

SLOVAK REAL ESTATE MARKET

Emerging Property Markets in Europe
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PETERKA & PARTNERS

Advokátska kancelária, Law Offices, Cabinet d'avocats

by Ondrej Dusek

PETERKA & PARTNERS

Bratislava, SLOVAK REPUBLIC

I. Business Environment in Slovakia

- ❖ GDP per capita (2004) EUR 6,052
- expected growth +5.1 %
- ❖ Unemployment (June 2005) 16.9 %
- ❖ Inflation (May 2005) 2.4 %
- ❖ Average monthly wage (June 2005)
SKK 16,381 (EUR 410)

I. Business Environment in Slovakia

- ❖ **ADVANTAGE OF INVESTING IN SLOVAKIA**
 - ❖ Pro – investment reform policy
 - ❖ Low Labour Costs and well-educated population
 - ❖ Low Taxes - Flat tax rate of 19 % (VAT and income taxes)
 - ❖ State support

I. Business Environment in Slovakia

❖ STATE SUPPORT FOR INVESTORS

- ❖ State aid including investment incentives
- ❖ Industrial Parks
- ❖ Specialized agencies and state authorities
 - ❖ Slovak Investment and Trade Development Agency (SARIO) www.sario.sk
 - ❖ National Agency for Development of Small and Medium Enterprises www.nadsme.sk
 - ❖ Ministry of Economy of the Slovak Republic www.economy.gov.sk

II. Real Estate Taxation

❖ REAL ESTATE TRANSFER TAX

❖ Tax rate - 0 %

(cancelled as of January 1, 2005)

II. Real Estate Taxation

❖ INCOME TAX

- ❖ The difference between the sale price and the acquisition price is subject to income tax on capital gains
- ❖ Flat tax rate – 19 %
- ❖ Tax depreciation of buildings – 20 years

II. Real Estate Taxation

❖ PROPERTY TAX

- ❖ Every owner of real estate (land plot, building, apartment, non-residential premises) pays the tax
- ❖ The tax rate depends on a regulatory act of a municipality on the territory of which the real estate is located

II. Real Estate Taxation

❖ LEASING

- ❖ Accelerated tax depreciation of the leased buildings - 12 years
- ❖ The object of lease is depreciated by the tenant (lessee)

III. VAT Issues

❖ SALE OF REAL ESTATE

❖ The sale of real estate is generally exempt from the tax.

❖ Exemptions to this principle:

- ❖ *new buildings (sold earlier than 5 years after the first occupancy permit)*
- ❖ *building land (land allocated for development by local authorities)*
- ❖ *cases where the vendor decides to apply the tax*
- ❖ *the sale of real estate as a part of the sale of the business*

III. VAT Issues

❖ LEASE OF REAL ESTATE

❖ Exempt from VAT, except for:

- ❖ *accommodation services*

- ❖ *the letting of premises and sites for parking vehicles*

- ❖ *the letting of permanently installed equipment and machinery*

- ❖ The lessor (VAT payer) may decide to apply VAT when leasing the property to another VAT payer.

IV. Transfer of Capital

- ❖ Free movement of capital
- ❖ Repatriation of capital of a Slovak company to its foreign shareholders
- ❖ 0% dividend taxes for shareholders (both natural persons and legal entities)

V. Acquiring and Transfer of Real Estate

❖ OBJECTS OF ACQUISITION

- ❖ Lands
- ❖ Buildings (owner of the building may be different from the owner of the land plot, upon which the building stands)
- ❖ Apartments
- ❖ Non-residential premises

V. Acquiring and Transfer of Real Estate

❖ WHO MAY ACQUIRE REAL ESTATE AFTER MAY 1, 2004?

- ❖ Slovak persons
- ❖ Slovak companies owned by foreign persons
- ❖ Foreign persons (not only from EU member states)
 - ❖ *Exemptions:*
 - *Agricultural and land funds located outside the built-up territory of the commune*
 - *Real estate necessarily owned by the State (rivers, natural resources, etc.)*

V. Acquiring and Transfer of Real Estate

- ❖ **TRANSFER OF REAL ESTATE - 2 PHASES**
 - ❖ Conclusion of the agreement
 - ❖ Registration in the Land Register

V. Acquiring and Transfer of Real Estate

❖ RISKS

- ❖ Information in the Land Register does not correspond to the real situation
- ❖ Rights of third persons may not be registered in the Land Register
- ❖ Many co-owners of real estate, in particular land plots (historic reasons)
- ❖ Pending restitution claims
- ❖ Environmental burdens (brownfields)



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