

FINANCIAL TRANSACTION TAX

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In October 2024, Slovakia introduced a new tax - the Financial Transaction Tax (FTT) - based on Act No. 279/2024 Coll. on Financial Transaction Tax (hereinafter referred to as the "Act"). The subject of this tax is primarily financial transactions involving the debit of funds from a taxable person's account.

The original interpretation of this new Act was that the FTT would only apply to companies, including branches of foreign companies domiciled in Slovakia, and individuals with a business location in Slovakia.

On December 27, 2024, the Slovak Financial Administration (hereinafter referred to as "SFA") issued an Information document regarding the Act, which changed the original interpretation and subsequent application of the (previously unclear) Act. One of the most significant interpretative changes, among others, is the information that this new tax also applies to foreign entities carrying out activities in Slovakia.

Controversial SFA Information addresses the following areas in particular:

- ▶ Impact of the Act on branches and permanent establishments in Slovakia
- ▶ Impact of VAT registration under § 5 on FTT
- ▶ Lack of definition for a taxable person's activity in Slovakia
- ▶ Consideration of invoice set-offs as payments
- ▶ Understanding of "reallocated expenses"
- ▶ Assignment of receivables
- ▶ Cash pooling

Selected Interpretative Aspects of SFA Regarding the Act

Who will Become a Taxable Person?

According to the Act, a taxable person is:

- ▶ A natural person - entrepreneur,
- ▶ A legal entity or a branch of a foreign entity that is a user of payment services provided by a payment service provider performing financial transactions, and who:
 - has a registered office or place of business in Slovakia, or
 - has a payment account with a payment service provider domiciled in Slovakia, or
 - carries out activities in Slovakia.

According to the SFA's published information, taxable persons will also include foreign entities that are not seated in Slovakia but carry out activities in Slovakia. However, the definition of activities is not further specified. From the context of the annex to the Information document, it is evident that the tax authority will require any activity in Slovakia related to the payment of liabilities (costs), i.e., the execution of financial transactions, to be considered as activities.



In practice, this may involve foreign companies registered for VAT purposes under § 5 of the VAT Act that have a registered office and payment account abroad but perform activities in Slovakia. The information published by SFA also extends to situations where foreign entities acquire goods or services in Slovakia, lease premises in Slovakia, or engage in other activities. Financial transactions related to these activities would also be subject to the FTT.

Who Will Be the Actual Taxpayer?

The primary taxpayer of the FTT will be the provider of payment services (i.e., Slovak banks or their branches domiciled in Slovakia); in certain cases, however, the taxpayer (domestic or foreign entity) will also become the taxable person.

The taxpayer is:

- ▶ The payment service provider or its branch domiciled in Slovakia (i.e., a bank or a foreign bank branch in Slovakia);
- ▶ The taxable person who uses payment services of a payment service provider domiciled outside Slovakia (i.e., a taxable person using a foreign bank account);
- ▶ The taxable person to whom expenses related to financial transactions concerning their activity in Slovakia are reallocated (i.e., a taxable person for whom another entity or person made payments and then reallocated these payments to the taxable person);
- ▶ The taxable person who performs financial transactions from a non-transaction account (i.e., a taxable person making payments from an account other than a transaction/business account).

According to SFA, if the existence of a permanent establishment is linked to activity in Slovakia, a foreign legal entity becomes a taxpayer for financial transactions performed from a non-transaction account, as liabilities or set-offs were settled in connection with its activity in Slovakia.

What Will Be Subject to the Financial Transaction Tax?

According to SFA, the subject of the tax is based on the transactional principle, meaning each transaction will be assessed individually from the taxable person's perspective (not the taxpayer's):

- ▶ The subject of the tax will be a financial transaction involving the debit of funds from the taxable person's payment account (i.e., debit transactions);
- ▶ The use of a payment card issued for a transaction account to carry out a financial transaction;
- ▶ Reallocated expenses related to the execution of a financial transaction concerning the taxable person's activity in Slovakia, regardless of whether the reallocation was made through direct payment or set-off.

The Act excludes the following from the tax base mainly payment operations related to the payment of taxes, levies, and contributions that are state budget revenues, payments assessed under customs regulations, purchase of government bonds, transfers of funds between the taxable person's accounts within the same bank and other.

SFA's Information clarifies that financial transactions conducted within cash pooling arrangements are not subject to the FTT (among other cases) only if the payment operation occurs between taxable persons under a single payment service provider. A single provider means one specific bank, not banks within the same banking group (e.g., UniCredit Group).

How Will the Tax Base Be Determined?

SFA significantly extends the scope of the Act concerning "reallocated expenses."

Under the Act, a cap of EUR 40 per financial transaction can be applied if these expenses are substantiated. According to SFA, this provision applies to all reallocated expenses related to the taxable person's or the foreign entity's branch activities.

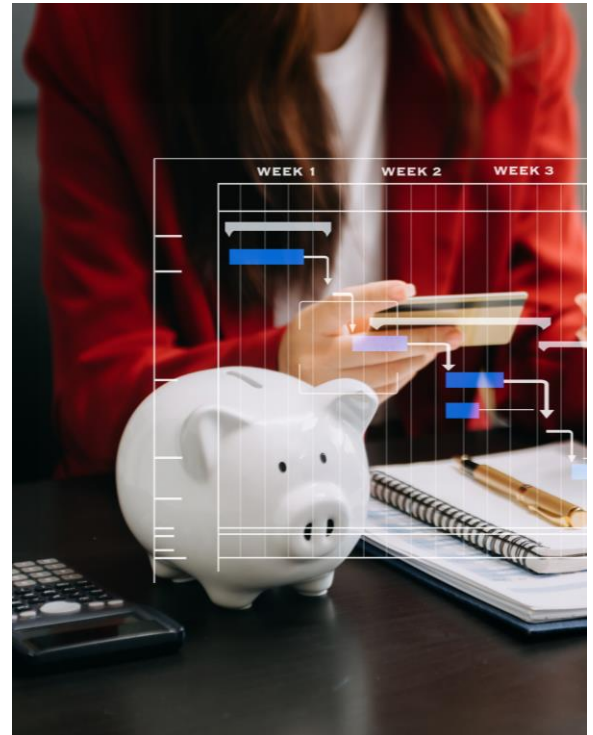
Reallocated expenses will be subject to the tax, regardless of whether the payment was made directly or through set-off. SFA interprets expenses as the total value of reallocated financial transactions performed on behalf of the taxable person.

CAP ON FINANCIAL TRANSACTION

**↑ MAX 40 EUR
PER TRANSACTION**
IF THESE EXPENSES ARE
SUBSTANTIATED

According to the Act, the tax base is the amount of funds debited from the taxable person's account, with the tax rate applied depending on the subject of the tax:

- ▶ **0.4% per debit transaction**, with a maximum tax amount of EUR 40 per transaction;
- ▶ **0.4% for reallocated expenses (payments) related to activities in Slovakia** if the taxable person can substantiate the expenses, with a maximum tax amount of EUR 40 per transaction;
- ▶ **0.8% for cash withdrawals per transaction**, including withdrawals from ATMs, bank branches, or any other cash withdrawal;
- ▶ **EUR 2 per payment card**, regardless of the number of card uses;
- ▶ **0.4% of the amount of reallocated expenses (payments made by other entities) related to financial transactions in Slovakia** if the taxable person cannot substantiate the expenses.



What Will Be the Tax Period and Due Date?

The tax period will be a calendar month (for individual taxable person transactions and reallocated expenses related to the taxable person's activities) or a calendar year (for payment card use), with the first tax period being April 2025.

The taxpayer is responsible for calculating, collecting, and remitting the tax to the tax authority by the end of the calendar month following the relevant tax period.



Under transitional provisions, the tax for the first three tax periods (April-June) can be remitted by July 31, 2025. However, if the taxpayer collects the tax for April and May earlier, they are obligated to remit it by the end of the month following the month in which the tax was collected and to submit the tax return to the tax authority simultaneously.

Registration for the Financial Transaction Tax is not required by Act No. 279/2024 Coll. The tax authority will register the taxable person upon the submission of the first tax return.

Summary

- ▶ If you perform activities in Slovakia, e.g., as a VAT payer under § 5 of the VAT Act or have a permanent establishment in Slovakia for corporate income tax purposes, and you use a foreign bank account to settle your liabilities related to activities in Slovakia, the information issued by SFA indicates that you will be required to calculate and remit the Financial Transaction Tax on such payments and submit the return electronically within the relevant deadlines.

Should you wish to discuss these obligations in greater detail, please do not hesitate to contact the author of this article or your BDO contact person.

We are happy to assist with analyzing your specific situation, identifying relevant financial transactions subject to the tax, or preparing and filing all required notifications and documents with the tax authority. We will also monitor the latest legislative developments and inform you of any changes that may affect your tax obligations in Slovakia.



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A photograph of an office desk at night. A laptop is open, displaying a blue line graph on its screen. A white coffee cup sits on a wooden desk in the foreground. A desk lamp is visible at the top, casting a soft glow. The background is dark, emphasizing the laptop and the cup.

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LINKEDIN



INSTAGRAM



FACEBOOK

The BDO logo, consisting of the letters 'BDO' in a bold, white, sans-serif font, with a vertical bar to the left of the letters. The logo is set against a red triangular background that points towards the bottom right corner of the page.