

## ANALYSIS OF ENTITY SETUP AND ASSOCIATED RESIDENT PERMITS IN SLOVAKIA

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### FOR THE CLIENT:

**Culmen International, LLC,**  
**99 Canal Center Plaza, Ste. 125**  
**Alexandria, VA 22314 USA**  
(hereinafter referred to as the company “Culmen”)

**c/a**

**Mr. Aaron Mosby (hereinafter referred to as “Aaron”)** - employee of the company Culmen; an US citizen with biometric passport, and currently residing in France, where working for INTERPOL. Aaron and his family (wife, 4 daughters at the age of 1 – 12) have special resident cards issued by the Ministry of Foreign Affairs (Special Visa). Original visa for entry into France was submitted. Aaron with family have resided in France since the summer of 2018. They also previously lived in Bulgaria for three years starting in October 2015 where he worked for the U.S. Embassy.

### TASK:

#### **Additional background information from Culmen:**

“Our firm, Culmen International, LLC is a privately held US company, who works as a contractor to the US Government providing advisory services, technical support and logistics. Aaron specifically works in support of our US Department of Energy (DOE) customer, on a program called the Nuclear Smuggling Detection and Deterrence (NSDD) Program. DOE collaborates with foreign partner countries, like Slovakia, Ukraine, Bulgaria, and 60+ other countries around the world, to provide radiation detection equipment and training for use primarily at airports, seaports and land border crossings, to help our foreign partners detect and interdict illicit trafficking of nuclear and radiological materials. Culmen provides technical advisors to DOE to help them implement these programs with foreign partner countries, by attending meetings with foreign partners, representing DOE in overseeing the delivery of equipment to the foreign partner countries, and coordinating the installation and training on the equipment. We are paid by DOE (a US Government agency) to have our employees in Washington, DC and around the world serve in these advisory and coordination roles. Aaron will be moving to Bratislava to support DOE’s cooperative program with Slovakia, but also to serve as a central home base from which he can travel to Poland, Ukraine, the Balkans, etc. to support the DOE programs with those partners too.”

Based on the above circumstances **questions to be solved:**

1. *What is the best type of visa for Aaron to have to live in Slovakia and fulfill this role?*
2. *What is the best type of visas for his wife and four daughters to have while they are living with him in Slovakia (wife not working)?*
3. *Does Culmen need to register an office in Slovakia in order for Aaron to get a visa and for us to be able to pay him while he is living in Slovakia and working in the region?*
  - a. *If yes, what type of office, e.g. a Rep Office, a Branch Office?*
4. *Pros and cons of subsidiary, branch, and representative offices.*
  - a. *Tax implications.*
  - b. *Limitations on business functions.*
  - c. *Profit/revenue requirements.*
  - d. *Establishment costs.*
5. *Pros and cons of me either being named local manager, or as an employee of the established entity.*
  - a. *Perceived impact on resident permits.*
  - b. *Tax implications for me and my family.*
  - c. *Payment methodology (to myself).*
6. *How can we best pay Aaron as a US company, being paid by the US Government, with him as an employee living in Bratislava as an expat for an estimated 2-3 years, to be in compliance with Slovak law and minimize the burden on Aaron?*
  - a. *Can we pay him in the US in US dollars to his US bank account, and make employer/employee contributions to the US social security system?*
  - b. *If it is obligatory to pay him in Slovakia, do we need a Slovak payroll company to process payroll?*
7. *For housing is it better for Culmen to sign and pay the lease or Aaron to sign and pay the lease then get reimbursed by Culmen? Aaron of course maintains a primary residence in the US, and would just be leasing a house temporarily for the duration of time he is assigned to Slovakia. This would be a company expense and would not want it misperceived as a taxable benefit to Aaron. N/A (ProRelo)*

**THE SUBJECT MATTER OF THIS ANALYSIS is the following questions: 1, 2, 3, 4 (in part) including necessary documentation.**

**Questions 1. and 2.**

- applicable legislation is *Act No. 404/2011 Coll. on the residence of foreigners* (hereinafter referred to as “the Act”);
- based on the status quo presented by the company Culmen and Aaron, as well as the content of the supplementary questions, in order to maintain employment status, we recommend applying for **a temporary residence permit for the purpose of employment** (for Aaron) and **for the purpose of family reunification** (for Aaron's family);
- other types of visas or residency permit upon the Act requires conditions which will not be met or may be subject to prior approval from the relevant Slovak Ministry; or require strict criteria that may be examined before granting permission and may not be accepted or Aaron would not be able to have the status of an employee in Slovakia and the above would have an impact on Aaron's tax and levy obligations here in Slovakia (e.g. a residence

permit for the purpose of doing business - SKK company may be subject to an assessment of economic criteria for which the Ministry of Economy may not grant approval);

- a temporary residence permit entitles a third-country national **to stay, leave and re-enter the territory of the Slovak Republic** for the period for which it was granted by the Police;
- this means that it is **possible to travel to other Schengen countries** with a temporary residence permit;

**1. Legal purpose of temporary residence**

- the temporary residence is for **one purpose**. If a third-country national wishes to carry out an activity other than that for which he has been granted temporary residence, he must submit a new application for temporary residence, unless otherwise provided for in the Act.
- in this case it will be a **temporary residence permit for the purpose of employment** (for Aaron) and **for the purpose of family reunification** (for Aaron's family).

**2. Length of permit**

- temporary residence permit for the **purpose of employment** = intercompany transfer maximum of **3 years – at this scenario Aaron will stay employee of the foreign entity and will be sent to Slovak entity**; after this period, it would then have to be switched to a conventional job under the SK entity.
- temporary residence permit for the **purpose of employment** granted for the period between 2 and maximum 5 years in the case of direct employment.
- temporary residence permit for the **purpose of family reunification** maximum length copies **Aaron`s RP**.

**3. Documents required for the application of residence permit for purpose of direct employment - Aaron:**

- Officially translated criminal record from France
- Officially translated FBI Criminal record
- Landlord's confirmation
- Promise of employer
- Financial coverage from employer

- Necessary to publish the job advertisement for the job position - at least 20 working days before the appointment at the Foreign Police
- Power of Attorney
- *administrative application fee* **EUR 250, EUR 35, EUR 4.**

**4. Documents required for the application of residence permit for purpose of employment = intercompany transfer- Aaron:**

- Officially translated criminal record from France
- Officially translated FBI Criminal record
- Officially translated apostilled diploma
- Landlord's confirmation
- Officially Translated Employment contract
- Financial coverage
- Confirmation of employer about intercompany transfer from Slovakian company branch
- Confirmation of employer about intercompany transfer from US company branch (the main company branch)
- Contract on intracompany transfer between Slovak company branch and US company branch
- Declaration of employer
- Power of Attorney
- *administrative application fee* **EUR 250, EUR 35, EUR 4.**

**5. Documents required for the application - Aaron's family:**

- Officially translated apostilled marriage certificate (spouse)
- Officially translated apostilled birth certificates for all children
- Officially translated criminal record from France (spouse)
- Officially translated FBI Criminal record (spouse)
- Landlord's confirmation
- Financial coverage
- Other declarations which have to be signed by principal and the spouse and which we will prepare

- Power of Attorney
- *administrative application fee* **EUR 200, EUR 35, EUR 4 / per person**

**DISCLAIMER:** The Client has been explicitly informed of the legal risk of not being granted a residence permit pursuant to Section 33(6) of the Act.

### Questions 3.

- to receive above-mentioned residence permit for Aaron (and for Culmen to be able to pay him while he is living in Slovakia and working in the region) the company Culmen needs to:
  - establish a company (we recommend **Limited Liability Company**) (further as the “**LLC**”) or
  - buy a business share in a ready-made company (we are prepared to deliver such a clean ready-made company with bank account) or
  - establish an organizational unit of a foreign legal entity (further the “**Organizational Unit**”);
- subsequently, **(1)** the legal entity (LLC or Organizational Unit) directly employs Aaron as its employee **or (2)** Aaron, as an employee of the parent company Culmen, is transferred (intra-corporate secondment) to the Slovak entity (LLC/ Organizational Unit);
- tax and levy obligations (or non-monetary benefits) are the subject matter of question No. 5, 6, 7 (**not subject matter of this Analysis**)

**Note:** type of employment (direct employment relationship between Aaron and LLC/Organizational Unit) or relocation of employee (intra-corporate secondment) **must be settled before application for residency permit.**

### Questions 4.

- Pros and cons of LLC / Organizational Unit – the **main indicator upon the tax consultant (Mr. Peter Pašek):**

Not recommending setting up an Organizational Unit. Yes, from a commercial law perspective, it is easy to set up or dissolve an Organizational Unit, but **it requires the keeping of so-called duplicate accounts.**

It is **necessary to keep accounts for the Organizational Unit to the extent that the case for its activities in Slovakia.**

However, it is also **necessary to account for all accounting operations in the country of the founder of the Organizational Unit.**

**In addition,** the question of the permanent establishment and the calculation of the amount of profit attributable to Slovakia **must be addressed.**

This is quite challenging in practice.

In practice, there is **no difference in the tax rate** between a company LLC and a permanent establishment of a foreign taxpayer (Organizational Unit).

There is also **no difference** in the amount of taxes and levies paid by an employee if he works for an Organizational Unit or a company (LLC).

**From a tax and accounting point of view, he would not recommend setting up an Organizational Unit.**

➤ *Limitations on business functions:*

I would like to **point out** the prohibition of chaining (*Section 105a of the Commercial Code*), which applies to limited liability companies, that is: "**a company with one shareholder may not be the sole founder or sole shareholder of another limited liability company.**"

As we do not know the background of Culmen, it will be necessary to state how many shareholders Culmen currently has.

LLC: **entity with legal capacity**; must have an Executive director – not an employee.

Organizational Unit: **entity without legal capacity**; must have Head of the organizational unit.

➤ *Profit/revenue requirements:*

LLC /Organizational Unit: not required a profit, may also report a loss. *But see Main Indicator (pros and cons related to Organizational Unit)*

➤ *Establishment costs:*

LLC/Organizational Unit: registration fee **EUR 220**

Buying a business share in a ready-made company: registration fee **EUR 50**

Legal services – formation of LLC/Organizational Unit or buying a business share in a ready-made company (with a bank account) – **EUR 1800**

Fees for translation and verified signatures on documents.

Registered seat fee – see approved Price Proposal.

**Documents required for establishment of LLC:**

- Power of Attorney,
- Foundation Deed,
- Document related to the company's registered office, with officially certified signatures,
- a Deed evidencing the business licence to carry out the business activity to be entered into the commercial register as the subject of the business; for these purposes, pursuant to Act No. 455/1991, it will be necessary to attach:

- an Extract from the Criminal Record of the Managing Director of LLC who is not a citizen of the Slovak Republic,
- there is a fee of EUR 7 for notification of a business license, **but if it is filed electronically, it is free of charge**,
- a written Statement from the administrator of the contribution,
- a written Declaration of the founder (Culmen) with an officially certified signature, who is a foreign legal person, that the founder is a foreign legal person for purpose that the founder has more than one shareholder, if the limited liability company was set up by a single foreign legal person (company),
- Affidavit re tax authority (*that is not subject to the obligations specified in Section 105b (1) of the Commercial Code*),
- Specimen of Managing Director with an officially certified signature,
- Certificate of registration of the founder in the commercial register or other registration in which is registered.

#### **Documents required for buying a business share in a ready-made company LLC:**

- Power of attorney,
- Agreement on the transfer of the business share of the shareholder to another person with certified signatures,
- a Resolution of the General Meeting of Shareholders (i) approving the transfer of the business share of the shareholder, if such approval is required, (ii) changing the registered seat, and (iii) changing the Managing Director upon the instruction of Culmen,
- Document related to the company's registered office, with officially certified signatures,
- if the Managing Director, who is not a citizen of the Slovak Republic, his/her Extract from the Criminal Record will also be required,
- a written Declaration of the sole shareholder (Culmen) with an officially certified signature, who is a foreign legal person, that Culmen is a foreign legal person for purpose that the sole shareholder has more than one shareholder (*Section 105a of the Commercial Code*),
- Affidavit re tax authority (*that is not subject to the obligations specified in Section 105b (1) of the Commercial Code*),
- Specimen of Managing Director with an officially certified signature,
- the full text of the Foundation Deed,
- Certificate of registration of the founder in the commercial register or other registration in which is registered.

#### **Documents required for establishment of Organizational Unit:**

- Power of Attorney,

- Document related to the company's registered office, with officially certified signatures,
- the Founding Document of the foreign legal entity (Culmen),
- Articles of Association of the foreign legal entity (Culmen), if adopted,
- a Decision of the foreign legal person (Culmen) on the establishment of an Organisational Unit of an enterprise of the foreign legal person in the territory of the Slovak Republic,
- a Document proving the entrepreneurial authorisation to carry out the activity to be entered in the Commercial Register as the subject of business (certificate of trade licence), it will be necessary to attach:
  - an Extract from the Criminal Record of the foreign legal entity (Culmen),
  - an Extract from the criminal record of the Head of the branch office (Organizational Unit) of a foreign company who is not a citizen of the Slovak Republic,
  - there is a fee of EUR 7 for notification of a business license, but if it is filed electronically, it is free of charge,
- Specimen of Head of the Organizational Unit with an officially certified signature,
- A Certificate of registration of the foreign legal entity (Culmen) in the commercial register or other registration (*means in USA*), which contains the registration number, if the law of the state governing the foreign legal entity provides for the obligation to register the foreign legal entity in the commercial register or other registration, or a written declaration of the foreign legal entity that the law of the state governing the foreign legal entity does not provide for the obligation to register the foreign legal entity in the commercial register or other registration.

**Note:** Most of documents related to company formation (LLC/Organizational Unit) or transfer of business share in LLC will be prepared by Accace Legal **and signatures including apostille will be clarified after choosing a suitable variant.**

#### **Questions 5.**

Pros and cons of being named local manager, or as an employee of the established entity



Structure	Advantages	Disadvantages
Local contract at SK company	<ul style="list-style-type: none"> <li>Time constraint – temporary residence permit for the purpose of employment granted for the period between 2 and maximum 5 years.</li> <li>Lower administration (no need of contractual arrangements between related parties, no tax and insurance obligations for Culmen with respect to the work performed in the Slovak Republic and no re-invoicing of costs incurred).</li> <li>Without risk of creation of permanent establishment of the Culmen in Slovakia and obligation to establish a branch in Slovakia.</li> <li>Aaron would be entitled for travel allowances in case of foreign business trips to Poland, Ukraine, the Balkans, etc.</li> </ul>	<ul style="list-style-type: none"> <li>The necessity to establish a Slovak company and conclude a new employment contract between the Slovak company and Aaron and termination of actual employment contract with Culmen.</li> <li><b>Aaron would be subject to the social security and health insurance system in Slovakia</b>, the Slovak employer would be obliged to register at the Slovak social security administration and pay contributions to the Slovak social security and health insurance system; possibility of commercial health insurance for Aaron's family members in Slovakia.</li> <li>The Slovak employer would be obliged to inform the authorities about employing a foreign worker.</li> <li>Aaron would not be entitled for travel allowances when travelling to the place of work/registered seat of the Slovak company.</li> <li>Potential tax exposure - risk of creation of permanent establishment of SK company in other countries such as Poland, Ukraine, the Balkans, etc.</li> </ul>
Intra-corporate secondment of employee to SK company	<ul style="list-style-type: none"> <li>Retention of the current employment relationship between Culmen and Aaron.</li> <li>Aaron as well as Aaron's family members <b>may remain in the social security and health insurance system in the USA</b>; possibility of commercial health insurance for Aaron and Aaron's family members in Slovakia.</li> <li>Comparable conditions for the employee must be maintained such as wage and working conditions that are provided to the regular local (Slovak) employees.</li> </ul>	<ul style="list-style-type: none"> <li>Time constraint – secondment must be temporary (max. of 3 years) and available only to managers or experts.</li> <li>Administrative demands such as contractual documentation, setting of costs re-invoicing, etc.</li> <li>Risk of creation of permanent establishment of Culmen in Slovakia (it means profits that are attributable to the permanent establishment may be taxed in Slovakia, see the highlighted Section "Tax residency").</li> <li>Culmen could be liable to start with shadow payroll agenda in the USA.</li> <li>The Slovak employer would be obliged to inform the authorities about posting a foreign worker.</li> <li>It is necessary to take into account transfer pricing rules and requirements such as having transfer pricing documentation.</li> <li>Aaron as intra-corporate seconded employee to SK company cannot be further seconded by SK company to other company (the above refers to secondments for the purpose of working for another company, not normal business travel for conferences and business meetings).</li> </ul>

We recommend considering which of the above contract alternatives would be preferable for Culmen and Aaron. From the tax point of view there is no difference in terms of payroll tax. From the administration point of view is recommendable the first alternative i.e. local employment in Slovakia however Aaron would be part of the Slovak social security system due to the performance of work mainly from Slovakia. In addition, the risk of creation of permanent establishment of Culmen in Slovakia is eliminated.

#### Tax residency and tax implications for Aaron and his family members

- Based on the Slovak ITA<sup>1</sup>, taxpayer with an unlimited tax liability (a tax resident) is an individual with a permanent address in the Slovak Republic, or a habitual abode in the Slovak Republic or a person that physically stays in the territory Slovak Republic for more than 183 days in a calendar year, either continuously or in total.
- According to the DTT concluded between Slovakia and the USA<sup>2</sup>, if an individual is a tax resident of both states (Slovakia and the USA) according to the local tax legislation, then he shall be deemed to be tax resident of the State in which he has a permanent home available to him; if he has a permanent home available to him in both States, he shall be deemed to be a resident of the State with which his personal and economic relations are closer (center of vital interests). Therefore, with respect to the habitual abode and center of vital interests in Slovakia, Aaron will become a **Slovak tax resident** and his worldwide income will be subject to taxation in Slovakia. The same principle would be applicable also in case of wife's tax residency.
- There is no difference in the amount of taxes paid by an employee if Aaron will be Intra-corporate seconded from USA to Slovakia or if he is employed in the Slovak company.
- Salaries, wages, and other similar remuneration derived by a tax resident from employment exercised in Slovakia **are subject to taxation in Slovakia since the first day of employment**. In general, the tax base of up to 47 537,98 EUR for 2024 is subject to a 19% tax rate. The exceeding part of the tax base is taxed at 25%.
- The tax base is calculated as gross income (salary, wage and other remuneration based on the contract) minus mandatory social security and health insurance ("SSHI") contributions (paid in Slovakia or abroad). Then, the tax advance payment (applicable tax rate 19% or 25%) is calculated from the tax base. Gross income minus mandatory SSHI contributions minus tax advance = net income.<sup>3</sup>
- If Aaron is performed work only from territory of Slovakia, the employment income will be subject to tax only in Slovakia. If Aaron would perform work also from other countries (e.g. foreign business trips to Poland, Ukraine, the Balkans), the income for his performance of work in other state will be still taxed in Slovakia provided that: i) the recipient is present in the other state for a period or periods not exceeding in the aggregate 183 days in any twelve month period, ii) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other state, iii) the remuneration is not borne by a permanent establishment which the employer has in the other state. In this respect, Aaron should keep the tax working calendar as well.
- In case of foreign business trips to Poland, Ukraine, the Balkans, etc., Aaron would be entitled for travel allowances. Travel allowances calculated based on the special legislation up to the amount to which the employee is entitled are not subject to taxation on the level of employee and they are tax expenses of the employer.

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<sup>1</sup> Article 2 of the Act no. 595/2003 Coll. on income tax act (hereinafter as "**Slovak ITA**").

<sup>2</sup> Article 4 of the Convention between the Slovak Republic and the United States of America for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital (hereinafter as "**DTT between Slovakia and the USA**").

<sup>3</sup> We are not taking into account the amount of the taxpayer's non-taxable part of the tax base (amount of which depends on the amount of the tax base) and the tax bonus on dependent children as the final impact of such benefits on taxation is not significant.

- Considering the fact that Aaron will perform the work in other state that is the state of the tax residency of the employer, we would like to also draw the attention to possible tax implications at the level of the company and its corporate income tax due to the portion of the income generated in those other countries. In general, **profits of an enterprise shall be taxable only in the state of tax residency unless the enterprise carries on business in the other state through a permanent establishment (“PE”) situated therein.** If the enterprise carries on business as aforesaid, the profits that are attributable to the permanent establishment may be taxed in that other state.
- Based on the Slovak ITA<sup>4</sup>, the term “*permanent establishment*” or PE means a **fixed place of business** through which the business of an enterprise is wholly or partly carried on (usually a place of management, a branch, an office, etc.). But, it also includes **provision of services**, including consulting services, provided by the company through employees or other workers, but only if activities of this nature (for the same or related project) on the territory of the state last for longer period (usually 6 or 9 months in any 12-month period).
- Further, where a person is acting in a state on behalf of an enterprise and, in doing so, habitually concludes contracts, or habitually plays the principal role leading to the conclusion of contracts that are routinely concluded without material modification by the enterprise, that enterprise shall be deemed to have the **so called “agency PE”** in that state in respect of any activities which that person undertakes for the enterprise.
- In case of intra-corporate secondment of employee, the work would be mainly performed in Slovakia while the legal employer is the US company (Culman). On the other hand, in case of the Slovak employer and local employment contract, the work will be partially performed in Poland, Ukraine, the Balkans, etc. Therefore, since the part of the work and activities will be performed in other countries, it should be considered whether these activities are performed through the PE or not. To assess the risk of arising of the PE of the company, it is necessary to consider the scope of the work, competences and authority granted to the employee, length and intensity of the work, etc. and this always with respect to the respective country.<sup>5</sup> We recommend to prepare the separate analysis in order to assess the risk of creation of the PE.
- Additionally, the rules of the transfer pricing should be taken into account with respect to the intra-corporate secondment of employee, since there would be services provided between to related parties. Culman that is providing the employee should be rewarded for such services in line with the arm’s length principle. It means that the price for such services shall be the same as the price agreed in a comparable transaction between two unrelated parties. Respective margin should be defined in the contract and transaction included in the transfer pricing documentation, depending on the significance of the controlled transactions.
- Tax rate for corporate income tax in Slovakia (for taxable period of 2024) is 15%, provided that the taxable income does not exceed EUR 60,000 or 21% if the taxable income exceeds EUR 60,000.
- Payroll tax and mandatory social insurance contributions of the employee are being withheld and paid by the employer. At the end of the year, a natural person – employee, has a choice when settling his tax liability to file the tax return himself or asks his employer to process the annual tax settlement within the stipulated deadline. The annual tax settlement is possible only in case of income from employment. If Aaron earns

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<sup>4</sup> § 16 (2) of the Slovak ITA.

<sup>5</sup> The term and types of permanent establishment and conditions of its arising must be always considered with respect to the related parties (countries) and respective Double Taxation Treaty.

also other type of income, he will be obliged to file the tax return in Slovakia on his own and report there, as a Slovak tax resident, the worldwide income.

#### Questions 6.

##### Social insurance

- In general, income from employment is also subject to 9,4% social security insurance and 4% health care insurance (paid by employee). Also, the employer is obliged to pay contributions for his employees. In 2024, the employer's levies for the employee are 36.2% of his assessment base, i.e. the gross salary (from which contributions on social insurance are 25,20% and health insurance are 11%).
- According to the Agreement on social security between the Slovak Republic and the United States of America, a person employed within the territory of one of the Contracting States (Slovakia) shall, with respect to that employment, be subject to the laws of only that Contracting State.
- Where a person who is normally employed in the territory of one Contracting State (USA) by an employer in that territory is inter corporate seconded by that employer to the territory of the other Contracting State (Slovakia) for a temporary period, the person shall be subject to the laws of only the first Contracting State (USA) as if the person were employed in the territory of the first Contracting State, provided that the period of employment in the territory of the other Contracting State is not expected to exceed five years.
- It means that the laws of the USA shall be applicable in case when the employee is inter corporate seconded by the employer to Slovakia for a temporary period, and Aaron shall **still belong under the social security system in USA**. In case of direct employment in Slovak company, applicable would be **the Slovak law and Slovak social security system** and in case of foreign business trips, he should still remain in the Slovak social security system.
- Wife will not be employed in Slovakia; therefore she will not be automatically subject to the Slovak laws and Slovak social security system. It is possible to pay the social security contributions voluntarily. We recommend to check with the local US advisor what are the conditions to remain the subject to social security system in the USA.

##### Health insurance

- A natural person who does not have a permanent residence in the territory of the Slovak Republic is also publicly health insured, if he is not medically insured in another member state of the European Union or in a contracting state of the Agreement on the European Economic Area and in the Swiss Confederation, and:
  - carries out gainful activity (employment) for the employer who has a registered office or a PE in the territory of the Slovak Republic or is an organizational unit of a company of a foreign person in the territory of the Slovak Republic, with the agreed monthly income from this activity at least in the amount determined by a special regulation for an employee remunerated with a monthly salary;

- is a dependent child up to the age of 18 with a residence permit in the territory of the Slovak Republic, or whose residence in the territory of the Slovak Republic is authorized according to a special law, and who has insured (public health insurance) in the territory of the Slovak Republic at least one legal representative;<sup>6</sup>
- It means, Aaron as an employee and dependent children should be insured in Slovakia and be covered by the compulsory public health insurance. In case of wife who has a residence permit for the purpose of family reunification, we assume that conditions for the mandatory public health insurance will not be met (she will not be employed in Slovakia) and therefore she must take out commercial health insurance to cover the immediate and comprehensive health care. There are several insurance packages for foreigners on the market.

### Payroll processing

- Employer also means a taxpayer with an unlimited tax liability (company with the registered office or place of effective management in Slovakia) **for whom the employee carries out work** in line with employer's instructions and orders or on employer's behalf and responsibility, even though the income for such work is, based on contractual relations, paid by way of another entity having registered office or address in a foreign country. The income paid in this manner shall be, for the purposes hereof, considered as the income paid by the taxpayer with an unlimited tax liability.
- Therefore, the Slovak entity will be considered as an employer in both scenarios, i. e. in case of direct employment by the Slovak entity as well as in case when the employee is intra-corporate seconded to Slovakia by legal US employer. Since the employer is obliged to withhold the tax and insurance contributions from the salary and fulfill the notification and reporting obligations to the authorities, it is necessary to process the payroll in Slovakia.
- Salaries are paid to employees in money; wages may be paid in another form or currency, only if this law or a special regulation allows it.<sup>7</sup>
- Special regulation for this purpose means also working contract, therefore salary could be paid also in USD to the US bank account, if specified in the contract.
- In case of intra-corporate secondment of the employee, the law relationship between the employee and his contractual employer continues and this employer continues to pay salary, salary compensation, travel allowances, etc. to the employee.

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<sup>6</sup> Section 3 of the Slovak Health Insurance Act

<sup>7</sup> Section 130 of the Slovak Labor Code.