided and the decision on the transformation, cross-border transformation or cross-border change of legal form of the debtor cannot be entered in the Commercial Register, this does not apply if the court-confirmed restructuring plan provides for a conversion, a change of legal form, a cross-border change of legal form or a cross-border conversion.

After the initiation of restructuring proceedings, the court shall examine whether the conditions for the authorization of the restructuring are met and shall decide whether to authorize the restructuring or discontinue the proceedings. If the court authorizes the restructuring, in the order the court shall, in addition to appointing a trustee, invite creditors to submit their claims within the statutory time limit.

The restructuring is carried out in accordance with the restructuring plan. The restructuring plan shall be submitted for approval to the creditors' committee, the meeting of the plan participants and the court. Upon the confirmation of the restructuring plan, the debtor's recovery may be implemented to resolve an existing bankruptcy.

Several restructuring tools or their combinations may be used for recovery, but the overwhelming majority uses the tool of modification of creditors' claims, in particular the extension of their maturity and their partial waiver or their recognition as unenforceable.

In the order confirming the restructuring plan, the court will also decide on the termination of the restructuring the effects of the initiation of restructuring proceedings expire and all undeclared claims shall become unenforceable and the declared claims shall be satisfied to the extent and in the manner determined by the restructuring plan. The court shall immediately publish the order in the Commercial Gazette. Once the court confirms the plan, the plan shall be binding on all parties to the plan.

The restructuring will be successful if the restructuring plan has been properly drafted and is being implemented. If the debtor does not, even within 30 days of receipt of the notice, duly and timely fulfil a debt or other obligation arising from the plan towards a plan participant, the plan shall thereby become ineffective against the plan participant in respect of the debt in question.

13.5. Bankruptcy Proceedings

Bankruptcy is a process regulated by the Bankruptcy and Restructuring Act, the purpose of which is also the satisfaction of creditors' claims. However, claims are satisfied by realizing the bankrupt's assets in the shortest possible time and to the highest possible extent.

The bankruptcy proceeding petition shall be filed to the court. The debtor, a creditor, a liquidator on behalf of the debtor or another person authorized under Bankruptcy and Restructuring Act may file a petition for the declaration of bankruptcy.

A debtor who is a legal person shall be obliged to file a petition for bankruptcy proceeding within 30 days from the date on which the debtor became aware or, with the exercise of due diligence, could have become aware of its insolvency or over-indebtedness. The statutory body, the statutory representative or the liquidator of the debtor shall also have this obligation on behalf of the debtor.

If the petition for declaration of bankruptcy meets the statutory requirements, the court shall, within 15 days of receipt of the petition at the latest, issue a resolution on the commencement of bankruptcy proceedings, which it shall promptly publish in the Commercial Gazette. The court appoints a trustee, whose task is to administer the assets subject to bankruptcy, monetize the assets and satisfy the bankrupt's creditors. The declaration of bankruptcy starts the bankruptcy process. Upon the declaration of bankruptcy, the debtor becomes bankrupt.

The initiation of bankruptcy proceeding prevents other bankruptcy proceedings from being opened on the same debtor's assets and shall have the following effects:

- the debtor is obliged to restrict the exercise of its activities to ordinary legal acts;
- enforcement or execution proceedings may not be initiated against property belonging to the debtor; enforcement or execution proceedings already initiated shall be suspended;
- no execution of a security right may be initiated or continued on the property belonging to the debtor because of an obligation of the debtor secured by that security right; this effect shall not apply to the execution of a security right relating to cash, claims on a bank account, transferable securities or to the continuation of the execution of a security right by way of a voluntary auction;
- proceedings for the dissolution of the company without liquidation are suspended;
- decision on the transformation, cross-border transformation or cross-border change of legal form and a decision on the transformation, cross-border transformation or cross-border change of legal form of the debtor may not be entered in the Commercial Register. A transformation project, a cross-border transformation project and a cross-border change of the legal form of the insolvent company shall be subject to the written consent of the trustee. The conversion, cross-border conversion and cross-border change of legal form may be entered in the Commercial Register only with the consent of the trustee.

In the order declaring bankruptcy proceeding, the court shall invite creditors to file their claims within the statutory time limit. A claim in a bankruptcy proceeding shall be submitted by filing a claim.

Upon the declaration of the bankruptcy proceeding, the trustee is authorized to dispose of the assets subject to bankruptcy. The trustee shall be obliged to administer the assets subject to bankruptcy with professional care. In administering the estate, the trustee shall not favor any one creditor or prefer personal interests or interests of others to the common interest of all creditors.

The trustee is obliged to monetize the assets subject to the bankruptcy proceeding. The claims filed shall be satisfied by the trustee on the basis of a schedule. The trustee shall draw up the schedule without undue delay after the assets have been monetized.

The court shall terminate the bankruptcy:

- in case of lack of assets;
- if it finds that the statutory conditions for bankruptcy are not met;
- after the final distribution of the proceeds has been fulfilled;
- if an appellate court decided so.

Minor Bankruptcy Proceeding

The minor bankruptcy proceeding is designed for smaller businesses that have run into economic difficulties and wish to close down.

The petition for minor bankruptcy is filed by the debtor. The court shall, within 15 days of receipt of the petition for a minor bankruptcy proceeding, declare a minor bankruptcy proceeding over the debtor's assets, appoint a trustee and invite creditors to file their claims, provided that the following conditions are fulfilled:

- the petition for the declaration of minor bankruptcy has been filed by a debtor who is a legal person;
- the debtor has a statutory body;
- the debtor's statutory body or members of the statutory body are persons who do not act as the statutory body or members of the statutory body in more than ten legal persons entered in the Commercial Register;
- an advance on the costs of the minor bankruptcy has been paid;
- the debtor is not in breach of the obligations relating to ordinary and extraordinary financial statements;
- according to the last five financial statements, the debtor has not had liabilities of more than EUR 1,000,000;
- the debtor has not had assets of more than EUR 1,000,000 in the last five financial statements;
- the debtor is not subject to the effects of the opening of bankruptcy proceedings or the declaration of bankruptcy;
- the petition for the declaration of minor bankruptcy is complete and authorized by a person authorized to act on behalf of the debtor.

The role of the trustee in a minor bankruptcy is rather limited compared to the standard bankruptcy proceeding. The determination of the level of satisfaction of individual creditors and the estate to be monetized is based more on the initiative of creditors. In a minor bankruptcy proceeding, the right to oppose the debtor's legal acts belongs only to the creditor but not to the trustee.

13.6. Information on Debtors

The creditor can find out about the debtor from publicly available registers such as:

- Commercial Registry - register of companies, cooperatives, other legal entities, - https://www.orsr.sk/,
- Insolvency Register - register containing information on bankruptcy and restructuring proceedings - https://ru.justice.sk/ru-verejnost-web/ ,

- Central execution register - register containing data on every legally pending execution - https://www.cre.sk/CRE-portal/default.aspx?ReturnUrl=%2fCRE-portal%2f&AspxAutoDetectCookieSupport=1 ,
- Cadaster of Real Estate - register containing data on real estate rights - https://kataster.skgeodesy.sk/GisPortal45/?lang=sk.

Article 14. Dispute Resolution

14.1. Court Hierarchy

On the 1st of June 2023, a major reform of the Slovak judiciary introduced by Act No. 150/2022 Coll. on Amendments and Additions to Certain Acts in Connection with New Court Locations and Court Districts entered into effect, which had as a consequence a structural change in the system of courts and in the distribution of competences among them.

Judicial power in the Slovak Republic is exercised by the general courts, the administrative courts and the Constitutional Court of the Slovak Republic. The court system is regulated by various legal regulations, in particular Act No. 757/2004 Coll. on Courts, as amended, Act No. 371/2004 Coll. on Seats and Districts of Courts of Slovak Republic, as amended, Act No. 160/2015 Coll. Code of Civil Adversarial Procedure, as amended, Act No. 161/2015 Coll. Code of Civil Non-Adversarial Procedure, as amended, Act No. 162/2015 Coll. Code of Administrative Judicial Procedure, as amended, Act No. 301/2005 Coll. Code of Criminal Procedure, as amended, Act No. 314/2018 Coll. on Constitutional Court of Slovak Republic, as amended.

The system of general courts consists of:

- Supreme Court of the Slovak Republic;
- Specialized Criminal Court;
- regional courts (8);
- district courts (which include also the so called “municipal courts”) (36 courts).

The system of administrative courts consists of:

- Supreme Administrative Court of the Slovak Republic;
- Administrative courts (3).

District courts act and decide as courts of first instance in civil and criminal matters. The Specialized Criminal Court decides as court of first instance in particular criminal matters where the law establishes its competence (e.g., in cases regarding corruption, organized crime, terrorism etc.). Regional courts act and decide as courts of second instance in civil and criminal cases decided at first instance by district courts. The Supreme Court decides as a court of second instance in cases decided at first instance by the Specialized Criminal Court and on extraordinary appeals against decisions of courts of second instance in both civil and criminal matters.

In administrative matters, the administrative courts act and decide as courts of first instance. The Supreme Administrative Court of the Slovak Republic decides on remedies against decisions of regional courts and in

other specific matters, where the law sets forth (e.g., registration of political parties, acceptance of candidates for the office of president of the Slovak republic).

The Constitutional Court has competence to decide on a variety of matters specified in the Constitution, such as (inter alia) the legality of the elections of the president of the Slovak Republic, the conformity of the laws with the Constitution, the interpretation of the Constitution and of the constitutional laws, constitutional complaints claiming breaches of constitutional rights, certain electoral matters, complaints against the results of a referendum, certain competence disputes etc.

The Ministry of Justice of the Slovak Republic is the central body of the state administration of (general) courts.

14.2. Jurisdiction of Courts

Territorial competence of Slovak courts is determined as general, specific or exclusive territorial competence.

General territorial competence of courts in civil matters is determined on the basis of the following criteria:

- the defendant's permanent residence address (natural person);
- the address of the defendant's registered seat (legal person);
- the district of the court in which the defendant's organizational unit is located in the Slovak Republic (foreign legal person);
- the last address of the defendant's permanent residence or registered seat, or the district of the court in whose district the defendant has property, if the competence cannot be determined based on the criteria above.

Specific territorial competence of courts applicable as an alternative to the general territorial competence is determined on the basis of the following criteria:

- the defendant's place of work pursuant to the employment contract;
- place where the event giving rise to the right to compensation occurred;
- place where the branch of the legal person which is the defendant is situated, if the dispute concerns that branch;
- the permanent residence address of a claimant who is a consumer, where the matter is a consumer dispute or a dispute relating to consumer arbitration;
- the permanent residence address, registered seat or, in the case of a foreign legal person, the organizational unit of the claimant, where the matter is an anti-discrimination dispute.

Exclusive territorial competence of courts which applies mandatorily instead of the territorial competences based on the criteria above, is determined based on the following criteria:

- place where the immovable property is located, if the dispute concerns a right in rem over it;
- place where the inheritance proceedings are pending, if the dispute is related to the inheritance proceedings;
- place where the enforcement proceedings are pending, if the dispute is one arising out of the special nature of those proceedings;

- place of arbitration, if the proceedings concern disputes relating to arbitration, except from consumer arbitration; if the place of arbitration is not located in the territory of the Slovak Republic, the competent court shall be the court in the district of which the defendant has his/her permanent address, registered office or organizational unit, if the defendant is a foreign legal entity; if the defendant does not have a permanent address, registered office or organizational unit in the Slovak Republic, if it is a foreign legal person, the court in the district of which the claimant has a permanent address, registered office or organizational unit, if it is a foreign legal person, shall have jurisdiction to hear the case.

Slovak law sets forth additional criteria to determine the competence of a court depending on the types of disputes which are regarded by the proceedings (so called "causal competence").

These criteria distinguish the following types of disputes:

- commercial disputes,
- disputes regarding bill of exchange and cheque,
- employment disputes,
- insolvency and restructuring disputes,
- industrial property disputes,
- unfair competition and copyright disputes,
- competition proceedings,
- disputes arising in connection to arbitration proceedings;
- disputes arising from stock exchange deals,
- proceedings for the determination of the invalidity of a contract, a works concession contract or a framework agreement pursuant to a special regulation,
- proceedings concerning abstract control in consumer matters,
- proceedings for compensation for nuclear damage,
- proceedings regarding protection measures ordered in civil matters in another Member State of the European Union.

14.3. Alternative Dispute Resolution Processes

In general, court proceedings may take long time and be very costly. For this reason, alternative dispute resolution procedures are often preferred.

14.3.1. *Arbitration*

Within the Slovak legal framework, arbitration is regulated in Act No. 244/2002 Coll. on Arbitration, as amended. Slovak laws allow to solve by arbitration all disputes relating to legal relationships in respect of which a settlement agreement can be concluded, including disputes as to whether or not there is a right or legal relationship, exception made for disputes on the following matters:

- on the creation, change or termination of ownership rights and other rights in rem to immovable property;
- personal status;
- relating to the compulsory execution of judgments;

- arising in the course of bankruptcy and restructuring proceedings;
- employment disputes (with certain exceptions set forth by employment legislation).

Jurisdiction can be detached from State courts and bestowed on an arbitrator only based on a valid arbitration agreement. An arbitration agreement is an agreement between the parties to arbitrate all or any disputes that have arisen or will arise between them in a specified contractual or other legal relationship. The arbitration agreement shall also apply to the successors in title of the parties unless the parties exclude this in the arbitration agreement. This shall also apply in cases of assignment of rights or obligations or any other change in the person of the creditor or debtor in the relationship covered by the arbitration agreement. The arbitration agreement may be concluded in the form of a separate contract or an arbitration clause to the contract. It must be in writing, otherwise, it is void. A reference in a contract or in written communication between the parties to any document containing an arbitration clause shall be deemed to be a written arbitration agreement if such reference is intended by the parties to make the arbitration clause part of the contract. If a lawsuit is submitted to an arbitration court and the other party does not contest in its defense against the lawsuit the competence of the arbitration tribunal to decide the dispute, an arbitration agreement is deemed to have been reached by the parties.

The entire procedure is governed by the rules of procedure binding on the particular arbitration court. The process begins with the statement of claim (lawsuit), which is served on the arbitral tribunal. If the parties to the dispute have chosen one arbitrator, the claim is served on him as well. No lawyers are required to be present in court, and indeed the entire trial may be conducted in writing. The parties to the arbitration shall have equal standing in the arbitration. Each party to the arbitration shall be afforded an equal opportunity to exercise and protect its rights.

The significant positives are the speed of proceedings and lower financial costs, compared to proceedings before general courts, as well as flexibility, as there are no strict rules on territorial or other competence of arbitration courts set forth by the law and therefore the parties are free to agree on an arbitration court suiting their preferences, typically regarding the distance of the arbitration court from their seat or the references of the arbitration court. The parties may also agree on an arbitrator fulfilling the requirements of impartiality and independency. The Slovak Republic is a party to the 1959 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards ("**Convention**"), which allows the enforcement of arbitral awards issued by Slovak arbitration courts also in the other States, which are parties to the Convention.

A delivered arbitral judgment, which cannot be reviewed by another arbitrator, shall have the same effect on the parties to the arbitration as a final judgment of a court.

14.3.2. *Consumer Arbitration*

Based on a valid arbitration agreement, disputes between consumers and traders arising under consumer contracts may be solved through a particular type of arbitration process designated as "Consumer arbitration proceedings" and regulated in Act No. 335/2014 Coll. on Consumer Arbitration Proceedings, as amended.

The main differences between consumer arbitration and ordinary arbitration are as follows:

- a valid arbitration agreement does not affect the right of the consumer to lodge his claim to a State's court;

- an arbitration agreement shall contain standardized information on consumer arbitration for the consumer;
- the conclusion of the consumer contract cannot be made conditional on the conclusion of the arbitration agreement.

14.4. Recognition and Enforcement of Foreign Judgments from EU Countries

Within the European Union, the recognition and enforcement of judgments is uniformly regulated by legislation adopted at the level of the European Union, which is directly binding on the Member States. Due to the existence of a uniform regulation, the procedure for the recognition and enforcement of judgments between the Member States of the European Union is simplified and accelerated compared to the procedures applicable when States outside the European Union are involved. Although the entire regulation of the matter is complex, the general rule based on the uniform European Union regulation is that judgments given in one Member State are automatically recognized and enforceable in other Member States (without any special procedure being required); although it is possible for a party on whom the judgment is binding to contest the recognition or enforcement of such a judgment in another Member State, the grounds for contesting it are limited, since judgments are not reviewed from the point of view of their substantive correctness in the State in which they are to be recognized and/or enforced.

Recognition and enforcement of judgments in the EU relating to commercial and civil matters is governed by Regulation (EU) 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (the so-called Brussels Ia Regulation).

The Brussels Ia Regulation does not apply to:

- tax, customs and administrative matters;
- liability of the State for acts and omissions in the exercise of State authority;
- the status or legal capacity of natural persons, rights in property arising out of a matrimonial relationship or out of a legally comparable relationship;
- maintenance obligations arising from a family relationship, parentage, marriage or affinity;
- inheritance matters;
- bankruptcy, proceedings relating to the winding-up of insolvent companies or other legal persons, judicial arrangements, compositions and analogous proceedings;
- arbitration;
- social security.

A foreign judgment shall be automatically recognized and enforceable as soon as the formalities have been complied with:

- the presentation of a copy of the judgment satisfying the requirement of proof of its authenticity; and
- a certificate (in the form and with the content set forth by applicable European legislation) issued by the court which issued the judgment.

In Slovakia, judgments issued in other Member States of the European Union are generally submitted for enforcement to judicial bailiffs.

The Brussels Ia Regulation exclude recognition of a judgment in cases where:

- its recognition would be contrary to the public policy of the Member State in which recognition is sought;
- it was given in the absence of the defendant (respondent), who was not served with the document which instituted the proceedings or with an equivalent document in sufficient time and in such a way as to enable him to arrange for his defense unless the defendant failed to commence proceedings to challenge the judgment when it was possible for him to do so;
- it is irreconcilable with another judgment given between the same parties by a court of the Member State in which recognition is sought;
- it is irreconcilable with an earlier judgment given in another Member State or another State in the same cause of action and between the same parties, provided that the earlier judgment fulfils the conditions for recognition in the Member State in which recognition is sought;
- where the judgment was issued in breach of the rules on exclusive jurisdiction;
- where the judgment was issued in breach of certain particular rules applying to insurance, consumer and employment disputes.

The enforcement of recognized judgments shall be governed exclusively by the national law of the Member State, where the judgment has to be enforced.

14.5. Recognition and Enforcement of Foreign Judgments from Non-EU Countries

The procedures of recognition and enforcement of foreign judgements from non-EU countries in the Slovak Republic and the recognition and enforcement of Slovak judgements in those countries shall be governed primarily by existing international treaties. However, if there is no international treaty with the non-EU country concerned, the procedure of recognition and enforcement of judgments from such countries in the Slovak republic is governed by Act No. 97/1963 Coll. on Private International Law and Procedural Law, as amended.

Judgements of non-EU country authorities, agreements and settlements approved by them in matters of civil, commercial, family and labor law and other similar relations with an international element as well as foreign notarial deeds in these matters ("**foreign judgements**") are effective in the Slovak Republic only if they have been recognized by Slovak authorities.

The recognition procedure of foreign judgments may be formal or simplified (informal). Where the formal procedure applies, the recognition of foreign judgements is subject to a separate judicial procedure and the decision on recognition is contained in a separate statement of the court's judgement. Within a simplified (informal) procedure, the recognition is not declared in a separate statement and subject to a separate judicial procedure, but the competent court just issues a mandate for enforcement of the foreign judgment or, if enforcement is not necessary, the court or other authority takes it into account as if it was a judgement issued by a Slovak court.

The proceedings on recognition shall commence by an application which may be filed by a person who is referred to as a party in the foreign judgment. The parties to the proceedings are the applicant and all persons

against whom the foreign judgment shall be recognized. If no objection against the recognition of the foreign judgment is filed by either party within 15 days from the date of service of the motion for recognition of the foreign judgment, the court is not obliged to order a hearing.

The Foreign judgment cannot be recognized or enforced if:

- recognition is prevented by the exclusive jurisdiction of the Slovak authorities or the authority of the non-EU country would not have jurisdiction to decide if the provisions of Slovak law were applied to assess its jurisdiction;
- it is not final or enforceable in the non-EU country in which it was issued;
- it is not a judgement on the merits of the case;
- the party against whom the judgement is to be recognized has been deprived of the opportunity to be heard before the foreign authority by the procedure followed by the foreign authority, in particular, if he has not been duly served with a summons or to the document instituting the proceedings; the court shall not examine whether this condition has been satisfied if the Foreign judgement has been duly served on that party and the party has not appealed against it, or if that party has declared that he does not insist on the examination of this condition;
- the Slovak court has already given a final judgement in the case, or there is an earlier foreign judgement in the same matter which has been recognized or which fulfils the conditions for recognition;
- recognition would be contrary to Slovak public policy.

If either of the conditions for recognition of a foreign judgement is not met, the court shall declare that the foreign judgement shall not be recognized. Otherwise, it shall recognize the foreign judgement. If the grounds for not recognizing a foreign judgement are based on a conflict with public policy, the court shall recognize the foreign judgement only to the extent that it does not conflict with Slovak public policy, if such recognition is possible in view of the content of the foreign judgement.

Foreign judgments recognized by Slovak courts shall have the same legal effects as a judgment of a Slovak court. Enforcement of recognized foreign judgment is further governed by national legislation.

14.6. Enforcement of Judgments

Enforcement of court judgements is carried out by bailiffs in a procedure called “execution”. The execution process is governed by Act No. 233/1995 Coll. on Bailiffs and Enforcement Activity, as amended (“**Enforcement Code**"). Bailiffs are authorized to carry out the enforcement of the writs of execution. This activity is considered as exercise of public authority; therefore, the bailiffs have the status of public officials.

Execution proceedings are initiated by a motion for execution. Execution may be carried out upon the motion of the person who is entitled to seek fulfilment of the claim under the writ of execution due to the fact that the debtor thereunder has not voluntarily complied with what the writ of execution imposes on him/her.

A writ of execution is an enforceable court judgement granting a right, imposing an obligation or affecting property. A writ of execution is also:

- a decision of an institution, body, office or agency of the European Union;

- a foreign writ of execution enforceable in the Slovak Republic;
- a notarial deed containing a legal obligation, the indication of the entitled person and the obliged person, the legal reason for the obligation, the object and the time of performance and the consent of the obliged person with the enforceability of the notarial deed;
- an enforceable arbitration judgement, including a settlement approved in the arbitration;
- a decision on inheritance;
- an enforceable decision of a public authority and a local administration authority, including a block for a fine not paid on the spot;
- a payment order, a statement of arrears in respect of taxes and fees, as well as a settlement approved by the competent authority;
- an enforceable decision and a statement of arrears in matters of social security, social insurance, old-age pension savings and public health insurance;
- any other enforceable decision, statement of arrears or approved settlement, the enforcement of which is permitted by law;
- a document issued pursuant to the law in force in another EU country, if the enforcement of a claim is carried out pursuant to a special regulation;
- a notice of discontinuance of the execution and a summons to pay the costs of the execution pursuant to the Enforcement Code;
- a notice on the imposition of a coercive measure if objections having suspensive effect have not been filed, the objections filed do not have suspensive effect or the court has not upheld the objections;
- a notice on discontinuance of old execution proceedings with a request for payment of fixed expenses pursuant to a special regulation;
- an enforcement title pursuant to a special regulation.

The District Court Banská Bystrica is competent to decide in execution proceedings. The motion for execution shall be submitted by electronic means to the court´s electronic mailbox by means of a standardized electronic form published on the website of the Ministry of Justice.

Execution proceedings commence on the day on which the motion for execution is delivered to the court. The commencement of execution proceedings prevents other execution proceedings to be held in the same matter. If execution proceedings have already been initiated, the court shall, by order, discontinue proceedings commenced based on later motions in the same matter.

If the person entitled under the writ of execution withdraws from the motion for execution before the court has authorized the bailiff to carry out the execution, the execution proceedings shall be discontinued on the day on which the withdrawal of the motion is received by the court.

The court examines the motion for execution and if there is no ground for refusal of the motion, the court shall, within 15 days of receipt of the motion, issue a mandate for the performance of execution and notify the person entitled under the writ of execution. The execution shall be carried out by the bailiff authorized by the court to carry out the execution. The court allocates matters by issuing mandates for the performance of execution, equally among the various bailiffs by random selection using technical means and software approved by the Ministry of Justice in such a way as to exclude the possibility of influencing the allocation of matters.

The court shall send the issued mandate for the performance of execution to the authorized bailiff together with a copy of the motion for execution or together with the data from the motion. The execution shall be commenced on delivery of the mandate to the bailiff which then notifies the person entitled under the writ and the debtor thereof.

If the execution is based on a writ of execution imposing an obligation to pay a sum of money, the execution may be carried out in the form of:

- deductions from wages and other income;
- assignment of a receivable;
- sale of movable property;
- sale of securities;
- sale of immovable property;
- sale of a business.

Where the execution is based on a writ of execution imposing an obligation other than the payment of a sum of money, the manner of execution shall be governed by the nature of the obligation imposed. It may be executed:

- by eviction and banishment;
- by seizure of property and securities;
- by removal of the building or other action;
- by division of the common property;
- by fulfilment of negatory and other obligations.

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