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Government proposal for measures to consolidate public finances

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## Government proposal for measures to consolidate public finances

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On 17 September 2024, the Government of the Slovak Republic presented a set of measures to consolidate public finances. The consolidation package of measures worth approximately 2.6 to 2.7 billion euros is expected to bring the public deficit down to 4.7 percent of the Slovak Republic's GDP in 2025.

### Changes to VAT rates

The following changes in the VAT rates are proposed, several items of the VAT rates will be subject to further discussions and negotiations:

- Increase of the basic VAT rate to 23 percent
- Introduction of a new reduced VAT rate for food and energy at 19 percent
- Reduction of VAT rates on medicines, medical devices, textbooks
- Reduction of VAT on all basic foodstuffs from 10 percent to 5 percent

### Changes for large companies and high-paid employees

- Increase in the corporate income tax rate after reaching a taxable income of 5 million euros (discussion on reduction already from taxable income of 1 million euros) to 22 percent
- Introduction of a special levy also for refineries (oil production and processing)
- Increase of the special levy for energy companies in regulated sectors
- Increase in the special levy for mobile operators
- Increase of upper limits for social contributions for high-income employees

### Changes for small businesses and sole traders

- Reduction of dividend withholding tax (from 10 percent to 7 percent)
- Reduction of the corporate income tax rate from 15 percent to 10 percent until the taxable income up to 100,000 euros is reached
- Increase of the taxable income threshold for the application of the 15 percent income tax rate for sole traders to 100,000 euros

### Tax on financial transactions

The new financial transaction tax will apply only to legal entities and natural persons – entrepreneurs. In addition to the mandatory introduction of a business account for natural persons – entrepreneurs, the following changes are proposed:

- Annual fee for the use of a payment card
- Tax on bank debit transfers (0.4 percent of the transaction value, with a limit of 40 euros), cash withdrawals at a bank or ATM (0.8 percent)

### Changes to the calculation and entitlement to the child tax bonus

The child tax bonus will be reduced, the entitlement to the child tax bonus will decrease as income increases, after a certain income is reached it will be zero.

## Changes in the field of transport

- Increase in the price of vignettes (assumed up to 90 euros)
- Increase in tolls for lorries
- Increase in motor vehicle tax for passenger vehicles of entrepreneurs
- Reduction of the motor vehicle tax for trucks to the level of minimum rates

This is a government bill and, given the current situation and the sensitivity of the individual measures, a number of measures will certainly be subject to discussion and subsequent minor or major adjustments.

## CONTACT FOR FURTHER INFORMATION



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