

THE OECD TAX-BENEFIT MODEL FOR SLOVAK REPUBLIC

Description of policy rules for 2018



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Preface

The [OECD Tax-Benefit model \(TaxBEN\)](#) incorporates detailed policy rules for tax liabilities and benefit entitlements as they apply to individual families across OECD member countries. Its main use is to calculate the amount of taxes that people are liable to pay, and the government transfers they are likely to receive, in different family and labour-market situations. The model includes legal policy rules that are relevant for people of **working age** (from 18 years old until the statutory retirement age) and their dependent children. Income tax liabilities and benefit entitlements are calculated for a broad set of *stylised* families (“vignettes”, e.g. a married couple of 40 years old adults with two children aged 4 and 6 respectively). Model users are free to change many of these characteristics, including the age and number of children, activity status of adult members, hours of work, current and past earnings levels, unemployment duration, social contribution records, and housing-related costs. The model has been updated annually since the early 2000s for most OECD countries.

TaxBEN’s policy scope includes the main taxes on employment income (earnings), social contributions paid by individuals and by employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits and support for non-parental childcare are included for a sub-set of countries and years. The most important policy areas that are outside the scope of the model include taxes on wealth (e.g. taxes on immovable and unmovable properties, including local taxes), indirect taxes (e.g. VAT), early-retirement benefits, sickness benefits and in-kind transfers (e.g. free school meals, subsidised transport and free health care).

This report describes the taxes and benefits that are included in the model and focuses on the rules that are relevant for family, individual and labour-market circumstances that are within its scope. The **Annex** provides information on other cash benefits and taxes on employment incomes that can be relevant for some members of the working-age population, but which are not included in the TaxBEN model.

Reading notes and further details on the scope and content of this report

- The **reference date** for policy rules described in this report is **January 1, 2018**.
- **Guidelines for completing and updating this report** are provided [here](#).
- Further information on the model, model results, and references to reports and analytical uses is available on the [project website](#). A [methodology](#) document provides a full description of the assumptions underlying the model as well as the model choices that users can make. The symbol  in the text provides a link to a glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- In order to facilitate transparency between the policy descriptions and the associated code in the model, the **variable names** are indicated in the text in square brackets using the following format: **[variable name]**, for instance: **[AW]** for the average wage.

The OECD tax-benefit model for Slovak Republic: Policy rules in 2018

1. Reference wages

The 2018 average wage [AW] is EUR 11 975.¹

The minimum wage [MIN] in 2018 is EUR 480 per month. The annual minimum wage is computed by multiplying the minimum monthly wage (as of January 1, 2018) by 12, i.e. EUR 480 * 12 = EUR 5 760.

2. Unemployment benefits

2.1. Unemployment benefit (*Poistenie v nezamestnanosti*)

Code in the OECD tax-benefit model:² [UI_p; UI_s]

This is an unemployment insurance benefit. It is contributory, not means-tested and not taxable. 

2.1.1. Eligibility conditions

Age: Person has reached 16 years of age and is below the pensionable age.

Contribution/employment history: A person has to be insured for unemployment, sickness and retirement. A person must have unemployment insurance for at least 2 years within the past 3 years before being included to registry of unemployed persons looking for employment. Rules for seasonal workers are slightly different and are not covered by the model.

Behavioural requirements and related eligibility conditions:  In order to be eligible for the benefit a person must be registered as a jobseeker, must cooperate with the Labour Office, actively look for a job and be available in 3 days' time interval on request of the Labour Office. TaxBEN assumes that these compulsory conditions are satisfied when simulating unemployment benefits.³

2.1.2. Benefit amount

Contribution base: Daily assessment basis is the sum of assessment bases to pay premiums for unemployment insurance within the determining period, divided by the number of days of that period.

¹ AW refers to the Average Wage estimated by the [Centre for Tax Policy and Administration](#). For more information on methodology see the latest [Taxing Wages publication](#).

² The variable names ending with “_p” refer to the first adult (so-called “principal” adult) whereas those ending with “_s” are related to the spouse.

³ Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see Immervoll and Knotz (2018, forthcoming), [Langenbacher \(2015\)](#) and [Venn \(2011\)](#).

The maximum monthly assessment base is 2 times the average wage two years earlier. In 2016 the average wage was EUR 912 per month, thus the maximum monthly assessment base in 2018 was EUR 1 824 per month.

Benefit amount: The daily amount of unemployment benefit is 50% of the daily assessment basis. Monthly benefit equals daily benefit multiplied by the number of days in a month.

2.1.3. *Benefit duration*

The claim to unemployment benefit arises since the day of being included into the registry of unemployed persons. The maximum duration of the benefit is 6 months.

2.1.4. *Means test*

The benefit is not means-tested.

2.1.5. *Tax treatment*

The benefit is not taxable.

2.1.6. *Interactions with other components of the tax-benefit system*

Unemployment insurance does not apply to recipients of disability benefit (if the decrease in ability to carry out gainful activities is more than 70%), for recipients of old-age benefit and early old-age benefit. A person is not entitled to unemployment benefit if he or she receives sickness benefits, nursing benefits, maternity allowances and parental allowance.

2.1.7. *Combining benefit receipt and employment/starting a new job*

If the beneficiary (i) has been paid unemployment benefit for at least 3 months and (ii) has been put off the Jobseekers Register on account of undertaking the activity of an employee, he or she can claim a lump-sum payment of 50% of the unemployment benefit for the remaining part of the supported period. In the model this lump-sum payment [[WorkBonus_p](#), [WorkBonus_s](#)] is simulated separately from the main unemployment benefit and is classified as “in-work benefits” (see Section 6.)

Since November 2013, long-term unemployed hired on a low-paid job (67% of the average wage two years ago) may be exempted for the first 12 months from social insurance contributions including contribution on unemployment insurance (except accident insurance contributions and guarantee insurance contribution). They are not covered by benefits at that time. (*This is not simulated in the model.*)

3. Social assistance and housing benefits

The Act on assistance in material need regulates provision of assistance in material need (see Section 3.1.) and special allowance (see Section 6.1.).

3.1. *Assistance in material need (Pomoc v hmotnej núdži)*

Assistance in material need includes:

- benefit in material need (*Dávka v hmotnej núdži*) - [[SA_i](#)]

- protection allowance (*Ochranný príspevok*) - [SA_dep_child]
- activation allowance (*Aktivačný príspevok*) - [SA_AA]
- allowance for dependent child (*Príspevok na nezaopatrené dieťa*) - [SA_dep_child]
- housing allowance (*Príspevok na bývanie*) - [HB_SA].

In the model housing allowance is included in “housing benefits” [HB] while other components are included in “social assistance” [SA].

This is a non-contributory benefit, means-tested and not taxable.

3.1.1. Eligibility conditions

In order to be eligible to assistance in material need the income of household members does not achieve the subsistence minimum (see Section 3.1.4.), and household members are unable to secure or increase the income through their own endeavours. Before claiming assistance in material need claimants should exercise their rights to other benefits providing basic living conditions, such as alimony, compensation income for temporary incapacity, sickness insurance, pension insurance, accident insurance, etc.

The household for the purposes of assessing material need are the following:

- the claimant
- their husband or wife,
- any dependent children living with them in the household,
- their parents living with them in the household,
- any children aged up to 25 years, who have no income, or have an income not exceeding the amount of the minimum wage and are living with them in the household, with the exception of children who are entitled to the payment of unemployment benefit or study in a doctoral program full time
- any children over 25 years living with them in the household who are preparing for a future occupation in daily form study, with the exception of children who are entitled to the payment of unemployment benefit or study in a doctoral program full time.

Protection allowance:

Protective allowance is intended to ensure personal expenditure of a household member who is not able to secure or increase income by working.

Activation allowance:

Activation allowance is provided to support the acquisition, maintenance or increase of knowledge, professional skills and work habits for a career in the assistance in material need. It is granted to each member of the household:

- a) who has earned income of not less than the minimum monthly wage, or
- b) who is in the register of jobseekers and
 - upgrades their skills through part-time study in high school, college or for a master’s degree
 - participates in education and training for the labour market
 - participates in activation activities
 - carries out common services or volunteer work
- c) who receives parental allowance, and who studies at a secondary school or university.

Allowance for dependent child:

The allowance for dependent child is designed to support education, training and overall development of the child in the household that duly fulfils compulsory education, which finishes at age 16.

Housing allowance:

The housing allowance can be granted if a member of the household is the owner of an apartment/ family house or a tenant of an apartment/ family house/ room in a facility designed for housing. The household or a member of the household is eligible to the housing allowance if they pay the cost related to housing.

3.1.2. Benefit amount

The mechanism of the calculation of the amount of assistance in material need is based on determining the difference between the sum of entitlements to assistance of material need (benefit in material need, housing allowance, protective allowance, activation allowance and allowance for dependent child) and the income. The amount of assistance in material need is calculated as the difference between the total amounts of claims for assistance in material need and the income of a household in material need. Assistance in material need is calculated and paid as one payment. If the amount is less than one euro, assistance in material need is not paid.

Benefit in material need

The amounts of benefit in material need (since 1 January 2014) are:

- EUR 61.60 per month for an individual
- EUR 117.20 per month for an individual with a child or with maximum four children
- EUR 107.10 per month for a childless couple
- EUR 160.40 per month for a couple with a child or with maximum four children
- EUR 171.20 per month for an individual with more than four children
- EUR 216.10 per month for couples with more than four children.

Protection allowance

The amount of protective allowance for each member of the household is

- EUR 63.07 per month in the case of a household member who:
 - has reached the age required for the right to old age pension or is disabled (the capacity to engage in gainful employment has been reduced by more than 70%)
 - is a lone parent who takes care of a child aged up to 31 weeks
 - personally, daily and properly cared for a person with disability reliant on care, this also applies to the time when such an individual is provided a respite services under the Social Services Act
 - participates in resocialization programs in the resocialization center in a residential form in which it cannot secure income through their own work
- EUR 34.69 per month in the case of household member who:
 - has unfavourable health state lasting continuously for more than 30 days, which is established by the relevant attending physician.

- EUR 13.50 per month in the case of household member who:
 - is a pregnant women from the start of the fourth month of pregnancy
 - is a parent who personally and full-time cares for a child under one year of age *(covered by the model)*.

Most situations when a person is eligible for protection allowance are not covered by the model.

Activation allowance

The amount of activation allowance is EUR 63.07 per month.

Allowance for dependent child

The amount of allowance for dependent child is EUR 17.20 per month. The allowance is provided from the beginning of the school year during school days as well as school holidays.

Housing allowance

The amount of the housing allowance is:

- EUR 55.80 per month in the case of household with one member
- EUR 89.20 per month in the case of household with multiple members.

The housing allowance is paid once per apartment/ family house/ facility designed for housing regardless the number of households living there.

3.1.3. Benefit duration

The assistance in material need is payable to the citizen on the basis of lawful decision and during the period in which the entitlement conditions last.

3.1.4. Means test

The amounts of subsistence minimum used for determining the situation of material need are (Since 1 July 2017):

Minimum Living Standards (MLS), EUR per month	
First adult	199.48
Second adult	139.16
Child	91.06

For the purposes of the calculation of the assistance in material need the following sources of income are disregarded:

(covered by the model)

- 25% of earnings net of income tax and employee social security contributions
- 50% of earnings net of income tax and employee social security contributions if a special allowance is granted to a member of the household
- child allowance and supplement to child allowance
- childcare allowance
- employee tax credit and child tax credit

- special allowance

(not covered by the model)

- 25% of the old-age pension or early pension, this proportion increased by 1% for each additional year of pensions insurance above 25 years of pension insurance (so for example if there is 28 years of pension insurance, so 28% of the old age pension is disregarded)
- 25% of the maternity allowance, invalidity pension, social pension, orphan's pension, widow's and widower's pension
- other emergency assistance provided by municipalities or other administrations
- income of the secondary school pupils and university students studying full-time up to 1.2-times the amount of subsistence minimum for a natural adult person
- scholarship
- one-off state social benefits
- cash benefits for citizens with severe disabilities with the exception of the allowance for care
- reimbursement of some expenses for job seekers
- alimony paid by the person liable for the amount of maintenance replacement by a household member who is obliged to return it,
- other

3.1.5. Tax treatment

The benefit is not taxable.

3.1.6. Interaction with other components of the tax-benefit system

Unemployment benefits, alimony replacement benefit and parental allowance are included in the means test for social assistance.

3.1.7. Combining benefit receipt and employment/starting a new job

No restrictions, but earnings less a disregard are included in the means test as described above.

4. Family benefits

4.1. Child allowance (*Pridavok na dieťa*)

Variable name: **[FB_I]**

This is a universal benefit, non-contributory, not means-tested and not taxable.

4.1.1. Eligibility conditions

Child allowance is paid for children until the end of compulsory school (16 years) and up to 25 years for full-time vocational trainees, university students and those who cannot work or study due to sickness or injury.

4.1.2. Benefit amount

From 1 January 2018 the amount of child allowance is EUR 23.68 per child per month.

4.1.3. *Benefit duration*

As long as the eligibility conditions hold.

4.1.4. *Means test*

The benefit is not means-tested.

4.1.5. *Tax treatment*

The benefit is not taxable.

4.1.6. *Interaction with other components of the tax-benefit system*

The benefit is universal and can be received together with any other benefit.

4.1.7. *Combining benefit receipt and employment/starting a new job*

The benefit is universal; employment doesn't affect benefit receipt.

4.2. *Alimony replacement benefit (Náhradné výživné)*

Code in the OECD tax-benefit model: [\[LPB\]](#)

This is a non-contributory benefit, means-tested and not taxable. The benefit is effective since 1 January 2005.

4.2.1. *Eligibility conditions*

The government provides support to the lone parent in case the absent parent does not pay the alimonies for more than three months in a row. Dependent child is defined in the same way as for child allowance (see Section 4.1.1.)

4.2.2. *Benefit amount*

The amount of the benefit is 1.2 times the subsistence minimum for dependent child (but each case is evaluated individually). From 1 July 2017 the subsistence minimum for dependent child is EUR 91.06 per month.

4.2.3. *Benefit duration*

As long as eligibility conditions hold.

4.2.4. *Means test*

The net income of the recipient cannot exceed subsistence minimum for lone parent times 2.2. The eligibility is re-evaluated every 6 months. Net income equals gross earnings plus child allowance, parental allowance, unemployment benefit and tax credits minus income tax and employee social security contributions.

4.2.5. *Tax treatment*

Non-taxable.

4.2.6. *Interaction with other components of the tax-benefit system*

Unemployment benefit, child allowance, childcare allowance and parental allowance are all taken into account in the means test. Alimony replacement benefit is taken into account in the means test for assistance in material need.

4.2.7. *Combining benefit receipt and employment/starting a new job*

No restrictions, but earnings taken into account in the means test as described above.

5. Childcare for pre-school children

The **reference date** for the policy rules described in this section is **January 1, 2018**.⁴

Compulsory school attendance starts, as a rule, at the beginning of the school year, following the date on which the child reached the age of six. A child who has not become school mature can have his or her school attendance put off by one year.

5.1. *Gross childcare fees*

Code in the OECD tax-benefit model: [\[SKcc_cost\]](#)

In pre-school facilities run by local authorities, which include kindergartens and special kindergartens, parents pay a monthly fee per child to cover part of the costs related to the material provision for the education process up to 7.5% of the subsistence minimum for a dependent child (EUR 91.06 since 1 July 2017), i.e. EUR 6.83.

In pre-school facilities run by municipalities (the case considered in the TaxBEN model), the amount of the monthly allowance of the legal representative to cover partially the expenses shall be determined by the founder generally binding regulation. The fee used in the model is the average monthly fee obtained from the European Commission report – Early Childhood education and care systems in Europe – EUR 19.70 per month in 2015.

In addition to monthly fee per child, referred to above, the parent pays for the child's meals in the kindergarten. The amount for meals varies, depending on the actual way of taking meals by the child. Full-day board (morning and afternoon snacks, lunch) will amount to approximately EUR from EUR 1,05 to EUR 1,34 per child per day. In the TaxBEN model the midpoint of these two values, i.e. EUR 1,195 per child per day is used. It could be different for some maternity schools (children in age 2-6), it depends on costs for the purchase of food per meal.

5.1.1. *Discounts for part-time usage (not modelled)*

The same fee schedule applies to parents who only use childcare part-time, but the other payment may be different in the case of food and other expenses for care that are different and depend on the location where the kindergarten is located.

5.2. *Fee discounts and free provision*

The legal representative of child does not pay the monthly fee upon fulfilment of the following conditions:

⁴ The childcare module of the tax-benefit model is updated every three year (next update: 2018).

- the child is one year before the compulsory school attendance
- the legal representative of the child is recipient of assistance in material need
- the child is placed in the facility following a court decision.

The actual amount of fee, in the stipulated range, is determined by the director of the pre-school facility/ kindergarten or special kindergarten/, with a possibility to have the fee differentiated, for example, according to the number of siblings in the kindergarten, the child's age, duration of stay in the pre-school facility, etc.

Fees are not taken into account when determining entitlement to other benefits, including social assistance.

5.3. Child-care benefits for formal centre-based care

Variable name: `[cc_benefit]`

Child care allowance (*Príspevok na starostlivosť o dieťa*) is granted to a parent or a substitute parent as a compensation of the child's care expenses.

5.3.1. Eligibility

It is provided to persons taking care of a child up to the age of 3 years or up to the age of 6 years in case of long-term or severe disability and pursues economic activity, or studies and ensures the care of his/her child by official childcare service provider.

5.3.2. Benefit amount

The amount corresponds to the documented expenses (since 1 January 2016):

- up to EUR 280 monthly in case of child care carried out by an official provider;
- up to EUR 80 monthly in case of child care provided by kindergarten registered in the network of schools and school facilities. The kindergarten must be established by a municipality or state administration at the local level;
- EUR 41.10 monthly without documented expenses in certain cases, if child care is provided by a person (e.g. grandparent) who does not receive parental allowance.

5.3.3. Benefit duration

As long as the eligibility conditions hold.

5.3.4. Means test

No income test.

5.3.5. Tax treatment

Not taxable.

5.3.6. Interaction with other benefits

Childcare allowance cannot be combined with maternity benefit or parental allowance.

5.3.7. Combining benefit receipt and employment/starting a new job

The benefit is targeted at those in work, but there is no requirement for claimants to be in work.

5.4. *Child care allowance for children not using child care centers*

Variable name: **[HomeCare]**

Parental allowance (*Rodičovský príspevok*) is a monthly benefit to contribute to parents taking care of their children.

5.4.1. *Eligibility*

Since 2011 one of the child's parents is entitled to allowance if he or she takes proper care of at least one child up to the age of 3 years (or up to the age of 6 years in case of long-term or heavy disability)

5.4.2. *Benefit amount*

From 1 January 2018 the monthly amount of this allowance is EUR 214.70.

For parents who have children who were born at the same time (twins, triplets, etc.) the amount of parental allowance is increased by 25% for each additional child (*not simulated*).

If there is a school-age child in the family who fails to attend compulsory school the amount is reduced by 50% (*not simulated*).

5.4.3. *Benefit duration*

As long as the eligibility conditions hold.

5.4.4. *Means test*

No income test.

5.4.5. *Tax treatment*

Not taxable.

5.4.6. *Interaction with other benefits*

Parental allowance cannot be combined with unemployment benefit, sickness benefit or maternity benefit or childcare allowance.

5.4.7. *Combining benefit receipt and employment/starting a new job*

No restrictions.

5.5. *Tax concessions for childcare expenditures*

The childcare fees paid by parents are not tax deductible.

6. In-work benefits

6.1. *Special allowance – Osobitný príspevok*

Variable names: **[SA_SPEC_ALL_p, SA_SPEC_ALL_s]**

This is a non-contributory benefit, means-tested against individual earnings and is not taxable. In the model it is classified as an “in-work benefit” **[IW]**.

6.1.1. Eligibility conditions

The special allowance is granted to a person who:

- a) starts employment or similar working relations (for at least one half of the set weekly working hours with the agreed income not less than the minimum wage corresponding to the agreed scope of weekly working time; with the maximum pay of twice the minimum wage)
- b) prior to the occurrence of employment was:
 - long-term unemployed, or
 - for at least 12 calendar months
 - did not carry out activities that are eligible for earned income, income from business, income from other self-activities or equivalent income abroad
 - failed to comply with compulsory school attendance
 - did not assume for future full-time students
 - did not receive sickness, maternity or retirement pension
 - did not receive invalidity pension, retirement allowance, retirement pension or disability pension;
- c) is a household member who ceases to provide assistance in material need or who ended with the provision of assistance in material need due to creation of employment.

6.1.2. Benefit amount

Special allowance is granted to a person during the period of employment or similar labour relation. The amount is:

- a) EUR 126.14 per month for the first six calendar months
- b) EUR 63.07 per month for the next 6 calendar months.

6.1.3. Benefit duration

The benefit is paid for maximum 12 calendar months.

6.1.4. Means test

There is no income test of family or household income. However, there are restrictions on recipient's earnings (see eligibility conditions in Section 6.1.1.)

6.1.5. Tax treatment

The benefit is not taxable.

6.1.6. Interaction with other components of the tax-benefit system

The benefit can be received alongside assistance in material need, child allowance, child care allowance or parental allowance.

6.1.7. Combining benefit receipt and employment/starting a new job

The benefit is targeted at people who start employment.

7. Social security contributions and payroll taxes

7.1. Social security contributions payable by employees and benefit recipients

Variable names: [SOCSEC_health_1, SOCSEC_others_1, SOCSEC_health_2, SOCSEC_others_2]

Since 1 January 2010 the monthly minimum assessment base of all categories of employees (part-time, full-time, etc.) is employee's real monthly wage. Compulsory contributions of 13.4% of gross wages are paid by all employees into government operated schemes. The total is made up as follows:

Contribution type	Rate (%)
Health Insurance	4.0
Social Insurance	9.4
of which:	
- Sickness	1.4
- Retirement	4.0
- Disability	3.0
- Unemployment	1.0

There are maximum assessment bases MSSAB (maximum threshold for contributions to apply). These limits apply to both employee and employer contributions. From 2004 these MSSAB are no longer fixed values but depend upon the average wage in the national economy (AW). Since January 2017 MSSAB for all types of insurance (except accident insurance) have been increased to $7 * AW_{t-2}$, where AW_{t-2} is the average wage two years ago (in 2016 it was EUR 912 per month). Thus, $MSSAB = 7 * EUR 912 * 12 = EUR 76 608$ per year. For accident and health insurance there is no limit.

As of 2015 the health insurance contribution (HIC) allowance has been introduced. The allowance decreases the employee's and employer's assessment base for the health insurance. It amounts to EUR 380 per month (EUR 4 560 annually) and decreases with rising income. With 1 euro rise in the monthly income the monthly allowance is reduced by 2 euros. When the income reaches EUR 570.0 (EUR 6 840 annually) the allowance is reduced to zero. Since January 2018 the HIC allowance is available only for employee, and not employer contributions. The HIC allowance is applicable only on standard employment income (not self-employed income or income based on temporary contracts). However, to determine the amount of allowance all types of incomes are assessed, to target only low income workers.

7.2. Social security contributions payable by employers

Variable names: [SSCR_1, SSCR_2]

The total contribution for employers is 35.2% of gross wages. The contribution comprises the health insurance contribution (10%) and the social insurance contribution (25.2%). The social insurance rate reflects contributions to sickness insurance (1.4%), disability insurance (3%), retirement insurance (13.5%), the Guaranteed Fund (0.25%), accident

insurance (0.8%), unemployment (1%) and the Reserve Fund (4.75%). All contributions are rounded down to two decimal points.

Since January 2005, Slovakia has introduced the privately managed fully funded pillar. This means that a given proportion (initially 9 percentage points; from 1 September 2012 – 4 percentage points; from 2017 it will be raised each year by 0.25% to a target level of 6%, so in 2017 the proportion is 4.5%) of social contributions paid by the employer for retirement insurance flows directly to the private pension funds and not to the Social Insurance Agency as in previous years. Until 2017, there is a possibility of voluntary contributing to the second pillar with tax allowances up to 2% of the tax base.

Employers also contribute to the Social Fund. The Social Fund must be compulsorily created by all employers who have their registered office or residence in the territory of the Slovak Republic and employ at least one employee in labour-law or service contract. The minimum mandatory contribution rate is set to at least 0.6% of gross employee salaries in the current year. The Social Fund is used for implementation of enterprise social policy for employees, e.g. for catering allowances, transport, social assistance, supplementary pension, etc.

8. Taxes

Slovakia has only central government income tax. There are no separate state or local income taxes. The tax unit is the individual.

8.1. *Personal income tax*

Variable name: **[IT]**

8.1.1. *Tax allowances*

The digressive tax allowances (personal tax allowance and spouse allowance) are taken into account only once a year when the tax return is filed or when the annual clearing is performed. Monthly tax prepayments during the year are therefore not affected.

Basic tax allowance:

The basic tax allowance for all taxpayers is 19.2 times the minimum living standard (MLS) for a basic adult. Since 1 January 2018 it is $19.2 * \text{EUR } 199.48 = \text{EUR } 3\,830.02$ per year.

If gross earnings net of employee social security contributions exceed EUR 19 948 ($100 * \text{MLS}$), the allowance is gradually reduced. (This threshold approximately equals to an employee's monthly gross wage of EUR 1 920.) In this case, the reduced amount of allowance is calculated as $44.2 * \text{MLS}$ minus 0.25 times gross earnings net of employee social security contributions.

The basic personal allowance reaches 0 if the gross earnings net of employee social security contributions amount to EUR 35 268.06 per year. (This corresponds to employee's monthly gross wage of approximately EUR 3 394.) The value of the basic tax allowance cannot become negative.

Spouse tax allowance:

An additional allowance is given to the principal earner in respect of a spouse living in the same household if the spouse earns no more than EUR 3 830.02 per year. As of 2013, to be entitled to spouse allowance one of the following conditions should be met:

- spouse is taking care of (not necessarily personally) children up to 3 years (or up to 6 years if child is disabled)
- spouse is unemployed
- spouse is receiving nursing allowance (*not covered by the model*)
- spouse is disabled (*not covered by the model*).

As from 1 January 2007 the value of the spouse allowance depends on the gross earnings net of employee social security contributions of both the principal and the spouse.

If the principal's gross earnings net of employee social security contributions are lower or equal to EUR 35 268.06 (176.8 * MLS) and the spouse's gross earnings net of employee social security contributions are lower than EUR 3 803.33 (19.2 * MLS), the spouse allowance is calculated as the difference between 19.2 * MLS and the spouse's gross earnings net of employee social security contributions.

If the gross earnings net of employee social security contributions of the spouse exceed EUR 3 830.02, the spouse allowance is 0.

If the principal's gross earnings net of employee social security contributions exceed EUR 35 268.06 (176.8 * MLS), the spouse allowance is calculated as 63.4 * MLS minus 0.25 times the principal's gross earnings net of employee social security contributions. This amount is reduced by the spouse's gross earnings net of employee social security contributions. The value of the spouse allowance cannot become negative.

Other tax allowances:

Relief for social and health security contributions: employee's social security contributions are deductible for income tax purposes.

8.1.2. Tax base

The tax base is calculated as employment income minus tax allowances (including employee's social security contributions). Income tax schedule is applied to the tax base.

8.1.3. Income tax schedule

In 2013 the previous flat tax rate of 19% was replaced by a new tax schedule with two tax brackets. The ceiling for the first bracket is set as 176.8 * MLS (= EUR 35 268.06). The tax schedule is as follows:

Annual taxable income (EUR)	Rate (%)
0 – 35 268.06	19
35 268.06 and over	25

8.1.4. Tax credits

Child tax credit: The previous allowance for children was replaced by a tax credit in January 2004. Since 2018 the tax credit is EUR 21.56 per child per month (EUR 258.72 per year). The tax credit is deducted from the tax liability; if the credit exceeds the tax liability, the excess will be paid to the taxpayer. In order to receive this tax credit, the parent must annually earn at least 6 times the minimum monthly wage (in 2016 it is EUR 480 * 6 = EUR 2 880 per year). The credit can be taken only by one partner. It can be taken by one partner for part of the tax period (year) and by the other partner for the rest of the tax period (year); this choice will have to hold for all dependent children.

In the model it is assumed that the credit is claimed by the highest wage earner. It is included in “in-work benefits” [\[IW\]](#).

Employee tax credit (ETC):

Prior to 2015 low-income workers were eligible for employee tax credit. The employee tax credit was effective since 2009 and depended on employee’s earnings and the number of months worked. In order to receive employee tax credit, earnings should be at least 6 times of the minimum wage and 12 times the minimum wage. The credit was then calculated as a 19% of the difference between the basic allowance and the tax base (gross earnings net of employee SSC). In 2018 the tax base (at the level of the minimum wage, EUR 5 074.56) is higher than the basic allowance (EUR 3 830.02) the tax credit is automatically zero (so effectively anyone can be eligible).

In the model this tax credit is included in “in-work benefits” [\[IW\]](#).

Annex: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in Slovak Republic that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

Subsidy for food and school supplies (Dotácia na stravu a školské potreby)

The subsidy can be granted to children who attend compulsory schooling and live in families which receive assistance in material need or their average monthly income for the last six consecutive months is below the subsistence minimum.

Subsidies for food can be provided to ensure food for a child in a preschool facility or a primary school. Subsidy for school supplies can be provided to ensure school supplies for children in the preparatory class in a pre-school facility or in a school.

The food subsidy and the subsidy for school supplies can be granted for:

- every child who attends pre-school or school in which at least 50% of children are from families receiving benefits and allowances
- the individual child who lives in the family which receives benefits or whose income does not exceed the amount of subsistence minimum.

Subsidy for food is EUR 1 per day for lunch and EUR 0.35 for other food (granted only for days when the child attends school). Subsidy for school supplies is EUR 33.20 per child for the financial year.

Subsidy for food and subsidy for supplies can be provided by the founder of kindergarten or the founder of the primary school or municipality or civic associations. The subsidy is paid to the service provider not to the parents of the child.

Additional child benefit (Príplatok k prídavku na dieťa)

It is an extra allowance for dependent children introduced in January 2008. The entitlement arises if the caretaker of the child is not entitled to the tax credit for dependent children, does not work or is a recipient of pension (old-age, early old-age or disability). From 1 January 2018 the monthly amount of this allowance is EUR 11.10.