Overview of Tax Changes in Slovakia with effect from January 2026

Last year was once again marked as a year of significant tax changes in Slovakia. Most of the changes were part of another fiscal consolidation package, somewhat affectionately nicknamed the "jam package". The Minister of Finance, Ladislav Kamenický, sought to downplay the increase in VAT on sweet foods by suggesting that people who make their own jam and bake biscuits at home would not feel the impact of the increase. However, the changes affected almost the entire tax and social security landscape – ranging from direct and indirect taxes to special levies, as well as health and social insurance contributions. At the same time, several amendments were adopted to align Slovak legislation with EU law.

The following overview sets out the most important tax developments for businesses taking effect as of 1 January 2026 or later. While most of the measures are expected to slow economic growth, the overview also includes several changes with a positive impact.

1. Increase in Health Insurance Contributions

The rate of health insurance contributions will increase by 1 percentage point. For employees, the rate will rise from 4% to 5%, and for self-employed individuals from 15% to 16%. From the perspective of public finances, this represents the most significant measure.

Thus, after only one year since the last increase, Slovakia has again substantially increased the overall tax and social security burden on labour. A further decline in competitiveness rankings is expected, as also indicated by a business climate survey conducted by the Slovak-German Chamber of Commerce and Industry and published at the end of last year. According to the survey, more than two thirds of companies expect a deterioration in the economic situation in Slovakia in 2026, identifying high labour costs as well as macroeconomic and regulatory uncertainty as the key challenges for the business environment.

2. Changes to Social Insurance

The system of sickness benefits will also be amended. Employers will be required to pay wage compensation for the first 14 days of an employee's temporary incapacity for work (previously 10 days). The Social Insurance Agency will start paying sickness benefits only from the 15th day of the employee's incapacity for work. In addition, several exemptions from the obligation to pay social insurance contributions (for example during periods of

sickness or other qualifying periods) will be abolished, thereby increasing the overall coverage of the social security system.

Unemployment benefits will be gradually reduced. During the first three months, the benefit will remain at the current level of 50% of the daily assessment base; in the fourth month it will be reduced to 40%, in the fifth month to 30%, and in the sixth month to 20%.

For self-employed individuals, the minimum assessment base for social insurance contributions will increase from 50% to 60% of the average wage. For newly registered sole traders, the so-called "contribution-free period" will be shortened from 12 months to 6 months.

3. Changes to the Income Tax Act

The amendments to the Income Tax Act are largely the result of a fiscal consolidation package approved by Parliament in September 2025. The changes came into effect on 1 January 2026.

Higher Progressivity in the Taxation of Personal Income

This measure primarily affects above-average earning employees, in particular those with a gross monthly salary exceeding EUR 4,282. In addition to the existing personal income tax rates of 19% and 25%, new rates of 30% and 35% have been introduced. As a result, the following progressive tax structure will apply:

Personal Income Tax Rates Applicable to Employees in 2026:

- tax base up to approximately EUR 44,000: **19%**
- portion of the tax base exceeding EUR 44,000: **25%**
- portion of the tax base exceeding EUR 60,000: **30%**
- portion of the tax base exceeding EUR 75,000: **35%**

As regards self-employed individuals (i.e. sole traders), the special 15% income tax rate will continue to apply to taxable income of up to EUR 100,000 per year. Once this threshold is exceeded, the same income tax rates as those applicable to employees apply.

Changes to the tax-free allowance

As of 1 January 2026, the threshold at which the personal tax-free allowance begins to be reduced will also be lowered. At the same time, the reduction will be more stringent for higher levels of income.

Specifically, until 31 December 2025, taxpayers were entitled to claim the full amount of the personal tax-free allowance provided that their tax base did not exceed 92.8 times the

subsistence minimum. From 1 January 2026, this threshold will be reduced to 91.8 times the subsistence minimum.

In practice, this means that the reduction of the personal tax-free allowance will affect a broader group of taxpayers, as it will start to apply at a lower tax base. The full amount of the personal tax-free allowance for 2026 is EUR 5,967 and may be claimed where the tax base (after deduction of social and health insurance contributions) is below EUR 26,083. For higher levels of income, the amount is gradually reduced. Once the taxpayer reaches a tax base of EUR 43,983 or more (i.e. 154.8 times the subsistence minimum), the personal tax-free allowance is reduced to zero.

The income threshold for claiming the tax-free allowance for a spouse is also being lowered (from 176.8 times to 154.8 times the subsistence minimum).

Legal entities – increase in the minimum tax for large companies

The amount of the minimum tax (called also "tax licence") is linked to the level of taxable income. The largest companies with turnover exceeding EUR 5 million will face a higher minimum tax, as a new tax bracket is being introduced for them.

Amount of the minimum tax (tax licence) based on annual taxable income:

- up to EUR 50,000: **EUR 340**
- EUR 50,000 to EUR 250,000: **EUR 960**
- EUR 250,000 to EUR 500,000: **EUR 1,920**
- EUR 500,000 to EUR 5 million: **EUR 3,840**
- over EUR 5 million: **EUR 11,520**

Extension of the super-deduction for investments in Industry 4.0

One of the few measures improving the business environment is the extension of the super-deduction for investments in so-called Industry 4.0 under Section 30e of the Income Tax Act. The eligible investment period will be extended from the current six years (2022–2027) to nine years (2022–2030). Importantly, the extension applies not only to new investment projects but also to existing investment plans, thereby enhancing the stability and predictability of the tax environment for investors.

4. Changes and new developments in the VAT Act (effective from 1 January 2026)

The amendment to the VAT Act was approved shortly before Christmas. The first wave of changes took effect as of 1 January 2026. Further significant changes will take effect from 1 January 2027 and from 30 July 2030.

VAT deduction on vehicles and related costs

As of 2026, a flat-rate input VAT deduction of 50% will apply to selected categories of company passenger cars that are also used for private purposes, regardless of the actual proportion of business and private use. Vehicles for which the taxpayer claims a 100% VAT deduction, i.e. vehicles used exclusively for business purposes, will have to be reported to the tax authorities on a monthly basis via an electronic form, which will be made available shortly. The first reporting will be required for the month of January. From then income tax perspective, non-deductible VAT will constitute a non-tax-deductible expense for the company.

The Income Tax Act has not yet been aligned with these changes and it therefore remains possible to apply the 80:20 ratio (for income tax purposes), or another internally determined percentage, to allocate the use of vehicles between business and private purposes.

This measure was approved in advance by the European Commission and was originally expected to be introduced as early as July 2025. However, the amendment to the VAT Act was adopted by the Slovak Parliament only shortly before Christmas. In connection with this change, we recommend updating internal policies governing the private use of company cars and fuel, as well as the VAT accounting treatment.

The change will also affect the VAT deduction on costs related to the use of vehicles in categories M1, L1e and L3e (including fuel, servicing, spare parts and vehicle-related services). The flat-rate 50% VAT deduction will also apply to the rental or leasing of the affected vehicles.

Example of a negative impact on a business:

When purchasing a car for EUR 30,000 plus EUR 6,900 in VAT, a business owner who uses the company car for a private holiday once a year will see the effective cost of the vehicle increase from the current EUR 30,000 to EUR 33,450. At the same time, 50% of the VAT (EUR 3,450) will become a non-tax-deductible expense for the company. The implications for small and medium-sized enterprises are clear: higher upfront costs, weaker cash flow and an increased administrative burden,

The most affected will be business owners for whom a car is a key working tool (such as tradespeople, sales representatives, consultants and service companies) and who use it only occasionally for private purposes.

On the other hand, business owners who previously used passenger cars largely for private purposes and did not claim any VAT deduction at all will, under the new rules, be

able to claim a VAT deduction of up to 50% even where the vehicle is used only partly for business purposes.

Example of a positive impact on a business:

When purchasing a luxury car such as a Ferrari Testarossa for EUR 200,000 plus EUR 46,000 in VAT, a business owner who uses the company car to commute to work once a month will see the effective purchase price rise to EUR 223,000. At the same time, however, the state will be required to allow this business owner to deduct VAT in the amount of EUR 23,000.

Increase in the VAT rate on selected food and beverages (effective from 1 January 2026)

As of 1 January 2026, the standard VAT rate of 23% will again apply to selected goods with a higher content of sugar, salt and sweeteners (such as ice cream, sweetened soft drinks, syrups, certain instant teas, jams and similar products).

As a reminder, three VAT rates have been in force in Slovakia since 1 January 2025:

- standard rate of 23%, which applies to most goods and services,
- reduced rate of 19%, applicable to selected goods and services, including certain foodstuffs or basic raw materials used in their production; and
- reduced rate of 5%, which applies primarily to selected medicines, books, healthcare services and social services.

Last year, the standard VAT rate in Slovakia has increased to 23% after 14 years, up from the previous rate of 20%. As a result, Slovakia has moved into the top tier of EU countries in terms of the standard VAT rate. The highest standard VAT rate in the EU is applied in Hungary (27%), followed by Finland (25.5%), and then Croatia and several other countries with a rate of 25%. By contrast, Luxembourg has the lowest standard VAT rate (17%). At the time the European Union was established, the standard VAT rate stood at just 10%.

Ex officio" VAT group registration

As of 2026, the possibility of ex officio VAT group registration will be introduced in cases where business activities are deliberately split among several entities with the same scope of activity in order to circumvent VAT registration and payment. This change represents one of the tools available to the tax authorities to combat artificial arrangements aimed at avoiding VAT.

5. Changes to the Financial Transaction Tax Act

The financial transaction tax, adopted at the end of 2024 and effective since 1 April 2025, was subject to substantial criticism and multiple legislative amendments throughout 2025. The tax was criticised not only by the European Commission but also by several domestic politicians, and significant pressure was exerted during 2025 to scale it back or even abolish it entirely.

Due to difficulties in its application and interpretation, several guidelines were issued following the adoption of the act, and the legislation was amended multiple times. The most recent amendment was adopted by Parliament on 30 September 2025 and took effect on 1 January 2026. Under the amended rules, sole traders (self-employed individuals), regardless of the level of their taxable income, have been fully excluded from the scope of the act. Legal entities, however, remain subject to the financial transaction tax without exception.

In addition, the act now provides a more precise definition of who qualifies as a taxpayer and who is liable to pay the tax. A distinction is drawn between entities with unlimited and limited tax liability. A new definition of a "recharged cost" has also been introduced, aiming to harmonise the approach in situations where a financial transaction is carried out on behalf of the taxpayer by another entity within the group. The most significant change concerns the concept of a "permanent establishment". The amendment sets out in considerable detail the circumstances under which the activities of a foreign company in Slovakia are regarded as permanent in nature and give rise to a tax liability. In addition to traditional forms such as a branch, office or place of business, a permanent establishment will also be deemed to exist where services are provided through an electronic interface located in Slovakia, where construction or installation projects exceed 15 days, where services are rendered by the company's employees, where dependent agents operate in Slovakia, or where the insurance risk is located in Slovakia. As a result, the amendment significantly broadens the range of situations in which a foreign legal entity may be required to pay financial transaction tax in Slovakia.

6. Sanction Amnesty and Other Legislative Changes applicable in 2026

Taxes on gambling activities have also been increased, as well as the fee for extracted primary raw materials under the Mining Act and the rate of the special levy applicable to the collective investment sector (increased from 4.36% to 15%). The insurance tax on non-life insurance has been raised from the previous rate of 8% to 10%.

With the aim of encouraging taxpayers to settle their outstanding past liabilities, the government approved a general tax amnesty (in the form of a government regulation) in

September. Under this measure, taxpayers who voluntarily pay their tax arrears or additionally declare tax in a tax return between 1 January 2026 and 30 June 2026 will be granted a waiver of penalties and default interest. The amnesty applies provided that the tax arrears were recorded as at 30 September 2025 and that the relevant tax return had a filing deadline no later than 30 September 2025.

This measure will apply to corporate income tax, personal income tax, VAT, excise duties, motor vehicle tax and insurance tax.

Changes effective from 1 January 2027 and later

7. Mandatory electronic invoicing and data reporting

The most significant changes to the VAT Act will take effect from 1 January 2027 and from 30 July 2030. The introduction of mandatory electronic invoicing arises from the adopted European ViDA (VAT in the Digital Age) legislation and its subsequent implementation into Slovak law.

There will be fundamental changes in the area of invoicing and reporting obligations of VAT registered taxpayers. The aim is to streamline tax collection, increase transparency within the tax system, reduce the administrative burden and, in particular, enhance the fight against tax evasion. Given that the new measures are exceptionally complex and require long-term and thorough preparation by affected entities, it is essential to inform taxpayers well in advance so that they have sufficient time to prepare.

As of 2027, the obligation to issue electronic invoices will be introduced for domestic supplies between taxable persons established in the Slovak Republic. At the same time, recipients will be required to accept such e-invoices delivered via the designated delivery service.

According to information from the Financial Administration, a project enabling voluntary participation in electronic invoicing is expected to be launched during 2026 (presumably in spring 2026. Given the complexity of the process, preparation during 2026 will be essential for businesses. During this period, entities should thoroughly prepare for the upcoming changes, in particular by reviewing available software solutions, document workflows, archiving processes etc.

From July 2030, mandatory electronic invoicing and data reporting will also be extended to cross-border transactions within the EU, regardless of the company's place of establishment. At the same time, the abolition of the recapitulative statement and the VAT control statement is expected.