

Tax system after the Slovak elections



Most people in the world would answer a question regarding the ideal tax amount of tax by saying zero. However, taxes exist on the basis of a social consensus with the aim of funding public expenses. The amount of tax is always related to the amount of public expenditures, i.e. to the degree of redistribution of resources in the economy by the state.

Slovakia is a country with one of the lowest tax and contribution burden in the EU due mainly to the lower taxation of capital. The relative preference of capital as a production factor is a result of the attempt to attract foreign direct investments to Slovakia. However, over the long-term it will probably be necessary to mitigate the preference of capital over labour.

How is the tax issue viewed by the current parliamentary parties?

SDKÚ in the past

- In 2003 it contributed to the introduction of a uniform VAT rate, the cancellation of taxes on dividends and on gifts
- later increased flat rate expenditure for the self employed from 25% to 40% of income, recently enforced the increase of VAT to 20% and the banking tax

Planned actions following the elections:

- In regards to an increase in taxes they propose to concentrating on consumer taxes – mainly on cigarettes and alcohol, as well as property tax

Smer-SD in the past

- 2006 - 2010 introduction of millionaire tax, later reduction of VAT on drugs, books and medical aids - 10%
- Adopted employee's premium reducing taxes on low

incomes, moderate decrease of tax burden via increased non-taxable part of tax base

Planned actions following the elections:

- higher income tax for natural persons and legal entities with higher income, introduction of extraordinary banking tax, higher property tax and tax on cigarettes and alcohol.

SNS in past

- did not endorse any fundamental changes to taxes and contributions, supported all proposals of Smer-SD party

Planned actions following the elections:

- Introduction of lower income tax as well as VAT at 16 percent and 10 percent VAT on basic food, taxation of dividend, lobbying and monopolies

KDH in the past

- Approved the flat rate tax at 19%, although it originally proposed a flat rate tax of 14%
- In 2010 supported increase of VAT to 20% and in the same year voted against the government coalition and thus prevented the increase of consumer tax on beer. In 2011 supported the introduction of banking tax

Planned actions following the elections:

- if required KDH will propose

tax on luxuries or measures not influencing employment or creation of new jobs.

Most-HÍD in the past

- Supported increase of VAT to 20% and introduction of banking tax;
- have long been against the introduction of consumer tax on wine

Planned actions following the elections:

- Real estate tax is one of the lowest in Slovakia. Do not agree to higher taxes on anything not taxable in neighbouring countries.

SaS in the past

- In 2010, despite initial disagreement, supported increase of VAT to 20% and supported introduction of banking tax

Planned actions following the elections:

- SaS will do everything to avoid increased taxes.

From the above statements it can be seen that the continuation of the consolidation of public finances is a key issue due to maintaining the credibility of Slovakia on financial markets, as Slovakia will issue eight billion € worth of bonds. Law on Budgetary Responsibility was adopted in Slovakia and new rules will become applicable in the eurozone combined with

enforceable sanctions. Most political parties are declaring and promoting tax increases which will primarily be a burden on the general population, and secondly on tax entities which will increase tax costs, which will be included in their prices and will be passed on to consumers.

Over the last ten years every government has made fundamental changes regarding income which were felt by the general population via tax increases.

When private companies reach the limit for price increases, i.e. the consumer cannot afford to buy goods at the higher prices, they have always turned to new forms of cost reduction, sometimes with dramatic changes in the social area with a single objective, i.e. remain in the market with the objective of maintaining profit or of staying alive.

If future governments have to comply with this definition and wish to continue in power, they must and are directly obliged to finally start to behave responsibly as regards expenditures, i.e. start making large savings in a responsible manner otherwise we will have early parliamentary elections every two years and this will be the beginning of bankruptcy.

An interesting fact is that the State has collected more at the lower rate of corporation and personal income tax than at the higher tax rate from the previous year.



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