Slovakia

RISK & COMPLIANCE REPORT

DATE: March 2018

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Executive Summary - Slovakia	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Medium Risk Areas:	Compliance with FATF 40 + 9 Recommendations US Dept of State Money Laundering assessment Corruption Index (Transparency International & W.G.I.)) Failed States Index (Political Issues)(Average Score)

Major Investment Areas:

Agriculture - products:

grains, potatoes, sugar beets, hops, fruit; pigs, cattle, poultry; forest products

Industries:

metal and metal products; food and beverages; electricity, gas, coke, oil, nuclear fuel; chemicals and manmade fibers; machinery; paper and printing; earthenware and ceramics; transport vehicles; textiles; electrical and optical apparatus; rubber products

Exports - commodities:

machinery and electrical equipment 35.9%, vehicles 21%, base metals 11.3%, chemicals and minerals 8.1%, plastics 4.9% (2009 est.)

Exports - partners:

Germany 22.4%, Czech Republic 14.6%, Poland 8.6%, Hungary 7.8%, Austria 7.1%, France 5.6%, Italy 4.9%, UK 4.1% (2012)

Imports - commodities:

machinery and transport equipment 31%, mineral products 13%, vehicles 12%, base metals 9%, chemicals 8%, plastics 6% (2009 est.)

Imports - partners:

Germany 18.5%, Czech Republic 17.9%, Russia 9.9%, Austria 7.7%, Hungary 7.2%, Poland 6%, South Korea 4.3% (2012)

Investment Restrictions:

Foreign and domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activity in Slovakia. In theory, competitive equality is the standard by which private enterprises compete with public entities. In addition, businesses are able to contract directly with foreign entities.

Contents

Section 1 - Background **4**
Section 2 - Anti – Money Laundering / Terrorist Financing **5**
FATF status 5
Compliance with FATF Recommendations 5
Key Findings from latest Mutual Evaluation Report (2011): 6
US Department of State Money Laundering assessment (INCSR) 6
Reports 10
International Sanctions 12
Bribery & Corruption 13
Corruption and Government Transparency - Report by US State Department 13
Section 3 - Economy **15**
Banking 15
Stock Exchange 16
Section 4 - Investment Climate **17**
Section 5 - Government **42**
Section 6 - Tax **44**
Methodology and Sources **47**

Section 1 - Background

Slovakia's roots can be traced to the 9th century state of Great Moravia. Subsequently, the Slovaks became part of the Hungarian Kingdom, where they remained for the next 1,000 years. Following the formation of the dual Austro-Hungarian monarchy in 1867, language and education policies favoring the use of Hungarian (Magyarization) resulted in a strengthening of Slovak nationalism and a cultivation of cultural ties with the closely related Czechs, who were under Austrian rule. After the dissolution of the Austro-Hungarian Empire at the close of World War I, the Slovaks joined the Czechs to form Czechoslovakia. During the interwar period, Slovak nationalist leaders pushed for autonomy within Czechoslovakia, and in 1939 Slovakia became an independent state allied with Nazi Germany. Following World War II, Czechoslovakia was reconstituted and came under communist rule within Soviet-dominated Eastern Europe. In 1968, an invasion by Warsaw Pact troops ended the efforts of the country's leaders to liberalize communist rule and create "socialism with a human face," ushering in a period of repression known as "normalization." The peaceful "Velvet Revolution" swept the Communist Party from power at the end of 1989 and inaugurated a return to democratic rule and a market economy. On 1 January 1993, the country underwent a nonviolent "velvet divorce" into its two national components, Slovakia and the Czech Republic. Slovakia joined both NATO and the EU in the spring of 2004 and the euro zone on 1 January 2009.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Slovakia is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Slovakia was undertaken by the Financial Action Task Force (FATF) in 2011. According to that Evaluation, Slovakia was deemed Compliant for 4 and Largely Compliant for 18 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 4 of the 6 Core Recommendations.

MoneyVal Plenary - 1st June 2017: Fourth round follow up: application by the Slovak Republic to be removed from regular follow-up

The Secretariat presented its analysis on the Slovak Republic's application to be removed from regular follow-up process under the 4th round follow-up. Since the adoption of the 4th round MER, the Slovak Republic has taken a number of measures with a view to addressing the remaining shortcomings identified in respect of the key and core recommendations. However, there still remain deficiencies related to R.26 and SR.III.

At the 52nd Plenary in December 2016, the Plenary considered that the Slovak Republic was not yet in a position to be removed from regular follow-up due to the fact that a number of deficiencies under some key recommendations remain. Therefore, the Plenary invited the Slovak Republic to provide a further follow-up report at the 53rd Plenary and seek then removal from the regular follow-up process.

The Slovak Republic has made progress with regard to SR.III, with the new "Act on the implementation of the international sanctions" covering the freezing of assets in the event of control or possession of assets. The deficiencies related to the timely amendment of lists published under UNSCR 1267 have however not yet been addressed. Mechanisms for considering requests for freezing from other countries and procedures for de-listing and unfreezing have been included in the new Act. However, some deficiencies still remain.

With regard to Recommendation 26, a proposal for organisational changes related to the position of the FIU within the Police Force was prepared. Despite initial positive feedback from the Presidium of the Police Force, the latter authority's management refused the request in early 2017. As no formal actions have been taken since the adoption of the 4th round MER, the concerns raised therein relating to the weak formal position of the FIU in the police structure remain. No formal safeguards were introduced to ensure the FIU's operational independence and autonomy.

Decision taken

The Plenary decided to move the Slovak Republic into enhanced follow-up and apply step 1 under the MONEYVAL Compliance Enhancing Procedures. In doing so, the Plenary took into account the severity of the outstanding deficiencies (mostly under R.26 and SR.III) and the fact that the 4th round MER of the Slovak Republic was adopted in September 2011, i.e. more than five and a half years ago. The Slovak Republic was requested to report back to the Plenary on progress made in December 2017.

Key Findings from latest Mutual Evaluation Report (2011):

Slovakia enacted on 1 September 2008 a new Act No. 297/2008 Coll. on the Prevention of Legalisation of Proceeds of Criminal Activity and Terrorist Financing transposing the Third EU Money Laundering Directive, and Implementing Direct ive. Overall, the new law has brought the Slovak preventive AML/CFT system broadly into line with the FATF standards. Notably it established a clear legal basis for reporting suspi cions of financing of terrorism, which was missing at the time of the last evaluation.

Even though no formal action plan (at policy level) aiming at reviewing the implementation of AML/CFT policies domestically was adopted by the Government after the adoption of the 3 rd round mutual evaluation report (MER) for the implementati on of the recommendations, most of the elements of the action plan as set out in the 3 rd round MER appear to have been addressed and significant progress has continued to be made since the adoption of the 3 rd round MER in September 2006.

The evaluators were not advised of any specific AML /CFT risk assessment undertaken since the last evaluation. Nonetheless, they were advised that there is a significant threat from domestic organised crime investing its proceeds overwhelming ly within the Slovak economy. Other prevalent economic and financial crimes include official corr uption, theft of vehicles, tax evasion, fraud, and smuggling.

The authorities consider the TF risk to be low. The major improvement with regard to the fight against terrorist financing since the adoption of t he 3 rd round MER has been the incrimination of financing of terrorism offence as an autonomous off ence which is broadly in line with the international standards, though some issues, as not ed beneath, remain outstanding.

Overall, Slovakia has continued to develop and strengthen its AML/CFT regime since the adoption of the 3 rd round MER. There is, however, still a very low lev el of prosecutions for money laundering (ML) (and, though this is less clear, of orders to confiscate assets). The evaluators have serious concerns about how effectively money launde ring is being used as a tool to fight major proceeds-generating crime and organised crime. Give n the centrality of the FIU in the Slovak AML/CFT system, its present level of resources and position in the overall police structure, as well as its operational independence and autonomy, still needs to be further strengthened.

US Department of State Money Laundering assessment (INCSR)

Slovakia was deemed a Jurisdiction of Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Criminal activity in the Slovak Republic (Slovakia) is characterized by a moderate to high level of domestic and foreign organized crime, mainly originating from eastern and southeastern Europe. Slovakia is a transit and destination country for counterfeit and smuggled goods, auto theft, value-added tax (VAT) fraud, and trafficking in persons, weapons, and illegal drugs. Many of the same organized crime groups are involved in laundering funds raised from these criminal activities.

The Slovak Ministry of Interior's Financial Intelligence Unit (FIU) has identified unusual transactions suspected of perpetrating tax fraud and evasion. A common tactic is the use of shell companies to execute complex commercial transactions through a system of "carousel trading" and, ultimately, to claim either unauthorized VAT refunds or evade tax payments. The FIU also has registered increased unusual transactions suspected of disguising illicit funds in bank accounts registered to Hungarian and Chinese citizens and business entities. Trade-based money laundering and possible terrorist financing are concerns. There are no indications that significant funds generated by public corruption are being laundered or used to finance terrorist activities. Slovakia has no offshore or free trade zones. Slovak authorities see the transfer of undeclared cash across borders as a possible money laundering vulnerability. Alternative remittance systems are not known to be widely used in Slovakia.

The FIU also has noted increased incidences of online consumer fraud, including phishing and pharming attempts. Perpetrators of online consumer fraud frequently target those interested in purchasing automobiles, industrial equipment, mobile phones, or employment assistance. Perpetrators request the prepayment of a deposit and do not provide delivery of goods or services. Investigations have revealed victims transferred funds to bank accounts often controlled by Romanian citizens. Coordinated phishing attacks to gain illegal access to bank accounts have targeted account owners located in smaller Slovak villages.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:
"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: Foreign: YES **Domestic:** NO
KYC covered entities: Banks, the Export-Import Bank of the Slovak Republic, credit institutions, insurance companies, pension asset management companies, foreign currency exchanges, gaming operators, bankruptcy administrators, accountants, tax advisors, postal operators,

real estate agents and intermediaries, foundations, non-profit organizations (NPOs), non-investment funds, and other special corporations managing and distributing funds

REPORTING REQUIREMENTS:
Number of STRs received and time frame: 3,928 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, the Export-Import Bank of the Slovak Republic, credit institutions, insurance companies, pension asset management companies, foreign currency exchanges, gaming operators, bankruptcy administrators, accountants, tax advisors, postal operators, real estate agents and intermediaries, foundations, NPOs, non-investment funds, and other special corporations managing and distributing funds

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 65 in 2014
Convictions: 23 in 2014

RECORDS EXCHANGE MECHANISM:
With U.S.: MLAT:NO **Other mechanism:** YES
With other governments/jurisdictions: YES
The Slovak Republic is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:
To improve and expedite information sharing between the Ministry of Interior's FIU and Slovak banks, the FIU and Slovak banks have begun negotiations on a formal agreement to establish a common electronic register to share information electronically. To further expand international cooperation, the FIU is negotiating memoranda of understanding with other FIUs.

In 2015, investigators uncovered a scheme where fraudsters imported tens of thousands of liters of mineral oil from Poland and sold it as diesel fuel at petrol stations throughout Slovakia with the loss of tax revenue amounting to almost two million euros (approximately $2.2 million).

Current Weaknesses in Government Legislation (INCRS Comparative Tables):

According to the US State Department, Slovakia does not conform with regard to the following government legislation: -

Record Large Transactions - By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

EU White list of Equivalent Jurisdictions

Slovakia is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Slovakia is not considered to be an Offshore Financial Centre

Reports

US State Dept Narcotics Report 2013 (introduction):

No report available

US State Dept Trafficking in Persons Report 2016 (introduction):

Slovakia is classified a Tier 1 country - is a country whose government fully complies with the Trafficking Victims Protection Act's (TVPA) minimum standards.

The Slovak Republic, or Slovakia, is a source, transit, and destination country for men, women, and children subjected to sex trafficking and forced labor. Slovak men and women are subjected to forced labor in agriculture and construction in Western Europe, primarily in the United Kingdom (UK). Most victims are Slovak women, who are subjected to sex trafficking in Germany, Austria, the UK, Ireland, Switzerland, Poland, and other European countries. Ukrainian, Moldovan, Bulgarian, Romanian, Thai, and Vietnamese men and women are subjected to forced labor in Slovakia. Eastern European women are also reportedly transported to and through Slovakia and forced into prostitution within the country and throughout Europe. Roma from marginalized communities are disproportionately vulnerable to trafficking. Slovak children of Romani descent are subjected to sex trafficking within marginalized communities in the Slovak Republic and forced criminal behavior in the UK. Slovak men, women, and children of Romani descent are subjected to forced begging throughout Western Europe. Children without family or relevant support structures who leave institutional care facilities are subjected to sex and labor trafficking.

The Government of the Slovak Republic fully meets the minimum standards for the elimination of trafficking. The government increased investigations, prosecutions, and convictions of traffickers; however, courts issued low and suspended sentences for most convicted traffickers, which were incommensurate with the seriousness of the crime and failed to deter trafficking offenses or protect victims. The government increased funding for victim services, but identified fewer victims than in the previous reporting period. The government continued to struggle to identify foreign trafficking victims, with NGOs reporting that the government did not identify potential victims among migrants because they did not adequately screen them and encouraged them to take advantage of assisted voluntary return. Legal support to victims was inadequate, and victims who cooperated with prosecution were at risk of re-traumatization. The government supported some innovative prevention activities, but NGOs continued to report challenges with effective participation in the expert working group.

US State Dept Terrorism Report

The police unit responsible for investigating criminal offenses related to terrorism is the Counterterrorism Unit (CTU) of the Bureau for Combating Organized Crime. The CTU develops Slovakia's counterterrorism strategy, conducts criminal investigations, and makes arrests of suspected terrorists or extremists within Slovakia's borders. Slovakia's most recent strategy, approved in October 2007, focuses on developing the legislative and institutional framework to combat terrorism, as well as strengthening coordination, collaboration, and exchange of information among key institutional actors. The Financial Intelligence Unit (FIU) of the Bureau for Combating Organized Crime and the Slovak Information Service (SIS) provides support to CTU's counterterrorism mission. On December 16, President Ivan Gasparovic signed a law making the financing of terrorism a punishable criminal offense in Slovakia. According to the amended Penal Code, financing terrorism can be punished by 20 to 25 years imprisonment.

One suspected terrorist, Mustapha Labsi, has been held in Slovak custody since May 2007. In January 2008, the Supreme Court confirmed that he could be extradited to Algeria, where he was convicted in absentia to life in prison. In June, the Constitutional Court ruled that the Supreme Court must verify that Labsi will not face torture upon extradition. On October 28, the Regional Court in Bratislava decided again not to grant asylum to Labsi due to the serious threat he could pose to the security of Slovakia. On December 19, Labsi left a refugee detention centre and fled to Austria, where he was apprehended by police. Labsi had not been returned to Slovakia at year's end.

Slovakia cooperated closely with a range of international partners in numerous fora. Slovak police participated in the Police Working Group on Terrorism, a consortium of 30 countries, including EU member states, Norway, Switzerland, Iceland, and Croatia. The SIS is engaged in the Club de Berne, which facilitates exchange of police and intelligence information on terrorism. Both CTU and SIS take a part in the EU's Joint Situation Centre.

In August, Slovakia hosted a conference on "Legal Aspects of Combating Terrorism and handling extremism" under the auspices of the U.S. Office of Defense Cooperation – U.S. Embassy. A result of the conference was the creation of a forum for discussion between nine countries, the SIS, and the ministries of Defense, Interior, Justice, and Foreign Affairs.

In 2009, Slovakia increased its presence in Afghanistan from 51 soldiers to 319. This includes a substantial contingent in Uruzgan province, a very active operational area, as well as in Kandahar.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	50
World Governance Indicator – Control of Corruption	64

Corruption is a problem for businesses in Slovakia. Companies cite the lack of transparency and inefficient government bureaucracy as the largest impediments to business. The Slovak Penal Code, the Criminal Procedure Code and the Specialised Criminal Act provide for the criminalisation of most forms of corruption, including active and passive bribery, bribery of foreign officials and extortion. However, insufficient law enforcement negatively affects foreign companies in Slovakia. Companies report the possibility of facilitation payments and bribes in the customs, public utilities, public procurement and judicial sectors. Facilitation payments and gifts are illegal under Slovak law, but officials in some sectors expect to receive gifts and irregular payments. **Information provided by GAN Integrity.**

Corruption and Government Transparency - Report by US State Department

In the past year, Slovakia received poor ratings in several international measures of transparency.

Several of the indices cite problems with the judiciary as the biggest single issue. The Transparency International Index, for example, calls the judiciary "one of the weakest institutions in the country." Slovak law provides for an independent judiciary; however, in practice, problems with corruption, intimidation of judges, inefficiency, and a lack of integrity and accountability have continued to undermine judicial independence. In the World Economic Forum's latest Competitiveness Index, Slovakia achieved its worst ranking since 1997. On dimensions related specifically to corruption, such as diversion of public funds, public trust in politicians, wastefulness of government spending, and efficiency of the country's legal framework, Slovakia ranked 112th or worse. In the World Bank "Doing Business 2013" report, Slovakia actually received much worse ratings than most of its European counterparts on key factors like protecting investors (where Slovakia ranked 117th) or enforcing contracts. Similarly, in Forbes' 2012 "Best Countries for Business" List, Slovakia received particularly poor ratings for investor protection (99th out of 100), red tape, and corruption. The latest iteration of the European Quality of Life Survey, published in December 2012, shows that the Slovak public's overall trust in public institutions is sixth worst among the EU27 countries.

Slovakia is a party to international treaties on corruption, among them the OECD Convention on Combating Bribery of Foreign Public Officials, UN Anti-Organized Crime Convention, UN Anti-Corruption Convention, and Criminal Law Convention on Corruption and Civil Law Convention on Corruption. Slovakia is a member of the Group of States against Corruption (GRECO).

The press has taken an active role in reporting on corruption, and public awareness of the issue has steadily increased over the past several years. The Slovak chapter of Transparency International (TI) is active and, along with other civil society groups, monitors public tenders. As Slovakia is a signatory to the OECD Convention on Combating Bribery of Foreign Public Officials, to give or accept bribes is a criminal act. Despite having legislation in place, however, Slovakia is ranked very low in the quality of its implementation of the Convention, according to a TI report. Slovakia ranked 62nd on TI's 2012 Corruption Perception Index (CPI), down (i.e. more corrupt) from 59th in 2010 and 57th in 2009.

After it came to power in June 2010, the center-right government led by Prime Minister Iveta Radicova began publishing all government contracts on the web from January 2011 onward in order to increase transparency. These procedures continue today under the Smer government. The Justice Ministry introduced compulsory disclosure of contracts by public administration and state-owned companies in the Central Registry of Contracts in 2011. The registry contains now about 110,000 documents, and local municipalities have published additional contracts as well. The only exceptions are some state-owned companies, which were established as joint stock companies and, according to the law, represent private business. These large enterprises, which have a significant stake in government contracts, criticized the disclosure law, as they fear they will be disadvantaged in comparison to private companies who do not have to disclose their contracts. Analysts and journalists agree that contract disclosure has helped reduce corruption. However, non-governmental organizations have continued to make corruption allegations, including several allegedly involving senior members of the Slovak government. Shortly before the end of 2011, an anonymous leak of alleged secret-service tapings was published on the internet, disclosing potentially corrupt activities of current and previous high-level politicians – across political parties – and Slovak oligarchs during privatizations in the years 2005-2006.

The European Commission has sought explanations or investigated corruption complaints in connection with several tenders and regulatory decisions involving EU funds. The most notable cases involved the Ministry of Environment; the Ministry of Construction and Regional Development; the Ministry of Labor, Social Affairs, and Family; and the Ministry of Transportation.

Section 3 - Economy

Slovakia has made significant economic reforms since its separation from the Czech Republic in 1993. With a population of 5.4 million, the Slovak Republic has a small, open economy, with exports, at about 93% of GDP, serving as the main driver of GDP growth. Slovakia joined the EU in 2004 and the euro zone in 2009. The country's banking sector is sound.

Slovakia has led the region garnering FDI, because of its relatively low-cost, highly-skilled labour force, reasonable tax rates, and favourable geographic location in the heart of Central Europe. However, recent increases in corporate taxes, as well as changes to the Labour Code, slow dispute resolution, and ongoing corruption potentially threaten the attractiveness of the Slovak market. Moreover, the energy sector is characterized by high costs, unpredictable regulatory oversight, and growing government interference.

Agriculture - products:

grains, potatoes, sugar beets, hops, fruit; pigs, cattle, poultry; forest products

Industries:

automobiles; metal and metal products; electricity, gas, coke, oil, nuclear fuel; chemicals, synthetic fibres, wood and paper products; machinery; earthenware and ceramics; textiles; electrical and optical apparatus; rubber products; food and beverages;

Exports - commodities:

vehicles and related parts 27%, machinery and electrical equipment 20%, nuclear reactors and furnaces 12%, iron and steel 4%, mineral oils and fuels 5% (2015 est.)

Exports - partners:

Germany 22.7%, Czech Republic 12.5%, Poland 8.5%, Austria 5.7%, Hungary 5.7%, France 5.6%, UK 5.5%, Italy 4.5% (2015)

Imports - commodities:

machinery and electrical equipment 20%, vehicles and related parts 14%, nuclear reactors and furnaces 12%, fuel and mineral oils 9% (2015 est.)

Imports - partners:

Germany 19.4%, Czech Republic 17.4%, Austria 9.1%, Hungary 6.3%, Poland 6.3%, South Korea 5.5%, Russia 5.2%, China 4.1% (2015)

Banking

The Slovak banking system is based upon a European model rather than a U.S. model and is governed by the Slovak Banking Act. Under Slovak law, commercial banks may engage in investment banking and brokerage activities, as well as traditional commercial transactions and lending. These activities are subject to licensing by the National Bank of Slovakia, which controls minimum capital, reserve requirements, and bank supervision.

Foreign banks can establish representative offices or full-fledged branches. Representative offices are limited to offering advice and informing clients of the services of the parent bank. Branches may handle any transactions authorized by the parent bank. Foreign banks must agree to take over the assets and liabilities, effectively guaranteeing the financial health of the branch. Thus far, foreign banks in Slovakia have concentrated on providing international payment services and loans to foreign clients or Slovak companies with extensive export business.

The Inter-Bank Payment System (SIPS) is operated through the National Bank of Slovakia. By law, all banks are obliged to carry out their domestic payment transactions through this center. The clearing center is the organizational unit of the Central Bank. Security of the Inter-Bank Payment System in Slovakia is based on a high level of data protection during all stages of processing and settlement at National Bank of Slovakia. All participants in the Inter-Bank Payment System Slovakia must have a backup facility for both data transfer and processing.

Stock Exchange

Slovakia's stock market remains weak and small in an international context. In 2001, the Bratislava Stock Exchange (BSSE) opened a floor for trading foreign securities in order to boost market sentiment, but to date there has been little activity. The BSSE's trading system enables it to organize securities trading in any currency and to structure stock exchanges with few restrictions. When raising capital, Slovak companies usually float shares on the Vienna or Warsaw stock exchanges.

Section 4 - Investment Climate

Executive Summary

With a population of 5.4 million, the Slovak Republic has a small, open economy. Slovakia joined the European Union (EU) in 2004 and the Eurozone in 2009. Of the EU member states, Slovakia is among the quickest to recover from the global economic crisis. In recent years exports, which account for as much as 93% of GDP, have served as the main driver of economic growth. In 2015 the Slovak GDP grew by an estimated 3.5%, fueled by increased domestic consumption (up 2.3%) and investment activity (up 12.7%, largely driven by efforts to fully utilize remaining EU 2007 – 2013 programming period funds). Domestic consumption growth is being driven by increases in real wages, thanks to deflation and improvements in the labor market.

Growth projections for 2016 GDP range between 3.4 and 3.6%. Slovakia's banking sector is sound. Credit rating agencies emphasize the country's deep economic and financial integration within Europe, and moderate government debt ratios.

Slovakia has been a regional FDI champion for several years, attractive due to a relatively low-cost yet skilled labor force, reasonable tax rates, and a favorable geographic location in the heart of Central Europe. Among the most pressing domestic issues potentially threatening the attractiveness of the Slovak market are increasing labor costs, labor code changes reducing flexibility, ongoing corruption issues and an inadequate judiciary. The energy sector in particular is characterized by high costs, unpredictable regulatory oversight, and persistent government interference.

The automotive industry has attracted a great deal of FDI. Slovakia remains the largest per capita car producer in the world (producing over one million cars last year) with three major car producers and approximately 300 auto suppliers. In 2015, the Slovak government and Jaguar Land Rover (JLR) signed an agreement to build a new EUR 1.5 billion manufacturing facility in Western Slovakia, the biggest investment deal in Slovak history.

Other sectors traditionally attracting investment are machinery, telecommunications, and energy. Many established companies continue to make new investments in their production facilities, and only a few major investors have exited. There are more than 120 U.S. companies present in the Slovak market. The total amount of inward FDI from the U.S. is approximately USD 600 million. With total bilateral trade amounting to USD 2 billion in 2015, the U.S. is Slovakia's 14th largest trade partner.

Positive aspects of the Slovak investment climate include:

- Membership in the Eurozone (unique among the Visegrad Group (V4) countries – Czech Republic, Hungary, Poland, Slovakia)
- Firm government commitment to EU deficit and debt targets
- An open, export-oriented economy (the most open EU economy in terms of percentage of exported goods to GDP)
- Proximity to western Europe

- A simplified one-stop shop process for starting a business
- A new fund of funds – the Slovak Investment Holding (SIH), to drive investment in strategic sectors
- A qualified and relatively inexpensive workforce (despite increasing labor costs)
- Increased focus on drawing EU structural funds for R&D, the support of clusters and Industry 4.0 solutions
- Financial incentives for investors, including foreigners.

Negative aspects of the Slovak investment climate include:

- High electricity costs for industries
- The highest corporate income tax rates in the V4
- An incomplete national transport network and underdeveloped infrastructure
- Frequent Labor Code amendments
- High sensitivity to regional economic developments (such as an economic slowdown in Germany or a further escalation of the Russia-Ukraine conflict)
- An inefficient judicial system, limited law enforcement and enforcement of contracts
- Low rate of government investment in R&D
- Heavy reliance on EU structural funds, with limited accountability.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	50 of 175	http://www.transparency.org/cpi2015/#results-table
World Bank's Doing Business Report "Ease of Doing Business"	2015	29 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	36 of 143	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country ($M USD, stock positions)	2015	575/600	BEA/Host government

World Bank GNI per capita	2014	$17,750	data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Generally speaking, Slovakia does not limit or discriminate against foreign investors and is one of the most open economies in the EU. The government points to the 2015 agreement with Jaguar Land Rover on a EUR 1.5 billion investment as a symbol of its willingness to partner with multinationals. According to a recent European Commission (EC) study, annual FDI inflows to Slovakia fell from nearly eight percent of GDP from 2004-2008 to two percent of GDP between 2009 and 2014. FDI stock reached EUR 43 billion in 2014. According to the National Bank of Slovakia, in 2014 the largest foreign investors were the Netherlands, Austria, the Czech Republic, Italy, Germany and South Korea. There is a significant American commercial presence in Slovakia, including Hewlett-Packard, Cisco, IBM, Dell, AT&T, Whirlpool, Johnson Controls, GlobalLogic, and U.S. Steel, all taking advantage of Slovakia's skilled labor, EU and Eurozone membership, and location at the crossroads of Europe.

The flow of FDI into Slovakia has slowed since 2007 due to several factors including the global financial crisis, changes in the government's investment policies, and the overall attractiveness of the business environment. The government, however, has been supportive of foreign investors (especially large companies) that create employment opportunities in the poorer regions of Slovakia, providing generous investment and tax incentives financed from the state budget. Up until 2015, these incentives were less available to small and middle sized enterprises (SMEs). However, a new Act on Supporting Least Developed Districts that came into effect in December 2015 offers investment incentives for SMEs operating in the least developed regions. The Slovak government has proven less open to investment in the energy sector, which it considers sensitive to national security interests. It has sought to increase government ownership of some key energy-industry assets.

Other Investment Policy Reviews

In the past three years, there have been no investment policy reviews of Slovakia conducted by OECD, WTO or UNCTAD. In February 2016, the European Commission published its regular country report, addressing various aspects of the Slovak economy in consideration of the EC's Annual Growth Survey. The report is available at http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_slovakia_en.pdf.

Laws/Regulations on Foreign Direct Investment

The Economy Ministry is in charge of drafting new legislation as well as negotiating with potential and existing foreign investors, including the provision of investment incentives. The Ministry's Slovak Investment and Trade Development Agency (SARIO) is a specialized government agency in charge of attracting foreign investments to Slovakia.

The Act on Investment Incentives (561/2007 Coll.) regulates the conditions under which investment incentives are made available to foreign and domestic investors, such as eligible sectors (including industry, technology centers, strategic services, and tourism) and specific requirements per sector, such as minimum volumes of investments and underlying conditions for receiving incentives in the form of tax breaks or other forms of stimuli for both new investments and expansion. Priority is given to investments in regions with high unemployment and to higher value-added industries. A December 2015 amendment eases the preconditions for incentives in "disadvantaged regions." To learn more about investment incentives, please refer to section 5.2 - Investment Incentives.

The corporate income tax is currently 22 percent. The rate is below the OECD average of 25 percent and in line with comparable small OECD economies; however, it is three percentage points higher than in the other V4 countries (the Czech Republic, Hungary, and Poland). When considering social and health contributions as well, Slovakia and Hungary are tied at 35 percent, higher than the Czech Republic at 31 percent, but ahead of Poland at 39 percent. Prime Minister Fico pledged after 2016 elections to decrease the corporate income tax rate to 21 percent.

In 2014, the Slovak government introduced a tax license (minimum corporate income tax) in order to address the relatively high level of corporate income tax non-compliance. All registered companies must now pay a minimum of EUR 480/year.

The Slovak government approved several measures in 2015 with the goal of improving the investment climate. Included are provisions easing the financial burdens for early stage businesses, the introduction of cash accounting rules by the Finance Ministry, and the approval of the National Strategy for the Support of Startups, which includes financial and non-financial measures to support the startup ecosystem.

Please consult the following websites for more information:
http://www.sario.sk
http://www.economy.gov.sk/state-aid-act/142750s

Business Registration

Slovakia's business registration process takes approximately 11 working days. The process is as follows:

- Company name selection at the Commercial Register (less than a day at the District Court)
- Notarization of articles of association and related documents (one day at the Notary Public)
- Apply for trade license at the One Stop Shop and register for income tax and with the District Court (three days)
- Obtain partners' tax arrears forms at the Tax Authority Office (five days)
- Open a bank account (one day)
- Register for pension, sickness, and disability insurance and unemployment insurance at the local social insurance company (one day at the Socialna Poistovna).

Registered businesses (LLC) in Slovakia can be followed at the online registry: www.orsr.sk.

SARIO, an Economy Ministry agency, is responsible for proactively identifying potential foreign investors. SARIO counsels potential investors about the Slovak political, business and investment climate, discusses investment incentive information, provides assistance with the implementation of investment projects, and advises on business launch issues such as site location. SARIO's services are available to all potential investors.

The European Commission recommendation 2003/361/EC approved on 6 May 2003, applicable in each EU Member State, defines small and middle sized enterprises as:

"The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.

Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.

Within the SME category, a microenterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million."

Industrial Promotion

In 2014, the Slovak Government approved the Research and Innovation Strategy for Smart Specialization of the Slovak Republic, which serves as the national strategy for supporting research and innovation in the new EU programming period 2014 – 2020. The document evaluates the overall industrial focus of the Slovak economy, sources of economic growth, and trends in export specialization and defines four key areas of economic specialization in Slovakia:

1. Automotive and mechanical engineering industries;
2. Consumer electronics and electrical equipment;
3. Information and communication technologies and services, and
4. Production and processing of iron and steel.

Slovakia has targeted these sectors for attracting FDI.

The automotive industry, including auto manufacturers and the extended supply chain, continues to play an important role in the Slovak economy. Slovakia ranks as the world's top per capita producer of passenger cars, producing more than a million cars per year. There is a wide network of approximately 300 automotive suppliers, which will further expand once Jaguar /Land Rover opens its EUR 1.5 billion production facility, expected in 2018.

Limits on Foreign Control and Right to Private Ownership and Establishment

Foreign and domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activity in Slovakia. In theory, competitive equality is the standard by which private enterprises compete with public entities. In addition, businesses are able to contract directly with foreign entities. Private enterprises are free to establish, acquire, and dispose of business interests, but all Slovak obligations of liquidated companies must be paid before any remaining funds are transferred out of Slovakia. Non-residents from EU and OECD member countries can acquire real estate for business premises.

Slovakia has no formal performance requirements for establishing, maintaining, or expanding foreign investments. However, conditions can be specified during negotiations over large-scale privatization by direct sale or public auction. Foreign entities have no obstacles in participating in research and development programs financed and/or subsidized by the Slovak government, and receive equal treatment to that of domestic entities. There are no domestic ownership requirements for telecommunications and broadcast licenses. Operation of air transportation is limited to enterprises with a non-EU foreign equity participation not exceeding 49 percent.

The Slovak Constitution specifies that ownership rights cannot be misused to the detriment of others or at variance with general interests protected by law. Expropriation or enforced restriction of ownership rights is admissible only to the extent that it is unavoidable and in the public interest, on the basis of law, and in return for adequate compensation.

Privatization Program

The Slovak government declared in its March 2016 strategic vision that privatization of "strategic" state owned companies will be banned, without specifying which companies are considered "strategic." Slovak political leaders most often employ the term in reference to the energy sector. Foreign investors are free to participate in privatization programs for other state owned companies. Privatization occurs mainly through direct sale; initial public offerings (IPOs) are not common.

In May 2015, the Government sold its 49 percent stake in Slovak Telekom to the majority owner Deutsche Telekom for EUR 900 million. A planned initial public offering (IPO) on capital markets was cancelled once the government determined the direct sale to Deutsche Telekom would be more profitable. The opposition criticized the government for not holding a tender to sell its Telekom stake.

Screening of FDI

The Slovak Investment and Trade Development Agency (SARIO), an Economy Ministry agency, is responsible for proactively identifying potential foreign investors. SARIO counsels potential investors about the Slovak political, business and investment climate, discusses investment incentive information, provides assistance with the implementation of investment projects, and advises on business launch issues such as site location. SARIO's services are available to all potential investors.

There are no formal requirements to approve FDI besides the provision of investment incentives, which are ultimately approved by the Government. If investment incentives are applicable, the Economy Ministry manages the associated legislative process.

All necessary steps and conditions for eligibility are specified in the Act on Investment Incentives (561/2007 Coll.), last amended in 2015.

Competition Law

The Antimonopoly Office of the Slovak Republic is an independent body charged with the protection of economic competition. The Office intervenes in cases of cartels, abuse of a dominant position, vertical agreements, and it also controls compliance of mergers with antitrust law. The key antitrust legislation regarding fair competition is the Competition Law (136/2001 Coll.). Slovakia complies with the EU competition policy.

Please consult the following website for more information: http://www.antimon.gov.sk/antimonopoly-office-slovak-republic/.

2. Conversion and Transfer Policies

Foreign Exchange

Slovakia joined the Eurozone on January 1, 2009. As a member of the OECD, Slovakia meets all international standards for conversion and transfer policy.

The Foreign Exchange Act (312/2004) governs foreign exchange operations and allows for easy conversion or transfer of funds associated with an investment. In 2003, an amendment to the Foreign Exchange Act liberalized operations with financial derivatives and abolished the limit on the export and import of banknotes and coins (domestic and foreign currency). The amendment passed in 2004 authorizes Slovak residents to open accounts abroad and eliminates the obligation to transfer financial assets acquired abroad to Slovakia. Non-residents may hold foreign exchange accounts. No permission is needed to issue foreign securities in Slovakia, and Slovaks are free to trade, buy, and sell foreign securities.

There are strict rules governing commercial banking and credit institutions in Slovakia, which must abide by existing banking and anti-money laundering laws. As a result of the 2008 financial and economic crisis, Slovakia is among eleven EU countries that decided to introduce a tax on financial transactions. This tax is scheduled to come into force in 2016.

Please consult the following website for more information: http://www.zbierka.sk/sk/predpisy/312-2004-z-z.p-7910.pdf

Remittance Policies

There are very few controls on capital transactions, except for rules governing commercial banking and credit institutions, which must abide by existing banking and anti-money laundering laws. The basic framework for investment transfers between Slovakia and the U.S. is set within the 1992 U.S.- Slovakia Bilateral Investment Treaty.

The United States and Slovakia agreed to the Foreign Account Tax Compliance Act (FATCA) in July 2015, and Slovakia subsequently approved the Act on Automatic Exchange of Information on Financial Accounts (359/2015) in order to fully comply with FATCA. Slovak financial institutions now have the obligation to report tax information of American account holders to the Slovak Government, which will then forward that information to the U.S. Internal Revenue Service (IRS).

Slovakia is not a Financial Action Task Force (FATF) member; nevertheless, Slovakia receives FATF recommendations.

Slovakia does not impose any time limitations on remittances; however, non-cash benefits, dividend income, and income from the sale of shares are subject to health insurance contributions. The rate of health insurance contributions for dividend income is 14%.

Please consult the following websites for more information:
http://www.state.gov/documents/organization/43587.pdf
http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round4/SVK4_MER_MONEYVAL(2011)21_en.pdf
http://www.zakonypreludi.sk/zz/2015-359

3. Expropriation and Compensation

The Constitution of Slovakia and the Commercial and Civil Codes permit expropriation only in the case of public interest, with a requirement to provide compensation. The law also provides for an appeal process. The Slovak legislation related to expropriation has been criticized for being split among many different regulations and for favoring state and private investors' interests. In 2011, the Constitutional Court declared a 2007 regulation on expropriation as being in contradiction with the Slovak Constitution and international agreements due to allowing investors to build highways without obtaining a final expropriation decision. A new law on expropriation will come into effect on July 1, 2016. Based on this law, expropriation must meet the following four conditions:

1. Follow the law;
2. Happen only in the extent necessary;
3. Be in the public interest;
4. Be appropriately compensated.

The most recent significant expropriation efforts date to 2012, relating to the government plan to revert to a single-payer healthcare system and to expropriate two private health insurance companies. The government's plan is currently on hold, despite an international arbitrage court's confirmation that this power lies in the hands of a sovereign state. For more details, please see the International Arbitration section.

Please consult the following website for more information:
https://lt.justice.gov.sk/Material/MaterialWorkflow.aspx?instEID=1&matEID=7429&langEID=1&tStamp=20140819085822850

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Slovakia is a civil law country. The Slovak judicial system is comprised of general courts, the Supreme Court, and the Constitutional Court. General courts decide civil and criminal matters and also review the legality of decisions by administrative bodies. The 54 District courts are the courts of first instance. The eight regional courts hear appeals. The Supreme Court of the Slovak Republic is the court of final review in selected cases. The Special Court focuses on cases involving corruption, organized crime, serious crimes like premeditated murder, and crimes committed by senior public officials.

The Constitutional Court of the Slovak Republic is an independent judicial body that decides on the conformity of legal norms, adjudicates conflicts of authority between government agencies, hears complaints - including individuals' and legal entities' complaints of constitutional rights violations including human rights violations - and interprets the Constitution or constitutional statutes. The President appoints Constitutional Court Judges from a list of candidates provided by Parliament. Judges are appointed to 12-year terms.

The Judicial Council – the highest self-governing judicial body – nominates General Court Judges. Judges receive lifetime appointments from the President of the Slovak Republic and may only be removed for cause. The judicial system remains independent of the executive branch, with the Justice Ministry exercising control of the judiciary's budget and initiating legislation concerning the judiciary.

In practice, the judiciary remains Slovakia's most troubled institution, and public confidence in the judicial system is among the lowest in the EU. The justice system is inefficient, exhibits low ethical standards, and remains divided on the need for reform. Some judges manipulate the case assignment system, and court verdicts are often poorly justified. The selection of judges is affected by nepotism, discouraging qualified candidates from applying. As a result, business partners and investors generally prefer arbitration to dispute resolution in courts.

There has been some recent progress, however, including improved leadership at the Supreme Court and the Judicial Council. The new governing coalition, formed after March 5 parliamentary elections, has also publically committed itself to further rule of law and anti-corruption reforms.

Property rights are guaranteed by the Slovak Constitution and the European Convention of Human Rights. The basic framework for investment protection and dispute resolution between Slovakia and the U.S. is governed by the 1992 U.S.-Slovakia Bilateral Investment Treaty.

EU member state court judgments are recognized and enforced in compliance with existing EU Regulations. Third country judgments are governed by bilateral treaties or by the Act on International Private Law.

Please consult the following website for more information:
http://www.state.gov/documents/organization/43587.pdf

Bankruptcy

The current Law on Bankruptcy and Restructuring entered into effect in 2006. The law allows companies to undergo court-protected restructuring and individuals to discharge their debts through bankruptcy. The International Monetary Fund credited the Act for speeding up processing, strengthening creditor rights, reducing discretion by bankruptcy judges, and randomizing the allocation of cases to judges to reduce the potential for corruption. Extensive amendments to the Act became effective over 2015 and 2016, with the intent to prevent preferential treatment for creditors that is to the detriment of company shareholders.

Please consult the following websites for more information:

http://www.zakonypreludi.sk/zz/2005-7

https://www.bnt.eu/en/news-at-bnt-2/215-news/1944-quick-and-un-reasonable-amendment-of-slovak-bankruptcy-and-restructuring-act

http://www.legate.sk/en/insolvency-law-trends-in-slovakia/

http://www.lexology.com/library/detail.aspx?g=e8987c76-5af6-44bb-874a-c9084bf2ebdd

Investment Disputes

Slovakia has a number of bilateral investment treaties (BIT), some of which are remnants from the former Czechoslovakia, and others of which were signed after Slovakia became independent in 1993. The basic framework for investment protection and dispute resolution between Slovakia and the U.S. is governed by our 1992 Slovakia Bilateral Investment Treaty.

Over the past 15 years, Slovakia has lost just one commercial arbitration case, in 2004 to CSOB bank.

Please consult the following websites for more information:
http://www.state.gov/documents/organization/43587.pdf
http://www.finance.gov.sk/Default.aspx?CatID=4597

International Arbitration

Slovakia is a contracting state to the International Centre for Settling International Disputes (ICSID) and the World Bank's Commercial Arbitration Tribunal (established under the 1966 Washington Convention). Slovakia is also a member of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitrage Awards, which obligates Slovakia to accept binding international arbitration. The Finance Ministry leads on bilateral investment treaty matters, and also manages and represents Slovakia in international arbitration.

The Slovak Chamber of Commerce and Industry (SOPK) has a court of arbitration for alternative dispute resolution, and has a number of bilateral cooperation agreements with Chambers of Commerce or similar institutions abroad. Nearly all cases involve disputes between Slovak and foreign parties. Slovak domestic companies generally do not make use of arbitration clauses in contracts.

In eleven cases of international arbitration between 2008 and 2015, the Slovak Republic won seven cases, one case ended in settlement deed, one case was withdrawn, one case is currently under appeal at the German court, and one case remains open.

Among arbitral cases involving U.S. investors, one claimant sued the Slovak Republic in 2012 for setting new, higher tariff fees on electricity production, which was self-generated for the company’s internal use; this claim was withdrawn in 2014. Another ongoing ICSID arbitration case brought by a U.S. investor was initiated in the summer of 2014 over a suspended mining license; proceedings are scheduled to start in September 2016.

Another notable arbitral case involves one of Slovakia’s two private health insurance companies and a 2008 law that banned private health insurance companies from paying dividends to their shareholders, severely limited allowable overhead costs, and required companies to plough their profits from public health insurance back into the healthcare system. In December 2012, an international arbitral tribunal that had been constituted under the Slovak-Dutch BIT partially ruled in favor of the health insurer and ordered the Government of Slovakia to pay EUR 22 million in damages plus EUR 3 million in court costs. In January 2013, the government appealed the decision to the Upper Arbitration Court in Frankfurt, Germany, which upheld the original decision. The Slovak Finance Ministry has argued that the dispute settlement provisions of such a BIT between member states are no longer valid following Slovakia's entrance into the EU, and that the dispute should fall under the jurisdiction of the European Court of Justice. An appeal is pending with the Supreme Federal Court of Germany.

In a separate case regarding the government's plan to reestablish a single-payer healthcare system, an international arbitral tribunal ruled in May 2014 in favor of the Slovak Republic, confirming the state's sovereign right to organize its healthcare system. The private insurer was ordered to reimburse the government over EUR 1 million in legal fees. Nevertheless, due to lack of finances, the government's single-payer healthcare plan remains on hold.

According to the Slovak Finance Ministry, in addition to the proceedings described above, the Slovak Republic has received seven other notices of material claims (disputes) requesting an amicable settlement under various bilateral investment treaties. The compensation sought by the relevant claimants does not exceed in aggregate EUR 71 million (excluding interest).

ICSID Convention and New York Convention

See above.

Duration of Dispute Resolution – Local Courts

The legal system generally enforces property and contractual rights, but decisions may take years, thus limiting the relevance of the courts in dispute resolution. According to the World Bank Doing Business 2016 report, Slovakia ranked 63rd out of 189 countries in the "enforcing contracts" indicator, with the average duration for enforcing contracts being 538 days. Slovak courts recognize and enforce foreign judgments, subject to the same delays. Although the commercial code appears to be generally applied consistently, the business community cites a lack of legislation protecting creditor rights, corruption, political influence, lengthy procedures, and weak law enforcement as significant problems in the legal system. Instances of multi-million dollar losses that were settled out of court because of doubts about the court system's ability to offer a credible legal remedy have been mentioned to the Embassy by both U.S. and other investors.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Slovakia is a member of World Trade Organization (WTO) and complies with WTO standards. As an EU member, Slovakia has signed numerous agreements to avoid double taxation, including with third countries, as well as a number of bilateral trade agreements.

Please consult the following website for more information: http://www.finance.gov.sk/Default.aspx?CatID=8687

Investment Incentives

The Act on Investment Incentives (561/2007 Coll.) regulates conditions under which investment incentives are made available to foreign and domestic investors such as eligible sectors (including industry, technology centers, strategic services, and tourism) and specific requirements per sector, such as minimum volumes of investments and underlying conditions for receiving incentives in the form of tax breaks or other forms of stimuli for both new investments and expansion. Other acts which influence the provision of investment incentives include: Act on Supporting Least Developed Districts (336/2015), Act on State Aid (231/2011), Act on Employment Services (5/2004), Act on Income Tax (595/2003), Government Regulation defining the maximum intensity of investment aid and the amount of investment aid (481/2011).

The decision on investment incentives is made by the Cabinet, and administered by the Economy Ministry. Priority is given to investments in regions with high unemployment and to higher value-added industries (industrial production, technology centers, shared service centers, tourism). Investment incentives cannot exceed 35% of the eligible costs of the planned investment. Eligible costs include land, buildings, new machinery and equipment, licenses and patent rights, or costs related to wages for newly created jobs. Due to European regulations, sectors ineligible for investment incentives include agriculture and fisheries, coal industry, shipbuilding, transport, production, distribution and energy infrastructure.

One of the major requirements for providing investment incentives is the creation of at least 40 job positions (30 in case of technology centers). However, in the least developed districts, the minimum is 10 jobs. Incentives are typically granted in the form of income tax relief for up to 10 tax periods, cash grants and contributions for new job creation (paid ex-post based on the annual costs report).

The Act on Investment Incentives is being regularly updated. Changes introduced last year favor high value-added investments, and account for the sustainability of created jobs and education requirements for employees. A new amendment to this Act became effective in January 2016, which eased the conditions for providing incentives in “disadvantaged regions” with an unemployment rate 1.6 times greater than the national average. The state can covers up to 50% of the total investments in these regions for acquiring premises, production facilities or intellectual rights. The minimum total amount of the investment is EUR 200,000. For further information on investment incentives in more developed regions, please see table below.

	Minimum Investment Amount			Own Equity	
Unemployment rate	Large Enterprises	SMEs	Amount of new machinery and equipment	Large Enterprises	SMEs
Lower than Slovak average	10 mil. EUR	EUR 5 mil.	60%	EUR 5 mil.	EUR 2.5 mil.
Higher than Slovak average	5 mil. EUR	EUR 2.5 mil.	50%	EUR 2.5 mil.	EUR 1.25 mil.

At least 35% higher than Slovak average	3 mil. EUR	EUR 1.5 mil	40%	EUR 1.5 mil.	EUR 0.75 mil.
Least developed districts	0.2 mil. EUR	EUR 0.1 mil.	30%	EUR 0.1 mil.	EUR 0.05 mil.

Source: SARIO, 2016, http://www.sario.sk/sites/default/files/content/files/sario-investment-aid-2016-february-english.pdf

Slovakia granted investment aid amounting to EUR 1.5 billion in 2002-2014, of which 68% was in the form of tax relief.

Please consult the following website for more information:
http://www.sario.sk
http://www.zakonypreludi.sk/zz/2007-561
http://www.zakonypreludi.sk/zz/2015-336

Research and Development

Slovakia ranks low in R&D spending, which has remained well below the EU average (0.89% of GDP in 2014, vs. an EU average of 2%). In the WEF 2014-2015 Global Competitiveness Report, Slovakia ranked 66th out of 140 countries in the area of innovation and company spending on R&D. To motivate businesses to invest in innovation, a 2015 law allows Slovak-based companies to deduct from their corporate taxes a combination of 25% of R&D spending, 25% of wage costs for employees working in R&D (some conditions apply), and 25% of R&D costs that are greater than R&D costs in the previous tax period. The Finance Ministry has been debating a potential increase of this deduction.

In 2014, the Slovak Government approved the Research and Innovation Strategy for Smart Specialization of the Slovak Republic, which serves as the national strategy for supporting research and innovation in the new EU programming period 2014 – 2020. The document evaluates the overall industrial focus of the Slovak economy, sources of economic growth, and trends in export specialization, and defines four key areas of economic specialization:

1. Automotive and mechanical engineering industries;
2. Consumer electronics and electrical equipment;
3. Information and communication technologies and services, and
4. Production and processing of iron and steel.

Based on this strategy, Slovakia plans to increase R&D and innovation related spending in these sectors, including by tapping EU structural funds. The first calls on R&D financing were published in early 2016 by the Ministries of Economy and Education. Foreign firms are able to apply for these grants, provided they first establish Slovak affiliates.

The Slovak Government approved in 2015 a comprehensive strategy on the support of startups, which included concrete measures to support innovative SMEs. Measures focus on improving the business environment, establishing a collaborative ecosystem involving academia and private entities, and providing new financing mechanisms for seed stage (business angel investments) and later growth stages (venture capital). One of the key measures is the introduction of a new form of the simplified joint stock company, which will facilitate the establishment of rights and obligations between founders, shareholders and investors.

Performance Requirements

Temporary and long term residence permits, including work permits (business and employment), are issued by the Police Department, and in specific cases by the Interior Ministry. The legislative framework on residence and adjacent permits is specified in the Act on Residency of Foreign Nationals, last amended in December 2015. Foreign nationals have criticized the process of obtaining residency permits for expatriates as difficult and time-consuming, stressing in particular that authorities are not always consistent in their recommendations or application of regulations. The regulations themselves, however, do not differ significantly from those of other EU countries. The Economy Ministry evaluates business models on a case-by-case basis for individuals requesting temporary and long term residence permits wanting to start a business in Slovakia. Foreign entities may also be granted investment incentives on a case-by-case basis, if conditions defined in the Act on Investment Incentives are met.

One of the measures of the 2015 startup strategy is the “startup visa,” which is meant to entice foreign entrepreneurs with innovative projects to Slovakia. The measure has not yet been implemented by Economy Ministry, which will be responsible for evaluating the associated business models.

Please consult the following websites for more information:
https://www.mzv.sk/en/consular_info/residence_of_foreigners_in_territory_of_slovakia
http://www.zakonypreludi.sk/zz/2011-404/znenie-20140101

Data Storage

The national authority in charge of data protection is the Office for Personal Data Protection of the Slovak Republic. As a member state of the EU, Slovakia transposes relevant directives and regulations on data protection. The framework for data protection and storage is set forth in the 122/2013 Coll. on Protection of Personal Data.

Foreign IT providers are not obliged to turn over source code and do not have to provide access to surveillance.

Please consult the following websites for more information:
http://www.dataprotection.gov.sk/uoou/sites/default/files/kcfinder/files/Act_122-2013_84-2014_en.pdf
http://dataprotection.gov.sk/uoou/en/content/national-legal-framework

6. Protection of Property Rights

Real Property

Secured interests in property and contractual rights are recognized and enforced. The mortgage market in Slovakia is growing, and a reliable system of record keeping exists.

However, real estate titles are often unclear and can take significant amounts of time to determine. Legal decisions may take years, thus limiting the utility of the court system for dispute resolution.

The commercial code is applied consistently. Successive amendments to the Bankruptcy and Restructuring Act (7/2005 Coll., into force as of January 2015) have improved creditors' rights and simplified the procedure for lodging creditors' receivables in bankruptcy cases.

Investors have also long complained that the process of purchasing land and obtaining building permits is time-consuming and unpredictable. A dedicated web portal (http://www.katasterportal.sk/kapor/) makes it possible to verify information about land and property ownership.

Slovakia ranked 5th out of 189 countries in the World Bank's 2015 Doing Business "registering property" indicator, averaging 16.5 days to register property.

Intellectual Property Rights

In general, patents, copyrights, trademarks and service marks, trade secrets, and semiconductor chip design are adequately protected in Slovak law and practice. The protection of intellectual property rights (IPR) falls under the jurisdiction of two agencies. The Industrial Property Office is responsible for most areas, including patents, and the Ministry of Culture is responsible for copyrights (including software). There is a series of acts dealing with a wide range of issues related to IPR, including industrial property, copyright, patents, design, and customs. In January 2016, a new Copyright Act (185/2015 Coll.) came into effect. The act transposes numerous EU directives, with an emphasis on copyright protection in the context of a growing internet economy and digitalization.

Slovakia is a member of the WTO, the European Patent Organization, and the World Intellectual Property Organization (WIPO). The WTO TRIPS agreement is legally in force in Slovakia, although no cases have occurred to test enforcement. Slovakia also adheres to other major intellectual property agreements including the Bern Convention for Protection of Literary and Artistic Works, the Paris Convention for Protection of Industrial Property, and numerous other international agreements on design classification, registration of goods, appellations of origin, patents, etc. The Industrial Property Office of the Slovak Republic is the central government body exercising oversight in the area of industrial property protection. In 2012, the Customs and Tax Administration were merged into Financial Administration (under the Finance Ministry), dealing with customs and adjacent IPR, including fight against counterfeit goods.

Slovakia was taken off the Watch List of the U.S. Trade Representative's annual interagency "Special 301" review in 2006, in recognition of the significant progress that the government had made in addressing concerns related to the protection of pharmaceutical patents in Slovakia. Slovak authorities adopted legal and administrative measures to ensure that patent-infringing drugs are not given market authorization; some of those measures have since been weakened to comply with current EU norms. The government also built a new secure facility to house confidential pharmaceutical test data.

According to the Financial Administration, there were 1,819 cases of suspected breach of intellectual property rights in 2014 (for goods imported from third countries), with a value of seized counterfeit goods reaching more than EUR 4.3 million (up 74% from 2013).

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Please consult the following websites for more information:
http://www.culture.gov.sk/extdoc/5831/Zakon_185_2015_Autorsky%20zakon
http://www.zakonypreludi.sk/obor/4235923
https://www.dusevnevlastnictvo.gov.sk/domov?p_p_id=1%26p_p_lifecycle=0
http://www.upv.sk/?introduction
https://www.financnasprava.sk/en/homepage
https://www.financnasprava.sk/_img/pfsedit/Dokumenty_PFS/Financna_sprava/Vyrocne_spravy/FR_2014/vyroc_sprava_2014.pdf

Resources for Rights Holders

For a list of English-speaking lawyers in Slovakia, please consult the Embassy's website:
http://slovakia.usembassy.gov/service/american-citizens-services/living-in-slovakia/lawyers-in-slovakia.html

To contact the American Chamber of Commerce in the Slovak Republic, please see:
http://www.amcham.sk/home

7. Transparency of the Regulatory System

Slovakia lacks transparency; the long-term predictability of regulation affecting the business and legal environment is weak. Draft bills are available for public comments through an online system (www. https://lt.justice.gov.sk/Default.aspx), however, these may or may not be accepted by regulators before seeking government approval. Often, the public is granted little time to comment on draft legislature.

The Commercial Code and the Economic Competition Act govern competition policy in Slovakia. The July 2014 amendment to the Protection of Competition Act prohibits bid rigging. This also introduced a new leniency program which allows the Anti-Monopoly Office to impose or reduce fines for entrepreneurs' participation in a cartel, which would otherwise be considered as an unlawful conduct. The reward for cooperation is fixed at 1% of the total amount of the fines against the cartel, capped at EUR 100,000.

The Anti-Monopoly Office, a part of the EU's European Competition Network (ECN), is an independent state administration body responsible for protecting competition, including in the field of state aid. It investigates cartel cases, monopolies, the abuse of vertical agreements, and the interactions between state and local governments. It also fulfills its mission to enhance competition by representing Slovakia during international negotiations or fora on competition, supporting competition principles, and implementing other protection measures.

The Office for Public Procurement supervises and administers public procurement. Public procurement remains problematic, with the Act on Public Procurement having been amended numerous times in recent years. The new Public Procurement Act (343/2015), effective as of April 2016, implements three new European directives and mandates a more centralized approach towards general government purchases, which are now administered by the Interior Ministry. The new Act also aims to increase the efficiency of public procurements through e-commerce and simplified access to public procurement for SMEs. Although government officials believe the new Act on Public Procurement will result in substantial savings in government purchases, some business stakeholders and NGOs claim the new law introduces less transparency, and increases the risk of potential bid-rigging agreements.

Following public pressure resulting from a number of corruption scandals, mainly in the healthcare sector, the government introduced a 2015 amendment barring so-called "mailbox companies" (shell companies, often based in tax havens) from public tender participation. However, critics including Transparency International Slovakia have questioned its effectiveness, as many questionable companies are actually incorporated in Slovakia or other countries with public commercial registers, and their company ownership is often unclear.

Slovakia introduced a new online platform for public procurement in February 2015. All state institutions, municipalities, districts and other entities managed by these institutions (such as hospitals and schools) are obliged to procure through this online platform. However, services and goods that public institutions can purchase via this "e-market" are capped; larger procurements are still managed through the traditional process. The Interior Ministry credits the platform for saving an average of 16 percent on purchases.

Slovakia still struggles with lack of transparency in the regulatory processes in several industries. The business community has labelled a number of regulatory bodies as not fully impartial and their decisions as unpredictable (including the Telecommunication Office and the Regulatory Authority for Network Industries - URSO). According to a 2015 survey by the Center for the Study of Financial Innovation (CFTI), Slovak bankers cite burdensome regulations as the most serious obstacle to business growth in Slovakia.

The European Commission's 2016 Country Report on Slovakia cites several concerns about regulatory barriers in the Slovak Republic. According to the report, investment bottlenecks are primarily due to regulatory barriers and the low efficiency of the public administration. The EC has repeatedly criticized burdensome regulations in the energy sector, specifically subsidies for renewable energy and domestic lignite mining. Industrial electricity costs in Slovakia are consistently the highest in the V4 region, a significant weight on competitiveness. Furthermore, the latest available OECD sectorial indicators on product market regulation in Slovakia show high regulatory burden in electricity, gas, telecom, post, rail and road transport.

Please consult the following websites for more information:
http://www.zakonypreludi.sk/zz/2001-136/znenie-20140701
http://www.antimon.gov.sk/antimonopoly-office-slovak-republic/
https://www.uvo.gov.sk/en/web/opp/statute-of-the-office
http://www.vosk.sk/legislativa-zakon-o-verejnom-obstaravani
http://www.etrhovisko.sk/#

8. Efficient Capital Markets and Portfolio Investment

The stock market in Slovakia is growing, however, it is still underdeveloped and lacks liquidity. The European Single Market and existing European policies facilitate the free flow of financial resources. Slovakia respects the IMF Article VIII by refraining from restrictions on payments and transfers for current international transactions. Credit is allocated on market terms in Slovakia and foreign investors are able to get credit on the local market.

The Bratislava Stock Exchange (BSSE) is a joint-stock company operating in compliance with the Stock Exchange Act No 429/2002. The BSSE was admitted as an associate member of the Federation of European Securities Exchanges (FESE) in 2002, and became a full member in 2004.

In April 2014, the Slovak Government approved the national strategy for developing the Slovak capital market, prepared by the Finance Ministry in cooperation with the National Bank, BSSE and the Central Depository of Securities. The strategy aims to motivate private stakeholders to invest in liquid tradable securities and increase the number of liquid tradable securities, especially shares at the BSSE. It includes measures to support institutional investors, modernize market infrastructure, and decrease administrative and tax burdens. However, major advances have not yet been achieved.

At the end of 2015, the total volume of transactions on the BSSE amounted to some USD 10.6 billion. Bonds are by far the most traded instrument, accounting for nearly 98% of all operations. The market capitalization of stocks reached USD 4.6 billion and bonds USD 44.1 billion.

Slovakia's first-ever IPO (Slovak Telecom) was planned for 2015, but was ultimately cancelled due to a more attractive offer from a private bidder.

Please consult the following websites for more information:
http://www.rokovania.sk/Rokovanie.aspx/BodRokovaniaDetail?idMaterial=23437
http://www.bsse.sk/Portals/0/Resources/statistiky/rocenky/Rocenka%202015%20-%20na%20WEB.xls

Money and Banking System, Hostile Takeovers

Upon its integration into the Eurozone on January 1, 2009, Slovakia became part of the Eurosystem, which forms the central banking systems of the euro area within the European System of Central Banks. The National Bank of Slovakia (NBS) is the independent central bank of the Slovak Republic, with a primary objective to maintain price stability. NBS issues euro banknotes and coins, promotes the smooth operation of payment systems and clearing systems, regulates currency circulation, maintains and disposes of foreign reserve assets, and implements foreign exchange operations.

Slovakia's financial sector felt the pinch of the Eurozone debt crisis during 2011; however, effects began to ameliorate during the first six months of 2012. No Slovak bank reported any significant, direct, adverse effects on its profitability, capital, or liquidity position as a result of the crisis.

The banking sector in Slovakia enjoys robust liquidity. While most banks operating in Slovakia are subsidiaries of foreign-owned institutions, they report minimal dependence on their mother companies for financing. Thanks to the increased lending activity, increased minimum capital requirements, and the ability of banks to generate net interest income, the Slovak banking sector remains resistant to the negative external developments in financial markets and any slowdown of the Slovak economy. Foreign nationals can open bank accounts by presenting their passport and/or residence permit, depending on the bank.

Three major banks (Tatra Banka, Vseobecna Uverova Banka, and Slovenská Sporitelna) are under direct supervision of the European Central Bank (ECB). The ECB also supervises Ceskoslovenská Obchodná Banka, CSOB Stavebná Sporitelna (belonging to the KBC Group), and Sberbank Slovensko (belonging to Sberbank Europe AG), due to the size of the international groups they belong to. The combined total assets of the monetary financial institutions active in the Slovak market were over EUR 69 billion as of December 2015. All three Slovak banks (Tatra Banka, Vseobecna Uverová Banka, and Slovenská Sporitelna) that participated in the October 2014 ECB “stress tests” assessing the quality of individual bank assets were certified as sound and stable.

Please consult the following websites for more information:
http://www.nbs.sk/en/about-the-bank

9. Competition from State-Owned Enterprises

In general, state-owned enterprises and private companies compete on a level playing field. There are, however, several exceptions. State-owned companies (SOEs) are generally active in strategic sectors, including health and social insurance and “natural monopolies” such as railways and electricity transmission networks. Slovakia is a signatory of the WTO Agreement on Government Procurement (GPA) since 2004, which also covers SOEs.

The list of companies that are fully or partially state-owned is available on the Finance Ministry’s website (as a part of the state budget documents), and most Ministries also publish a list of such companies on their web portals. Most state-owned companies are structured as joint-stock companies, governed by boards which include a mix of private and government ministry representatives. Until mid-2014, the National Property Fund managed the state shares in a number of companies, mainly those with mixed public-private ownership; however, the government decided to dismantle this institution, and the shares have been transferred to respective Ministries, principally the Economy Ministry. Slovakia does not have a sovereign wealth fund.

According to Transparency International Slovakia (TIS) Slovak SOEs are performing poorly compared to their counterparts abroad. TIS also reports that five of ten biggest employers in Slovakia are SOEs and 80 most important public companies administer EUR 9.5 billion (half of the expenses of the state budget).

In the energy sector, combined state and private ownership is common. The state fully owns the national gas supplier Slovak Gas Industry (SPP), and it also holds 51 percent stakes in all electricity distribution companies, and a 49 percent stake in the gas transmission system operator. In December 2015 the Italian utility giant Enel signed an MOU with the Ministry of Economy granting the state a future option to increase its stake in Slovenske Elektrarne, which controls 73 percent of the domestic electricity generation market, by an additional 17 percent (thus reaching a 51 percent majority).

In 2008, the government imposed strict return guarantee requirements and fee limits on private pension funds. Many industry analysts believe the government instituted these requirements to eliminate competition to the state-run "pay-as-you-go" pension system, and to encourage investors to move their savings back into the state system. The government decreased the contribution to the 2nd pillar (complementary capitalization pillar) from the original nine percent to four percent in 2012, calling it a consolidation measure necessary due to public finance difficulties. The state recently opened the 2nd pillar for the fourth time, claiming that as many as one million contributors should exit, as their savings would not be sufficient due to limited number of years of contributions and/or low wages. Critics charged that the government hoped to redirect contributions to the state-controlled Social Insurance Agency in order to use the money for pre-election "social packages."

The government's 2008 law covering private health insurers, mentioned in the Dispute Settlement section above, is seen by some as an attempt by the government to force private companies out of the insurance business in order to consolidate the government's role. In particular, the government's attempt to restrict health insurers' payments of dividends to their policyholders has widely been viewed as an effort to limit competition with the state-owned insurance company (with its 60 percent market share). Nevertheless, the government's single-payer healthcare plan is currently on hold due to several reasons, including possible difficulties with transferring insurance portfolios from private health insurance companies to a single state-owned system, and to a lack of finances to cover such a universal scheme.

Please consult the following website for more information:
https://www.finance.gov.sk/Default.aspx?CatID=10249
http://www.transparency.sk/wp-content/uploads/2015/12/statne_firmy_web_a5_eng.pdf

OECD Guidelines on Corporate Governance of SOEs

Slovak SOE ownership is exercised in accordance with the Act on State-owned Enterprises (111/1990), which is consistent with the OECD Guidelines on Corporate Governance for SOEs. However, the media often spotlights examples of inefficient management practices and performance of some SOEs.

In 2011 the Justice Ministry introduced the compulsory disclosure of contracts in the Central Registry of Contracts by public administration and state-owned companies, in order to facilitate public monitoring of SOE operations. However, issues persist, as evidenced by several scandals regarding public procurement in the healthcare and other sectors.

According to Transparency International Slovakia, the number of public companies (state, municipal or county-owned) publishing their code of ethics has doubled in the past three years to 12 percent.

Sovereign Wealth Funds

Slovakia does not maintain a Sovereign Wealth Fund (SWF).

In 2014, Slovakia established a fund of funds – the Slovak Investment Holding (SIH), which is set to launch operations in 2016. SIH has been financed by drawing three percent of allocations from five EU 2014 – 2020 operational programs, totaling EUR 550 million in capitalization. Resources will be allocated as revolving financial instruments (guarantees, risk sharing loans, equity and mezzanine instruments) mainly through financial intermediaries, i.e. commercial lenders who will leverage the funds. Resources will be focused on strategic investment priorities in the following sectors – transport infrastructure, energy efficiency, waste management, energy production, small and medium-sized enterprises, and social economy. SIH will be managed by SZRB Asset Management, a subsidiary of the Slovak Guarantee and Development Bank.

10. Responsible Business Conduct

Responsible business conduct (RBC) is the basis of the European Commission's "Europe2020" strategy aimed at creating conditions for smart, sustainable and inclusive growth, which was ratified by member states in 2010. However, Slovakia has no unified and comprehensive national approach towards RBC at the government level. The Ministry of Labor, Social Affairs and Family reports on RBC and its implications for business in Slovakia. Additionally, an increasing number of NGOs (e.g. the Pontis Foundation), businesses, and multinational companies promote RBC.

Under Slovak law, corporations can contribute up to 2% of their corporate income taxes to non-governmental organizations (NGOs). Many corporations have their own corporate social responsibility (CSR) programs and take advantage of this opportunity, making this program a key funding source for NGOs. CSR programs range from employment and education programs for marginalized groups, to supporting green initiatives, to fundraising for charities and NGOs. For example, Whirlpool has a Habitat for Humanity program; U.S. Steel Kosice has a Roma employment program; and Johnson Controls has a community volunteer program. Multiple U.S. companies have been recognized by the government and civil society for excellence in their community service efforts. The Pontis Foundation – a prestigious NGO active in corporate philanthropy, transparency, and ethics - has for the past 16 years recognized the country's best RBC programs with its Via Bona Awards.

As a member of OECD, Slovakia adheres to the OECD Guidelines for Multinational Enterprises, which represent the global gold-standard on what comprises responsible business conduct. SARIO was designated in 2000 as the National Contact Point (NCP) for the OECD Guidelines. Contact details:

Mr. Marcel Sládok
Slovak Investment and Trade Development Agency (SARIO)
Trnavska cesta 100, 821 01 Bratislava, Slovakia
Tel: +421 2 4854 2309
Email: sladok@mhsr.sk

Additionally Slovakia encourages observance of related OECD voluntary guidelines, such as the Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Afflicted and High-Risk Areas. The Slovak Republic has also ratified the Extractive Industry Transparency Initiative (EITI).

Labor Code updates in recent years have strengthened employee rights protections while increasing employer obligations. A number of laws and regulations address environmental protection, including waste management, air protection, nature and landscape, water management, and others. Environmental impact assessments are systematically carried out for proposed new projects, and Slovakia is also a party to the Aarhus Protocol.

11. Political Violence

There have been no recent reports of politically motivated damage to property or violence directed toward foreign-owned companies. Civil disturbances in Slovakia are rare.

12. Corruption

Slovakia is a signatory to the OECD Convention on Combating Bribery of Foreign Public Officials, and the giving or accepting of a bribe constitutes a criminal act. Nevertheless, corruption continues to be among the most serious of issues for the business community. According to the PwC Global Economic Crime Survey 2016, one fourth of Slovak companies queried believe that they have lost business opportunities due to the willingness of rivals to engage in bribery, and eight percent of companies stated they were asked to pay a bribe within the last two years.

Ninety percent of Slovaks perceive corruption – particularly in public procurement and the use of EU funds – as widespread. The media regularly reports on alleged corruption or malfeasance but few high-level officials have been prosecuted for corruption. Critics blame political influence over the police and prosecution services for blocking or hampering investigations. The government has committed itself to making steps to improve the situation, but robust implementation is still lacking. The government has also taken some positive steps – including adopting an anti-corruption action plan in consultation with the business community's Rule of Law initiative and a second National Action Plan under the Open Government Partnership (OGP).

Slovak law provides for an independent judiciary; however, public confidence in the judicial system is among the lowest in the EU. The justice system is inefficient, exhibits low ethical standards, and remains divided on the need for reform. Some judges manipulate the case assignment system, and court verdicts are often poorly justified. The selection of judges is affected by nepotism, discouraging qualified candidates from applying.

There has been some recent progress, however, including improved leadership at the Supreme Court and the Judicial Council. The new governing coalition, formed after March 5 parliamentary elections, has also publicly committed itself to further rule of law and anti-corruption reforms.

In 2011 the Justice Ministry introduced the compulsory disclosure of contracts in the Central Registry of Contracts by public administration and state-owned companies. The measure is credited as having a positive anti-corruption effect.

Public tenders are frequently associated with corrupt practices. The government was shaken by several corruption scandals linked to public procurement in 2014 and 2015, notably in healthcare, involving several dubious purchases of medical equipment and provision of favorable contracts for some healthcare providers.

The administration and allocation of EU funds is another area where corruption and lack of transparency and efficiency remain an issue. The overall EU funds absorption rate for the programming period 2007 – 2013 had improved to 89% by the end of 2015, compared to 63% in 2014. In 2015, EU funds continued to represent as much as 86% of total public investment in Slovakia, compared to 75% in 2014. The European Commission investigated corruption complaints in connection with several tenders and regulatory decisions involving EU funds. The most notable cases involved the Ministry of Environment; the Ministry of Construction and Regional Development; the Ministry of Labor, Social Affairs, and Family; and the Ministry of Transportation.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Slovakia is a party to international treaties on corruption, among them the OECD Convention on Combating Bribery of Foreign Public Officials, the UN Anti-Organized Crime Convention, the UN Anti-Corruption Convention, and the Criminal Law Convention on Corruption and Civil Law Convention on Corruption. Slovakia is a member of the Group of States against Corruption (GRECO).

Resources to Report Corruption

Contact details of government agencies, which are responsible for combating corruption:

Dusan Kovacik
Head of the Special Prosecutor's Office
Office of the Special Prosecution under the General Prosecutor's Office
Sturova 2
821 02 Bratislava
Telephone:+421 33 690 3171
Dusan.Kovacik@genpro.gov.sk

Robert Krajmer
Head of the National Anti-Corruption Unit
The Ministry of Interior, National Police Headquarters
National Criminal Agency
Pribinova 2
812 72 Bratislava
Telephone: +420 9610 56371
Robert.Krajmer@minv.sk

Contact details of "watchdog" organizations (international, regional, local or nongovernmental organization operating in the country/economy that monitors corruption, such as Transparency International):

Gabrial Sipos
Executive Director
Transparency International Slovakia
Bajkalska 25
82718 Bratislava

Telephone: +421 2 5341 7207
sipos@transparency.sk

Zuzana Wienk
Executive Director
Fair Play Alliance
Smrecianska 21
811 05 Bratislava
Telephone: +421 2 207 39 919
zuzana@fair-play.sk

13. Bilateral Investment Agreements

Bilateral Taxation Treaties

In accordance with the European Outline Convention on Transfrontier Cooperation between Territorial Communities or Authorities, Slovakia has concluded several bilateral investment treaties. Some of these are legacies of the former Czechoslovakia, while others have come into force following independence in 1993. The 1992 U.S.- Slovakia Bilateral Investment Treaty specifies the basic framework for investment protection and dispute resolution between Slovakia and the U.S. A bilateral taxation treaty with the U.S. was signed in 1993.

Like other newer EU members, when it joined the EU Slovakia had to negotiate an amendment to its bilateral investment treaty with the U.S. to address inconsistencies with EU legislation. The amended treaty entered into force on May 14, 2004.

The United States and Slovakia agreed to the Foreign Account Tax Compliance Act (FATCA) in July 2015, and Slovakia subsequently approved the Act on Automatic Exchange of Information on Financial Accounts (359/2015) in order to fully comply with FATCA. Slovak financial institutions now have the obligation to report tax information of American account holders to the Slovak Government, which will then forward that information to the U.S. Internal Revenue Service (IRS).

The complete list of bilateral investment agreements can be found on the Finance Ministry's website: http://www.finance.gov.sk/Default.aspx?CatID=4597.

The complete list of bilateral taxation treaties can be viewed on the Finance Ministry's website: http://www.finance.gov.sk/Default.aspx?CatID=8688.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

Foreign trade zones and free ports were eliminated in Slovakia in 2006.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*	USG or international statistical source	USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other

Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M USD)	2015	EUR 76,521	2014	$100,249	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2015	EUR 575	2014	$749	BEA data available at http://bea.gov/international/direct_investment_ multinational_companies_comprehensive_data.htm
Host country's FDI in the United States ($M USD, stock positions)	2015	EUR 3.4	2014	$20	BEA data available at http://bea.gov/international/direct_investment_ multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2014	57.5%	2014	52.4%	IMF

Source: http://www.nbs.sk/sk/statisticke-udaje/statistika-platobnej-bilancie/priame-zahranicne-investicie

* Note: Official data on FDI is not perfectly accurate, as is does not account for foreign investors present in Slovakia but incorporated abroad. For example, U.S. Steel Kosice and the Slovak-based operations of Cisco Systems, Dell, and IBM are all registered as Dutch entities.

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*

Inward Direct Investment			Outward Direct Investment		
Total Inward	52,488	100%	Total Outward	2,998	100%
Netherlands	11,295	22%	Czech Republic	944	31%
Austria	7,686	15%	Cyprus	735	25%
Czech Republic	6,319	12%	Luxembourg	418	14%
Italy	6,096	12%	Poland	222	7%
Germany	3,493	7%	Turkey	157	5%
"0" reflects amounts rounded to +/- USD 500,000.					

Data is consistent with host country data.

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	21,747	100%	All Countries	2,144	100%	All Countries	19,603	100%
Italy	1,921	9%	Germany	362	17%	Italy	1,921	10%
United Kingdom	1,811	8%	Luxembourg	283	13%	United Kingdom	1,783	9%
France	1,717	8%	Czech Republic	271	13%	Netherlands	1,555	8%
Germany	1,568	7%	United States	250	12%	France	1,520	8%
Netherlands	1,555	7%	France	197	9%	Poland	1,267	6%

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments]

Legal system:

Civil law system based on Austro-Hungarian codes; note - legal code modified to comply with the obligations of Organization on Security and Cooperation in Europe and to expunge Marxist-Leninist legal system

International organization participation:

Australia Group, BIS, BSEC (observer), CBSS (observer), CD, CE, CEI, CERN, EAPC, EBRD, ECB, EIB, EMU, EU, FAO, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IEA, IFC, IFRCS, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITU, ITUC (NGOs), MIGA, NATO, NEA, NSG, OAS (observer), OECD, OIF (observer), OPCW, OSCE, PCA, Schengen Convention, SELEC (observer), UN, UNCTAD, UNESCO, UNFICYP, UNIDO, UNTSO, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO, ZC

Section 6 - Tax

Exchange control

Slovakia has been using the Euro as its currency since 1 January 2009. The Foreign Exchange Act allows the Euro to be used freely to pay for business and other costs, for direct investment and reinvestment and for purchase of real estate property abroad. Also, it is legal to accept financial credit (i.e. receive loans) from companies with no registered office within the Slovak Republic but, in certain circumstances, there is a requirement to report such credit.

The Foreign Exchange Act partially restricts the ability for companies without a registered office in the Slovak Republic to acquire real property in the Slovak Republic.

Capital transfers are regulated and there is a duty to report and obtain a special permit or licence from the central bank.

Starting in 2013, there is a separate law restricting cash payments to a ceiling of € 5,000, except for individuals not operating an undertaking, where the ceiling for payments in cash is € 15,000.

Treaty and non-treaty withholding tax rates

Slovakia has signed **66 agreements** (**65 DTC** and **1 TIEA** agreements) providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Australia	DTC	24 Aug 1999	22 Dec 1999	Yes	No
Austria	DTC	7 Mar 1978	12 Feb 1979	Yes	No
Belarus	DTC	12 Jan 1999	5 Jul 2000	Unreviewed	No
Belgium	DTC	15 Jan 1997	13 Jun 2000	Yes	No
Bosnia and Herzegovina	DTC	2 Nov 1981	17 Apr 1983	Unreviewed	No
Brazil	DTC	26 Aug 1986	14 Nov 1990	No	No
Bulgaria	DTC	12 Nov 1999	2 May 2001	Unreviewed	No
Canada	DTC	22 May 2001	20 Dec 2001	Yes	No
China	DTC	11 Jun 1987	23 Dec 1987	Yes	No
Chinese Taipei	DTC	10 Aug 2011	24 Sep 2011	No	No
Croatia	DTC	12 Feb 1996	14 Nov 1996	Unreviewed	No
Cyprus	DTC	15 Apr 1980	30 Dec 1980	Yes	No
Czech Republic	DTC	26 Mar 2002	14 Jul 2003	Yes	No
Denmark	DTC	5 May 1982	27 Dec 1982	Yes	No
Egypt	DTC	20 Jan 2004	not yet in force	Unreviewed	No
Estonia	DTC	21 Oct 2003	29 Mar 2006	Yes	No

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Finland	DTC	15 Feb 1999	6 May 2000	Yes	No
Former Yugoslav Republic of Macedonia	DTC	5 Oct 2009	27 Apr 2010	Yes	No
France	DTC	1 Jun 1973	25 Jan 1975	Yes	No
Georgia	DTC	27 Oct 2011	29 Jul 2012	Unreviewed	Yes
Germany	DTC	19 Dec 1980	17 Dec 1983	Yes	No
Greece	DTC	23 Oct 1986	23 May 1989	Yes	No
Guernsey	TIEA	22 Oct 2013	not yet in force	Unreviewed	Yes
Hungary	DTC	5 Aug 1994	21 Dec 1995	Yes	No
Iceland	DTC	15 Apr 2002	19 Jun 2003	Yes	No
India	DTC	27 Jan 1986	13 Mar 1987	Yes	No
Indonesia	DTC	12 Oct 2000	30 Jan 2001	Yes	No
Ireland	DTC	8 Jun 1999	30 Dec 1999	Yes	No
Israel	DTC	8 Sep 1999	23 May 2000	Yes	No
Italy	DTC	5 May 1981	26 Jun 1984	Yes	No
Japan	DTC	11 Oct 1977	25 Nov 1978	Yes	No
Kazakhstan	DTC	21 Mar 2007	28 Jul 2008	Unreviewed	No
Korea, Republic of	DTC	27 Aug 2001	8 Jul 2003	Yes	No
Kuwait	DTC	13 Nov 2012	not yet in force	Unreviewed	Yes
Latvia	DTC	11 Mar 1999	12 Jun 2000	Unreviewed	No
Libya	DTC	20 Feb 2009	21 Jun 2010	Unreviewed	No
Lithuania	DTC	15 Mar 2001	16 Dec 2002	Yes	No
Luxembourg	DTC	18 Mar 1991	30 Dec 1992	Yes	No
Malta	DTC	7 Sep 1999	20 Aug 2000	Yes	No
Mexico	DTC	13 May 2006	28 Sep 2007	Yes	No
Moldova, Republic of	DTC	25 Nov 2003	17 Sep 2006	Unreviewed	No
Montenegro	DTC	26 Feb 2001	15 Oct 2001	Unreviewed	No
Netherlands	DTC	4 Mar 1974	5 Nov 1974	No	No
Nigeria	DTC	31 Aug 1989	2 Dec 1990	Yes	No
Norway	DTC	27 Jun 1979	28 Dec 1979	Yes	No
Poland	DTC	18 Aug 1994	21 Dec 1995	Yes	No
Portugal	DTC	6 Jun 2001	2 Nov 2004	Yes	No
Romania	DTC	3 Mar 1994	29 Dec 1995	Unreviewed	No
Russian Federation	DTC	24 Jun 1994	1 May 1997	Yes	No
Serbia	DTC	26 Feb 2001	15 Oct 2001	Unreviewed	No
Singapore	DTC	9 May 2005	12 Jun 2006	No	No
Slovenia	DTC	14 May 2003	11 Jul 2004	Yes	No
South Africa	DTC	28 May 1998	30 Jun 1999	Yes	No
Spain	DTC	8 May 1980	5 Jun 1981	Yes	No
Sri Lanka	DTC	26 Jul 1978	19 Jun 1979	No	No
Sweden	DTC	16 Feb 1979	8 Oct 1980	Yes	No
Switzerland	DTC	14 Feb 1997	23 Dec 1997	Unreviewed	Yes
Syrian Arab Republic	DTC	18 Feb 2009	27 Feb 2010	Unreviewed	No
Tunisia	DTC	14 Mar 1990	25 Oct 1991	Unreviewed	No
Turkey	DTC	2 Apr 1997	2 Dec 1999	Yes	No
Turkmenistan	DTC	8 Aug 1996	26 Jun 1998	Unreviewed	No

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Ukraine	DTC	23 Jan 1996	22 Nov 1996	Unreviewed	No
United Kingdom	DTC	5 Nov 1990	20 Dec 1991	Yes	No
United States	DTC	8 Oct 1993	30 Dec 1993	Yes	No
Uzbekistan	DTC	6 Mar 2003	17 Oct 2003	Unreviewed	No
Viet nam	DTC	27 Oct 2008	29 Jul 2009	Unreviewed	Yes

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) *Global Advice Network*	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: *US State Department*)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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