New Zealand; Slovak Republic

# Tax Treaty Between New Zealand and Slovak Republic – Details

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Details of the New Zealand - Slovak Republic Income Tax Treaty (2023), signed on 26 September 2023, have become available. The treaty was concluded in the English and Slovak languages, each text having equal authenticity. In case of divergence between the two texts, the English text will prevail. The treaty generally follows the OECD Model (2017).

The maximum rates of withholding tax under the treaty are:

- 15% on dividends generally, but reduced to 5% if the beneficial owner is a company that holds directly at least 10% of the voting power in the dividend-paying company throughout a 365-day period that includes the day of payment of the dividends;
- 10% on interest generally, but interest paid to the government, local authority, central bank authority, or specified statutory or government-owned entities is exempt (except where there is a holding of more than 10% of the voting power in the interest payer, in which case the 10% rate applies); and
- 10% on royalties.

Deviations from the OECD Model (2017) include the following:

- article 5 (permanent establishment) includes a building site, or a construction, installation or assembly project, or supervisory activities in connection with that building site or construction, installation or assembly project, if it lasts more than 6 months. An enterprise is deemed to have a permanent establishment in a Contracting State and to carry on business through that permanent establishment if for more than 183 days in any 12-month period it:
  - carries on activities in that contracting state which consist of, or which are connected with, the exploration for or exploitation of natural resources, including standing timber, situated in that contracting state;
  - operates substantial equipment in that contracting state; or
  - furnishes services, including consultancy or managerial services, by an enterprise of a contracting state or through employees or other personnel engaged by the enterprise for such purpose.
- article 7 (business profits) is based on the UN Model (2017) but does not include the restriction on head office expenses, and has an additional clause on the attribution of profits of a permanent establishment of a trustee of a trust;
- article 23 (mutual agreement procedure) does not contain an arbitration procedure; and
- article 27 (entitlement to benefits) incorporates the principal purpose test (PPT) and also more specific limitation of benefits clauses that are commonly found in New Zealand's treaties.

New Zealand applies the ordinary credit method to avoid double taxation, while the Slovak Republic applies the deduction method (article 21). There are no tax sparing credit provisions.

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