

Tax on financial transactions (transaction tax)

The Act No. 279/2024 Coll., on Financial Transaction Tax (the “**Act**”) introduces from April 1, 2025 an obligation for Slovak banks and Slovak branches of foreign banks such as PKO BP S.A., pobočka zahraničnej banky (the “**Branch**”) to remit the tax on debit transactions, including cash withdrawals and use of a bank card, on behalf of their clients who are individuals - entrepreneurs and legal entities.

To help you navigate this topic, we have prepared answers to the most frequently asked questions. The answers also take into account the changes brought by the latest amendment to this law.

Basic information on transaction tax

What transactions should be subject to tax?

All debit transactions from the taxpayer's account should be taxed, including cash withdrawals. Card payments should not be taxed at the tax rate from the amount of the payment, instead the use of cards will be taxed at EUR 2 per year for each card used in the respective calendar year.

Who should be affected by the new tax, who should be liable as a taxpayer according to this law?

The following tax payers should be affected: natural persons - entrepreneurs (in Slovak: fyzické osoby - podnikatelia), legal persons (in Slovak: právnické osoby), such as limited liability companies, joint-stock companies, as well as branches of foreign entities (in Slovak: organizačná zložka zahraničnej osoby), (i) having their seat or place of its business in the Slovak Republic, (ii) having a bank account with the payment services provider with a seat in Slovakia or (iii) doing business in Slovakia.

What should be the tax rate?

The tax rate depends on the type of transaction:

Non-cash transactions (for example, transfers from an account, banking commissions and fees, loan repayments) have a rate of 0.4 % of the amount of the debit non-cash transaction, but a maximum of EUR 40 for each transaction.

Cash withdrawals - 0.8 % of the withdraw amount, while the maximum limit of the tax paid is not determined. The rate applies to withdrawals from any ATM.

In the case of payment cards, a tax of EUR 2 per year is paid for each card issued individually and used at least once a year. It is not relevant when the card was issued but whether it has been used during the calendar year.

Examples of tax calculation:

- For a transfer of 1 000 EUR, the tax is 4 EUR, for transfers over 10 000 EUR, the tax is 40 EUR, so for a transfer of 100 000 EUR, the tax is also 40 EUR, since the maximum amount of tax is 40 EUR.
- When withdrawing 1 000 EUR in cash from an ATM, the tax is 8 EUR.
- If the client has 2 cards issued and used, he pays a tax of 4 EUR per year.

When does the new tax starts to apply?

The first tax period is **April 2025**.

Will the sender of the payment or the recipient pay the tax?

In the case of money transfers, the tax will be paid by the entity sending the payment.. In case of cash withdrawal, an owner of the account from which the cash is withdrawn will pay the tax.

Calculation and payment of transaction tax

Who will calculate and pay the tax?

In the case of a taxpayer (see above who is taxpayer) with an account **in our Branch**, tax settlement will be handled by the Branch..

If the taxpayer has an account **in a foreign bank (including the PKO Bank Polski S.A. in Poland and its branches in other countries)**, the taxpayer (company, civil association, self-employed person) will be responsible for the calculation and payment of the tax.

When does the bank collect the tax for the first time?

The Branch plans to start collecting the tax on May 5, 2025.

How often will the tax be collected?

The Bank plans to collect tax on each taxable transaction no later than the next business day after the transaction.

The tax on an active payment card will be collected once a year.

How will the client find out about the amount of tax paid?

The client will find out information about the amount of tax paid in bank account statement.

What is the minimum tax?

The minimum tax on a financial transaction is 1 euro cent. It is rounded to the nearest euro cent, downwards if below 0.005 euros and upwards if 0.005 euros or more.

Transaction tax and transaction account

Will accounts held in the PKO BP S.A. in Poland be subject to tax?

Yes, however, if the taxpayer has an account with PKO BP S.A. in Poland or its branches in other countries and conducts business activities in Slovakia, the taxpayer will be responsible for calculating and remitting the tax.

Will the transaction tax also be applied to bank fees, such as account maintenance fees?

Yes, the transaction tax applies also to the fees and commissions.

When taxpayer transfers money within the Branch from its EUR account to its PLN account, is this transaction subject to transaction tax?

No, transfers between client's accounts maintained with the Branch, including transactions where conversion from one currency to another currency takes place, are not subject to transaction tax.

Transaction tax and other Banking products

Are card payments subject to the 0.4% tax?

No, a rate of 2 EUR per year applies for using the card, regardless of the number and value of transactions made with the card, except for cash withdrawals from ATM, for which a tax rate of 0.8% of the withdrawal amount applies, with no maximum limit on the tax paid.

Will transfers within the framework of liquidity management be subject to transaction tax?

Automated balance compensations of accounts of taxpayers who are members of a consolidated group, for which consolidated financial statements are prepared, are exempt from the transaction tax, provided they are conducted on accounts within the Branch. If the liquidity management involves accounts in other branches of PKO Bank Polski S.A., such transactions debited to the accounts of the Slovak tax payers would be subject to transaction tax.

Is the establishment of a term deposit subject to transaction tax?

No, the establishment of a term deposit is not subject to transaction tax, if the deposit is opened in the Branch.

Exemptions from transaction tax

What are the main exemptions from paying tax?

The law provides many exceptions, some of which are listed below. The exceptions already take into account the latest amendment to the Act.

Exceptions for debit transactions include, for example:

- payments made in connection with the payment of taxes, levies, duties and contributions which are a revenue of the Slovak state budget, customs debt and other payment assessed and imposed under customs regulations, social security contributions and health insurance contributions, or in connection with the provision of a guarantee for customs debt or other payment assessed or imposed under customs regulations and for value added tax or excise duty on imports, in connection with a security serving as a guarantee for the fulfilment of an obligation or compliance with a condition arising from legally binding acts of the European Union in the field of agriculture, which shall be credited to an account held with the State Treasury, the number or pre-number of which is given in a list published in a publication of the Ministry of Finance of the Slovak Republic,
- payment operations related to the administration of securities or other financial instruments or payment transactions related to the purchase of securities or other financial instruments in connection with the administration of retirement pension savings and supplementary pension savings;
- payment transactions carried out between accounts of the taxpayer held with the same payment service provider, (e.g. payments between accounts of the same company within the Branch);
- payment operations - handing over or returning money from notarial custody;
- payment transactions made by credit card, with the exception of cash withdrawals by credit card;
- payment transactions made on a special account held by a bailiff or payment transactions made by a lawyer on a special account in connection with the surrender or reimbursement of legal costs pursuant to a court order;
- payment operations in relation to the payment and return of a financial guarantee or security in the course of a tendering procedure, a commercial tender and payment operations in relation to the payment and return of a financial guarantee or security arising from a contractual relationship,
- payment operations carried out in connection with the payment of administrative fees and court fees in favour of the accounts of the operator of the system which provides the service of central registration of fees pursuant to a special regulation, the number of which is indicated in the list published in the publication organ of the Ministry of Finance of the Slovak Republic.

How can a taxpayer make tax-exempt payments?

All tax-exempt payments referred to in § 4(2)(c), (e), (f), (j), (l), (m), (o), (q), (r), (v) to (z), (ab), (ad) to (ag) of Act 279/2024 Coll. the taxpayer should make from a special account. No other payments (taxable) should be made from this account. The number of the account dedicated to tax-exempt payments should be provided on the form, which can be found on the website. We will not collect tax on payments made on such an account from the day following receipt of your notice.

What entities are exempted from tax?

According to the amendment of the law, the following entities **are not** taxpayers:

- Social Insurance Agency, Matica slovenská, Slovak Academy of Sciences, Office for Supervision of Health Care,
- budgetary and contributory organisation,

- municipalities and higher territorial unit,
- civil association, foundation, non-investment fund, non-profit organisation providing services of general benefit, special purpose establishment of the church and religious society, interest association of legal persons, research and development entity, organisation with international element, Slovak Red Cross, and whose subject of activity are activities according to a special regulation,
- regional tourism organisation, regional tourism organisation, tourist information centres,
- diplomatic mission and consular office established on the territory of the Slovak Republic, except for the consular office headed by an honorary consul,
- diplomatic mission and consular office accredited to the Slovak Republic and established outside the territory of the Slovak Republic, except for a consular office headed by an honorary consul,
- a school and school establishment included in the network of schools and school establishments of the Slovak Republic, except for a school and school establishment which is a commercial company.

If we are an entity exempted from the tax, are we obliged to notify the Branch of this fact?

Yes. You can find the form for notifying us that you are an exempt entity on the Branch's website.

Additional information on transaction tax

Does the taxpayer have any special obligations when closing an account in the period from 01.04.2025 till 31.05.2025 in terms of the transaction tax?

If the taxpayer closes a transaction account between April 1, 2025, and May 31, 2025, taxpayer is required to remit the tax to the tax authority for the taxable periods during which the account was active. They must do this by the end of the calendar month following the month in which the transaction account was closed. In the same period, the taxpayer is also required to submit a notification to the tax authority.

Is it possible to exclude employee salary payments from the transaction tax?

The current wording of the law does not include an exemption for salary payments, which means that every debit from the taxpayer's account representing a salary payment is subject to the transaction tax.

Will the tax apply also to companies having seat abroad and not doing business in Slovakia, but having an account with the bank or branch of a foreign bank having seat in Slovakia?

Yes. Also foreign entities having seat abroad and not doing business in Slovakia will be subject to the tax, if they have an account opened with the Slovak bank or a branch of a foreign bank in Slovakia.

What should a taxpayer do if they have doubts about the tax charged by the bank? Can they file a complaint?

The taxpayer can request an explanation from the Branch within 12 calendar months from the date the tax was deducted. The Branch will provide the requested explanation in writing within

60 days from the receipt the request and will correct any errors within the same period. If the Branch fails to fulfill this obligation, the taxpayer can file a complaint with the tax authority within 60 days from the date the Branch was supposed to deliver its written explanation and correct any errors.

If, after receiving the Branch's written explanation, the taxpayer disagrees with the Branch's procedure, the taxpayer may file a complaint against the Branch's procedure with the tax administrator within 30 days from the date of delivery of the Branch's written explanation to the taxpayer.