

THE OECD TAX-BENEFIT MODEL FOR SLOVAK REPUBLIC

Description of policy rules for 2019



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Preface

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

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

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

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

- The **reference date** for policy rules described in this report is **January 1, 2019**.
- **Guidelines for completing and updating this report** are provided [here](#).
- Further information on the model, model results, and references to reports and analytical uses is available on the [project website](#). A [methodology](#) document provides a full description of the assumptions underlying the model as well as the model choices that users can make. The symbol  in the text provides a link to a glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- In order to facilitate transparency between the policy descriptions and the associated code in the model, the **variable names** are indicated in the text in square brackets using the following format: **[variable name]**, for instance: **[AW]** for the average wage.

The OECD tax-benefit model for Slovak Republic: Policy rules in 2019

1. Reference wages

Average wage [**AW**]: The OECD tax-benefit model uses Secretariat estimates of the average full-time wage (available [here](#)).¹ If Secretariat estimates are not available yet, the model uses wage projections obtained by applying forecasted wage growth² to the latest available wage estimate.

The minimum wage [**MIN**] in 2019 is EUR 520 per month. The annual minimum wage is computed by multiplying the minimum monthly wage (as of 1 January 2019) by 12, i.e. EUR 520 * 12 = EUR 6 240.

2. Unemployment benefits

2.1. Unemployment benefit (*Poistenie v nezamestnanosti*)

Variable name:³ [**UI_p**; **UI_s**]

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

2.1.1. Eligibility conditions

Age: The claimant must have reached 16 years of age and be below pensionable age.

Contribution/employment history: A person has to be insured for unemployment, sickness and retirement. A person must have unemployment insurance for at least 2 years within the past 4 years before being included to registry of unemployed persons looking for employment.

Behavioural requirements and related eligibility conditions:  In order to be eligible for the benefit, a person must be registered as a jobseeker, must cooperate with the Labour Office, actively look for a job and be available in 3 days' time interval on request of the Labour Office. TaxBEN assumes that these compulsory conditions are satisfied when simulating unemployment benefits.⁴

¹ Average Wages are estimated by the Centre for Tax Policy and Administration at the OECD. For more information on methodology see the latest Taxing Wages publication.

² Wage growth projections are based on [OECD Economic Outlook](#) and [EU economic forecasts](#) (for non-OECD countries).

³ The variable names ending with “_p” refer to the first adult (so-called “principal” adult) whereas those ending with “_s” are related to the spouse.

⁴ Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see [Immervoll and Knotz \(2018\)](#), [Langenbacher \(2015\)](#) and [Venn \(2011\)](#).

2.1.2. Benefit amount

Contribution base: The daily assessment basis is the sum of assessment bases on which contributions for unemployment insurance were paid within the determining period, divided by the number of days of that period.

The maximum monthly assessment base is twice the average wage two years earlier. In 2017 the average wage was EUR 954 per month, thus the maximum monthly assessment base in 2019 is EUR 1 908 per month.

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

2.1.3. Benefit duration

The claim to unemployment benefit starts on the day the claimant registers as unemployed. The maximum duration of the benefit is 6 months.

2.1.4. Means test

The benefit is not means-tested.

2.1.5. Tax treatment

The benefit is not taxable.

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

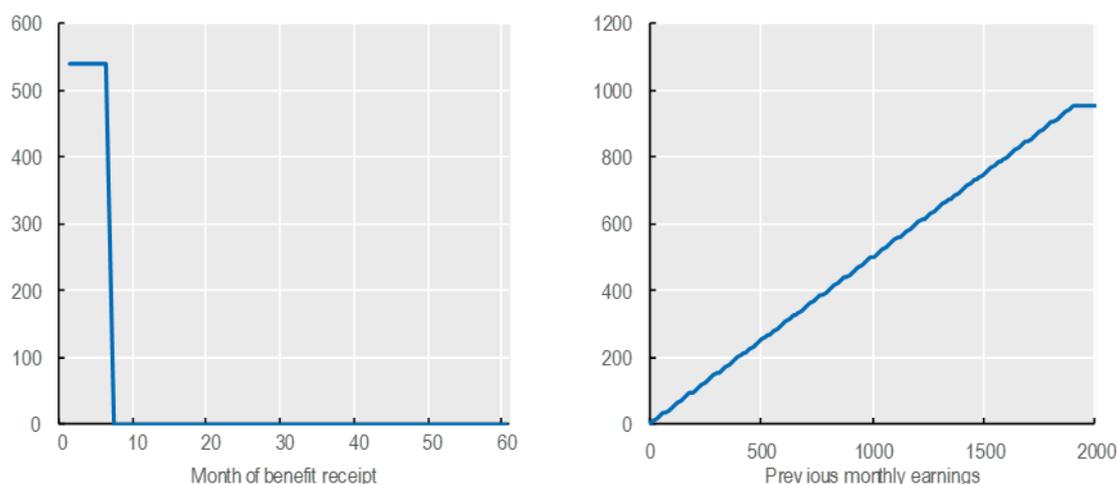
Unemployment insurance is not available to recipients of disability benefit (if the decrease in ability to carry out gainful activities is more than 70%), recipients of old-age benefit and early old-age benefit. A person is not entitled to unemployment benefit if they receive sickness benefit, nursing benefit, maternity benefit or parental allowance.

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

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

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

Figure 1. Unemployment benefit entitlement by unemployment duration and previous earnings



Note: In left-hand figure, previous earnings are at the average wage.
Source: Calculations using OECD tax-benefit model.

3. Social assistance and housing benefits

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

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

Assistance in material need includes:

- benefit in material need (*Dávka v hmotnej núdzi*) - [SA_i]
- protection allowance (*Ochranný príspevok*) - [SA_dep_child]
- activation allowance (*Aktivačný príspevok*) - [SA_AA]
- allowance for dependent child (*Príspevok na nezaopatrované dieťa*) - [SA_dep_child]
- housing allowance (*Príspevok na bývanie*) - [HB_SA].

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

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

3.1.1. Eligibility conditions

In order to be eligible to assistance in material need, the income of household members does not achieve the subsistence minimum (see Section 0), and household members are unable to secure or increase the income through their own endeavours. Before claiming assistance in material need, claimants should exercise their rights to other benefits providing basic living conditions, such as alimony, compensation income for temporary incapacity, sickness insurance, pension insurance, accident insurance, etc.

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

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

Protection allowance:

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

Activation allowance:

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

- a) who has earned income of at least the minimum monthly wage, or
- b) who is in the register of jobseekers and
 - upgrades their skills through part-time study in high school, college or for a master's degree
 - participates in education and training for the labour market
 - participates in activation activities
 - carries out common services or volunteer work
- c) who receives parental allowance, and who studies at a secondary school or university.

Allowance for dependent child:

The allowance for dependent child is designed to support education, training and overall development of a child in the household. The child must attend compulsory education, which starts at the age of 6 and finishes at the age 16.

Housing allowance:

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

3.1.2. Benefit amount

The calculation of the amount of assistance in material need is based on the difference between the sum of entitlements to the different components of assistance in material need (benefit in material need, housing allowance, protective allowance, activation allowance and allowance for dependent child) and the household's income. Assistance in material need is calculated and paid as one payment, but entitlements of less than one euro per month are not paid.

Benefit in material need

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

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

Protection allowance

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

- EUR 63.07 per month in the case of a household member who:
 - has reached the age required for the right to an old age pension or is disabled and whose capacity to engage in gainful employment has been reduced by more than 70%,
 - is a lone parent who takes care of a child aged up to 31 weeks,
 - personally, daily and properly cared for a person with disability reliant on care, this also applies to the time when such an individual is provided a respite services under the Social Services Act, or
 - participates in resocialization programs in a residential resocialization center where they cannot secure income through their own work
- EUR 34.69 per month in the case of a household member who:
 - Has unfavourable health status lasting for more than 30 continuous days, which is established by the relevant attending physician.
- EUR 13.50 per month in the case of household member who:
 - is a pregnant women from the start of the fourth month of pregnancy
 - is a parent who personally and full-time cares for a child under one year of age (*covered by the model*).

Unless otherwise stated, these situations are not simulated by the TaxBEN model.

Activation allowance

The amount of activation allowance is EUR 63.07 per month.

Allowance for dependent child

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

Housing allowance

The amount of the housing allowance is:

- EUR 55.80 per month in the case of a household with one member and
- EUR 89.20 per month in the case of a household with more than one member.

The housing allowance is paid once for each apartment, family house or other facility designed for housing regardless the number of households living there.

3.1.3. Benefit duration

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

The amounts of subsistence minimum used for determining the situation of material need are (since 1 July 2018):

Minimum Living Standards (MLS), EUR per month	
First adult	205,07
Second adult	143,06
Child	93,61

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

(covered by the TaxBEN model)

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

(not covered by the TaxBEN model)

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

3.1.4. Tax treatment

The benefit is not taxable.

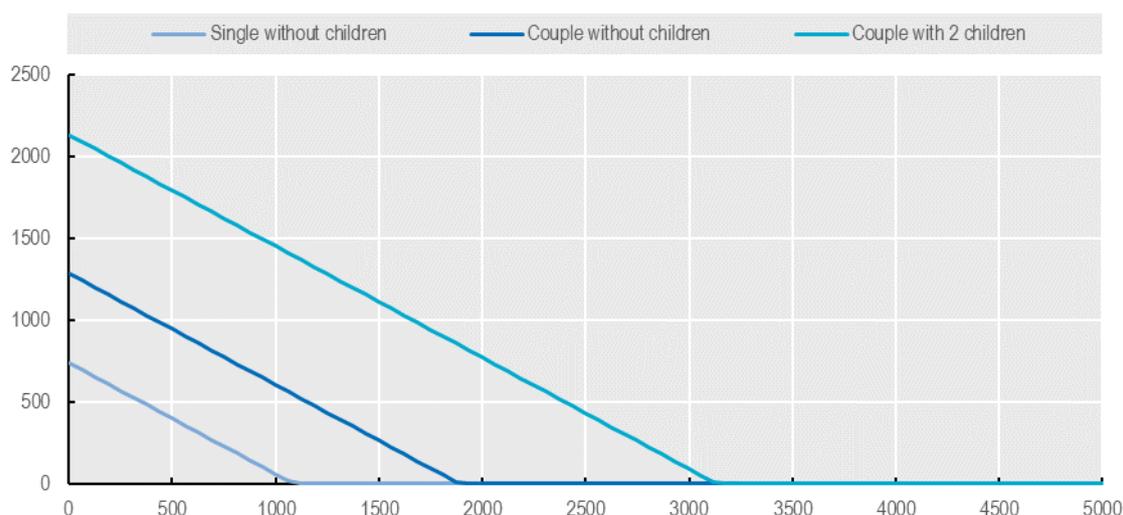
3.1.5. Interaction with other components of the tax-benefit system

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

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

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

Figure 2. Assistance in material need entitlement by gross earnings level (EUR per year)



Note: Children aged 6 and 4. In couples, only one member of the couple is in paid work. No housing costs.

Source: Calculations using OECD tax-benefit model.

4. Family benefits

4.1. Child allowance (*Pridavok na dieťa*)

Variable name: [\[FB_I\]](#)

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

4.1.1. Eligibility conditions

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

4.1.2. Benefit amount

From 1 January 2019 the amount of child allowance is EUR 24.34 per child per month.

4.1.3. Benefit duration

As long as the eligibility conditions hold.

4.1.4. Means test

The benefit is not means-tested.

4.1.5. Tax treatment

The benefit is not taxable.

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

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

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

No restrictions.

4.2. Alimony replacement benefit (*Náhradné výživné*)

Variable name: **[LPB]**

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

4.2.1. Eligibility conditions

The government provides support to lone parent if the absent parent does not pay alimony for more than three months in a row. The definition of dependent child is the same as for child allowance (see Section 4.1.1.)

4.2.2. Benefit amount

The amount of the benefit is up to an amount determined by the court but no more than 1.2 times the subsistence minimum for dependent children (but each case is evaluated individually). From 1 July 2018, the subsistence minimum for dependent child is EUR 93.61 per month. Maximum benefit amount is EUR 112.33 per month.

4.2.3. Benefit duration

As long as eligibility conditions hold.

4.2.4. Means test

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

4.2.5. Tax treatment

Non-taxable.

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

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

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

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

5. Net costs of Early Childhood Education and Care

The **reference date** for the policy rules described in this section is **1 January 2019**.

Early childhood education and care is provided by:

- providers of social services to promote the reconciliation of family and working life, e.g. nurseries, (from 6 months to 3 years old including) or
- kindergartens (from 3 to 6 years old; children aged 2 are also sometimes allowed subject to kindergarten's capacity) – *in the model it is assumed that both 2 and 3 year-olds attend kindergartens.*

Some nurseries are founded by municipalities/cities, but mostly they are founded by natural or legal persons. Kindergartens are mainly founded by municipalities/cities (public kindergartens), physical or other legal persons (private kindergarten) and churches or religious communities recognized by the state (church kindergartens).

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

5.1. *Gross childcare fees*

Variable name: `[SKcc_cost]`

Providers of social services

The average cost in childcare facilities under the age of three is around EUR 316 per month in Slovakia. This estimate is obtained from the applications of parents applying for childcare allowance. It shows the average actual childcare costs of recipients of childcare allowance. In Bratislava, the average childcare cost is EUR 345 per month

Kindergartens

In public kindergartens (the case considered in the TaxBEN model), the monthly fees to partially cover the expenses shall be determined by the founder subject to binding regulations.

Parents pay a monthly fee per child to cover part of the costs related to the material provisions for the education process. In state-run kindergartens, the binding regulation sets the limit for fees up to 7.5% of the subsistence minimum for a dependent child (EUR 93.61 since 1 July 2018), i.e. EUR 7.02 per month. In kindergartens run by local authorities, the fee ceilings set by local binding regulations can be higher.

In addition to the monthly fee per child described above, parents pay for children's meals in the kindergarten. The Ministry of Education, Science, Research and Sport regulates the meal fees by establishing (five) several financial zones of food units. However, the local authorities are free to determine the overhead costs. The fee for meals also varies, depending on the actual number of meals taken by the child.

In the city of Bratislava there are 17 districts, each of them has own binding regulation. For example, in Bratislava – Dúbravka, a maximum fee for a child's stay in the kindergarten is

EUR 25 per month, the daily food provision is EUR 1.27 and the daily overhead costs is EUR 0.25. These fees are close to the average limits across 17 districts and are simulated in the model.

5.1.1. *Discounts for part-time usage*

Providers of social services

The rules for part-time users are not available.

Kindergartens

The same attendance fee applies to parents who only use childcare part-time, but the additional payments (e.g. for meals) may be different and depend on the location where the kindergarten is located. In the model, it is assumed that the same fees apply to full-time and part-time childcare users.

5.2. *Fee discounts and free provision*

Providers of social services

The fee reductions are administered through childcare allowance (see Section 5.3).

Kindergartens

Some fee discounts apply to all public kindergartens. For example, the legal representative of child does not pay the monthly fee in the following cases:

- the child is one year before the compulsory school attendance;
- the legal representative of the child is recipient of assistance in material need;
- the child is placed in the facility following a court decision (*not covered by the model*).

Other discounts might be determined by the kindergarten. The actual amount of fee, within the stipulated range, is determined by the director of the pre-school facility, kindergarten or special kindergarten, with the possibility to have the fee differentiated, for example, according to the number of siblings in the kindergarten, the child's age, duration of stay in the pre-school facility, etc. Such discounts are not covered in the model.

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

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

Variable name: `[cc_benefit]`

Childcare allowance (*Príspevok na starostlivosť o dieťa*) is granted to a parent or guardian to support childcare expenses. This is a national universal scheme financed from taxes and the structural funds (ESF).

5.3.1. *Eligibility*

Childcare allowance is provided to persons taking care of a child up to the age of 3 years or up to the age of 6 years in case of long-term or severe disability. An eligible parent must pursue economic activity, or studies daily in high school or university and ensure that their children are looked after by official childcare service providers. The payment stops in the month after the child turns 3 years old (6 in case of disability), thus for 3-year olds in the

model it is not simulated. The application is submitted by one parent; the status of the second parent does not affect eligibility.

5.3.2. *Benefit amount*

The amount corresponds to the documented expenses:

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

5.3.3. *Benefit duration*

As long as the eligibility conditions hold.

5.3.4. *Means test*

No income test.

5.3.5. *Tax treatment*

Not taxable.

5.3.6. *Interaction with other benefits*

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

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

The benefit is targeted at those in work.

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

Variable name: [\[HomeCare\]](#)

Parental allowance (*Rodičovský príspevok*) is a monthly benefit to contribute to parents taking care of their children. This is a tax-financed universal scheme providing a flat-rate benefit to all residents with children, irrespective of whether they take parental leave or not. Parents can work full time or part time while receiving the parental allowance.

5.4.1. *Eligibility*

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

5.4.2. *Benefit amount*

From 1 January 2019, the monthly amount of this allowance is EUR 220.70.

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

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

5.4.3. *Benefit duration*

As long as the eligibility conditions hold.

5.4.4. *Means test*

No income test.

5.4.5. *Tax treatment*

Not taxable.

5.4.6. *Interaction with other benefits*

An individual cannot receive parental allowance alongside unemployment benefit, sickness benefit or maternity benefit or childcare allowance, but it is possible for one member of a couple to receive unemployment benefit or sickness benefit and the other to receive parental allowance.

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

No restrictions.

5.5. *Tax concessions for childcare expenditures*

The childcare fees paid by parents are not tax deductible.

6. In-work benefits

6.1. *Special allowance (Osobitný príspevok)*

Variable names: `[SA_SPEC_ALL_p, SA_SPEC_ALL_s]`

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

6.1.1. *Eligibility conditions*

The special allowance is granted to a person who:

- a) starts employment or a similar working relationship for at least one half of the set weekly working hours, with the agreed remuneration not less than the minimum wage corresponding to the agreed scope of weekly working time; with the maximum pay of twice the minimum wage
- b) and who prior to entering employment was:
 - long-term unemployed, or
 - for at least 12 calendar months

- did not carry out activities that are eligible for earned income, income from business, income from other self-activities or equivalent income abroad,
 - failed to comply with compulsory school attendance,
 - did not assume for future full-time students,
 - did not receive sickness, maternity or retirement pension, and
 - did not receive invalidity pension, retirement allowance, retirement pension or disability pension;
- c) and is a member of a household who ceases to claim assistance in material need or whose claim to assistance in material need ended on entering employment.

6.1.2. *Benefit amount*

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

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

6.1.3. *Benefit duration*

The benefit is paid for a maximum of 12 calendar months.

6.1.4. *Means test*

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

6.1.5. *Tax treatment*

The benefit is not taxable.

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

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

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

The benefit is targeted at people who start employment.

7. Social security contributions and payroll taxes

7.1. *Social security contributions payable by employees and benefit recipients*

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

Since 1 January 2010 the monthly minimum assessment base of all categories of employees (part-time, full-time, etc.) is the employee's actual monthly wage. Compulsory

contributions of 13.4% of gross wages are paid by all employees into government operated schemes. The total is made up as follows:

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

There are maximum assessment bases MSSAB (maximum threshold for contributions to apply). These limits apply to both employee and employer contributions. From 2004 these MSSAB are no longer fixed values but depend upon the average wage in the national economy (AW). Since January 2017 MSSAB for all types of insurance (except health and accident insurance) have been increased to $7 * AW_{t-2}$, where AW_{t-2} is the average wage two years ago (in 2017 it was EUR 954 per month). Thus, $MSSAB = 7 * EUR 954 * 12 = EUR 80 136$ per year. For accident and health insurance there is no upper limit.

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

7.2. Social security contributions payable by employers

Variable names: [\[SSCR_1, SSCR_2\]](#)

The total contribution for employers is 35.2% of gross wages. The contribution comprises the health insurance contribution (10%) and the social insurance contribution (25.2%). The social insurance rate reflects contributions to sickness insurance (1.4%), disability insurance (3%), retirement insurance (14.0%), the Guaranteed Fund (0.25%), accident insurance (0.8%), unemployment (1%) and the Reserve Fund (4.75%). All contributions are rounded down to two decimal points.

Since January 2005, the Slovak Republic has introduced the privately managed fully funded pillar. This means that a given proportion (initially 9 percentage points; from 1 September 2012 – 4 percentage points; from 2017 it will be raised each year by 0.25% to a target level of 6%, so in 2019 the proportion is 4.75%) of social contributions paid by the employer for retirement insurance flows directly to the private pension funds and not to the Social Insurance Agency as in previous years.

Employers also contribute to the Social Fund. The Social Fund must be compulsorily created by all employers who have their registered office or residence in the territory of the Slovak Republic and employ at least one employee in labour-law or service contract. The

minimum mandatory contribution rate is set to at least 0.6% of gross employee salaries in the current year. The Social Fund is used for implementation of enterprise social policy for employees, e.g. for catering allowances, transport, social assistance, supplementary pension, etc.

Contributions to private pension funds and the Social Fund are classified as ‘non-tax compulsory payments’ in the TaxBEN model.

8. Taxes

Only the central government levies income tax in the Slovak Republic: there are no separate state or local income taxes. The tax unit is the individual, though there are some joint elements such as an additional allowance for those with a low-income spouse.

8.1. Personal income tax

Variable name: **[IT]**

8.1.1. Tax allowances

The digressive tax allowances (personal tax allowance and spouse allowance) are taken into account at the end of the year when the tax return is filed or when the annual reconciliation is performed. Monthly tax prepayments during the year are therefore not affected by tax allowances.

Basic tax allowance:

The basic tax allowance for all taxpayers is 19.2 times the Subsistence Minimum (SM) for an adult. Since 1 January 2019 it is $19.2 * \text{EUR } 205,07 = \text{EUR } 3\,937.34$ per year.

If gross earnings net of employee social security contributions exceed EUR 20 507 ($100 * \text{SM}$), the allowance is gradually reduced. (This threshold approximately equals to an employee’s monthly gross wage of EUR 1 973.) In this case, the reduced amount of allowance is calculated as $44.2 * \text{SM}$ minus one quarter of gross earnings net of employee social security contributions.

The basic personal allowance reaches zero if the gross earnings net of employee social security contributions amount to EUR 36 256.38 per year. (This corresponds to employee’s monthly gross wage of approximately EUR 3 488.) The value of the basic tax allowance cannot become negative.

Spouse tax allowance:

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

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

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

If the principal's gross earnings net of employee social security contributions are less than or equal to EUR 36 256.38 (176.8 * SM) and the spouse's gross earnings net of employee social security contributions are lower than EUR 3 937.34 (19.2 * SM), the spouse allowance is calculated as the difference between 19.2 * SM and the spouse's gross earnings net of employee social security contributions.

If the gross earnings net of employee social security contributions of the spouse exceed EUR 3 937.34, the spouse allowance is zero.

If the principal's gross earnings net of employee social security contributions exceed EUR 36 256.38 (176.8 * SM), the spouse allowance is calculated as 63.4 * SM minus one quarter of the principal's gross earnings net of employee social security contributions. This amount is reduced by the spouse's gross earnings net of employee social security contributions until it reaches zero.

Other tax allowances:

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

8.1.2. Tax base

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

8.1.3. Income tax schedule

In 2013 the previous flat tax rate of 19% was replaced by a new tax schedule with two tax brackets. The ceiling for the first bracket is set as 176.8 * MLS (= EUR 36 256.38). The tax schedule is as follows:

Annual taxable income (EUR)	Rate (%)
0 – 36 256.38	19
36 256.38 and over	25

8.1.4. Tax credits

Child tax credit: The previous allowance for children was replaced by a tax credit in January 2004. In 2019, the tax credit is EUR 22.17 per child per month (EUR 266.04 per year). The tax credit is deducted from the tax liability; if the credit exceeds the tax liability, the excess will be paid to the taxpayer. In order to receive this tax credit, the parent must annually earn at least 6 times the minimum monthly wage (in 2019, EUR 520 * 6 = EUR 3120 per year). The credit can be taken only by one partner. It can be taken by one partner for part of the tax period (year) and by the other partner for the rest of the tax period (year); this choice must hold for all dependent children.

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

Employee tax credit (ETC):

Prior to 2015, low-income workers were eligible for employee tax credit. The employee tax credit was effective from 2009 and depended on employee's earnings and the number of months worked. In order to receive the employee tax credit, earnings must be between 6 times the minimum wage and 12 times the minimum wage. The credit was then calculated

as a 19% of the difference between the basic allowance and the tax base (gross earnings net of employee SSC). In 2019 the tax base (at the level of the minimum wage, EUR 5 451.84) is higher than the basic allowance (EUR 3 937.34) the tax credit is automatically zero (so effectively anyone can be eligible).

In the model this tax credit is included in the variable “in-work benefits” [**IW**].

9. Selected output from the OECD tax-benefit model (TaxBEN)

This section shows selected output of the TaxBEN model for the Slovak Republic 2019 (Figure 3). TaxBEN by default produces the following output: 1) net household incomes (**black lines**) and 2) related income components (**coloured stacked areas**) for selected family and individual circumstances (e.g. a lone parent working at different earnings levels with two children aged 4 and 6 respectively – users are free to select many of these circumstances). The model and the related web calculator is accessible from the [project website](#). Figure 3 shows outputs for four scenarios:

- By gross earnings (**Panel A**);
- By unemployment duration (in months) for a jobseeker claiming unemployment benefits (**Panel B**);
- By previous gross earnings levels for a jobseeker claiming unemployment benefits (**Panel C**);
- By previous employment record, for a jobseeker claiming unemployment benefits (**Panel D**).

The stacked areas shows the following household income components: **GROSS** = gross earnings; **SSC** = social security contributions; **IT** = income tax; **FB** = family benefits; **HB** = Housing benefits; **SA** = social assistance / Guaranteed minimum income benefits; **IW** = in-work benefit. Note that these components may be the result of the aggregation of more than one benefit into a single component. Please refer to the table of content to see the benefits included in each category.

Results in Figure 3 refer to a 2-adult family with two children. Adults are both 40 years old whereas children are 4 and 6 years old respectively. Social assistance and housing benefits are assumed to be available in all the four scenarios when the necessary income and eligibility requirements are met. Where receipt of social assistance or other benefits is subject to activity tests (such as active job-search or being available for work), these requirements are assumed to be met.

Panel A assumes that one adult family member (so-called ‘spouse’ using the TaxBEN terminology) is out of work and not eligible for unemployment benefits (e.g. because they have expired) whereas the other adult member (so-called ‘principal’) is employed full-time and full-year at different earnings levels. When earnings of the first adult are zero this person is assumed to be out of work but not receiving unemployment benefits (again, e.g. because they have expired), instead claiming social assistance or guaranteed minimum income benefits, as applicable.

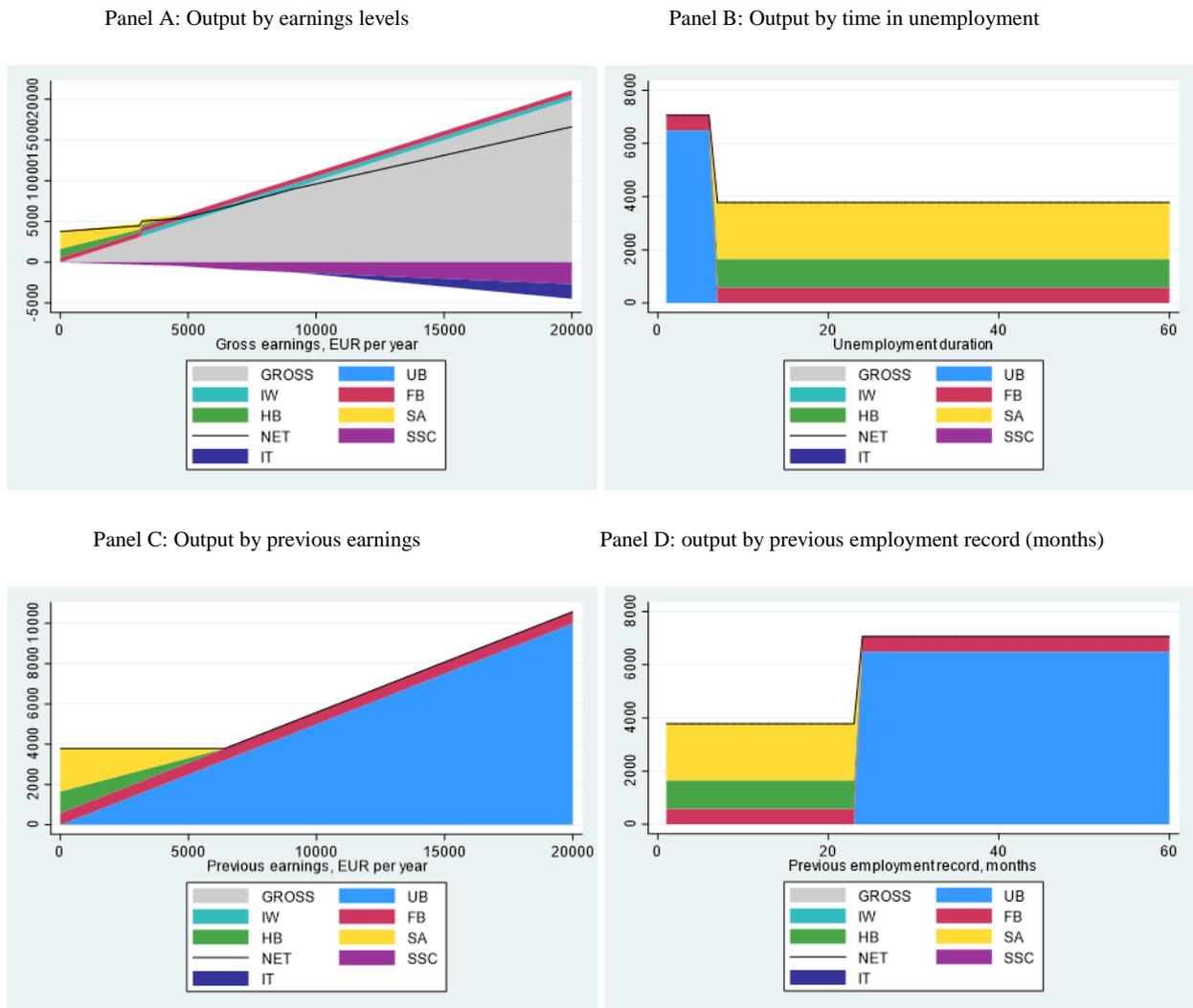
Panels B to D assume that the second adult is out of work and not eligible to unemployment benefits whereas the first adult is also out of work and claiming unemployment benefits. In Panel B and C the first adult is assumed to have a ‘long’ employment record of 264 consecutive months before the job loss. The horizontal axis in Panel B measures the time of benefit receipt, starting from the first month. The horizontal axis in Panel C shows the

amount of previous gross earnings (before any social contribution payments). Results in Panels C and D refer to the 2nd month of unemployment benefit receipt whereas Panel D consider the case of previous earnings equal to the average Wage. Previous earnings in Panel B are also equal to the average wage.

TaxBEN assumes the following logical sequence of benefit claims: 1) Unemployment benefit (Section 2.1), 2) Child Allowance (Section 4.1), 3) Alimony replacement benefit (Section 4.2) 4) Special allowance (Section 6), 5) Assistance in material need (Section 3.1).

Figure 3. Selected output from the OECD tax-benefit model

Couple with two children



Source: Calculations based on the OECD tax-benefit model.

Annex: Other benefits and direct taxes

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

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

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

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

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

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

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

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

Additional child benefit (Príplatok k prídavku na dieťa)

Additional child benefit is an extra allowance for dependent children introduced in January 2008. The entitlement arises if the child's parent or guardian is not entitled to the tax credit for dependent children, does not work or is a recipient of pension (old-age, early old-age or disability). From 1 January 2019 the monthly amount of this allowance is EUR 11.41.