# SLOVAKIA

RETURN TO CONTENTS PAGE

## Overview

**BMB Partners, Taxand Slovakia**

Established in 1996, BMB Partners has been a high-end provider of tax advisory services in Slovakia for three decades. BMB Partners is an independent tax boutique offering a comprehensive and integrated range of tax consultancy and compliance services.

The BMB Partners team provides a wide range of transfer pricing services for multinational clients, in particular:

- Transfer pricing consultations and advisory
- Preparation and/or updates of transfer pricing documentation in Slovak, German and/or English languages (global and/or local file)
- Preparation of benchmark studies for various industry and service sectors
- Assistance in filing APA and BAPA applications, representation of clients during pre-filing meetings and investigation of tax authorities
- Assistance and representation of clients during transfer pricing audits
- Assistance in MAPs

## General: Transfer Pricing Framework

Transfer pricing regulations are an integral part of the Slovak Income Tax Act (Act No. 595/2003 Coll.). The arm's length principle is applicable and is defined directly in the Income Tax Act (Section 18). The law defines also a material-controlled transaction – transaction the value of which (revenue or expense) exceeds EUR 10,000. In the case of loans between related parties, the transaction is considered to be material if the principal amount exceeds EUR 50,000.

The OECD Guidelines have been officially translated into Slovak and published. The Slovak Income Tax Act (Section 18) contains a direct reference to OECD Guidelines and their methodology. Thus, OECD Guidelines are widely applied and generally accepted as an interpretation tool by both taxpayers and tax administration.

The currently applicable rules and criteria concerning the duty to prepare transfer pricing documentation are set out in the Guidance of the Ministry of Finance of the Slovak Republic No. MF/012879/2025-724 on the contents of the documentation under section 17(7) and section 18(1) of the Act No. 595/2003 Coll. on Income Tax, as amended (hereafter "SK TPD Guidance"). Whether a particular entity is obliged to keep transfer pricing documentation and in what scope (full-scope, basic and simplified) depends on a number of criteria. These include turnover, value of particular controlled transactions, whether an APA application has been filed, whether losses are generated etc.

## Accepted Transfer Pricing Methodologies

The OECD principles are applicable and the OECD methods have been taken over and incorporated into Slovak Income Tax Act. Traditional transaction methods (Comparable uncontrolled price method, Resale price method, Cost plus method) as well as Transactional profit methods (Transactional net margin method, Transactional profit split method) and their combinations are allowed. There is no hierarchy of methods, but the method which is most suitable in the given circumstances has to be applied and argumentation has to be provided why the particular method has been selected.

## Transfer Pricing Documentation Requirements

The Master File & Local File obligation exists. However, as Slovakia is mainly a capital importing country, the most typical scenario is that headquarters are located abroad and subsidiaries in Slovakia. Accordingly, Slovak companies mostly need to prepare a Local File, as the Master File is generally provided by the parent company.

In Slovakia, the criteria specifying when companies are obliged to keep transfer pricing documentation and in which scope are very complex. Please see the specification below:

- Full-scope documentation is obligatory for:
  - taxpayers conducting a cross-border material-controlled transaction or a group of cross-border controlled transactions, and preparing the individual financial statements under International Financial Reporting Standards;
  - taxpayers conducting a cross-border controlled transaction or a group of cross-border controlled transactions, if the value of such a controlled transaction or a group of controlled transactions for the relevant tax period exceeds EUR 10 million;
  - taxpayers conducting a cross-border material-controlled transaction or a group of cross-border controlled transactions with a related party resident in a non-contractual state;
  - taxpayers conducting a controlled transaction or a group of controlled transactions which are covered by an APA application;
  - taxpayers conducting a controlled transaction or a group of controlled transactions which are subject to a tax base adjustment request, except for the adjustment of the income tax base related to inland controlled transactions;
  - taxpayers conducting a controlled transaction or a group of controlled transactions which are subject to MAP application for the tax period; and

- taxpayers conducting a cross-border material-controlled transaction or a group of cross-border controlled transactions and applying a tax relief in the relevant tax period.

- Basic documentation is obligatory for:
  - taxpayers conducting a cross-border material-controlled transaction or a group of cross-border controlled transactions, if the total revenues from operating and financing activities of the taxpayer for the relevant tax period exceed EUR 8 million;
  - taxpayers conducting a cross-border controlled transaction or a group of cross-border transactions, if the value of such a controlled transaction or a group of controlled transactions for the relevant tax period exceeds EUR 1 million;
  - taxpayers conducting an inland material-controlled transaction or a group of material-controlled transactions, and applying a tax relief in the relevant period; and
  - taxpayers conducting a controlled transaction or a group of controlled transactions with a related party residing in a non-contractual state.

- Taxpayers engaged in controlled transactions who are not required to prepare full-scope or basic transfer pricing documentation may meet their documentation obligation by duly completing the relevant section of their corporate income tax return. The information disclosed in the tax return serves as a substitute for simplified transfer pricing documentation and is deemed sufficient to meet the applicable documentation requirements. If the taxpayer does not provide the information in the tax return, they shall include it in the simplified documentation.

  Taxpayers do not have to prepare documentation in relation to transactions which do not have an impact on the tax base of the taxpayer.

  Entities obliged to keep full-scope and basic documentation have the duty to prepare both Master file and Local File.

  The documentation is not automatically filed with tax authorities. The taxpayer keeps the documentation and submits it only upon request of the tax administrator. The taxpayer has to submit the documentation within a 15-day-deadline after the submission request is delivered. The tax administrator may request the submission of the documentation either during a tax audit or, without opening a tax audit, by sending a request to the taxpayer to submit the documentation. The law expects the documentation to be prepared after the conclusion of the fiscal year so that it is ready if requested by tax administrator. It cannot be reasonably expected to prepare it within the 15-day-deadline after receiving the submission request.

The documentation may be submitted to the tax administrator also in a language other than Slovak. However, if requested by the tax administrator, the taxpayer is obliged to provide a translation into Slovak within a 15-day-deadline.

## Local Jurisdiction Benchmarks

Benchmarks are a useful and efficient tool to prove that the transfer prices used by the taxpayer are in line with the arm's length principle. According to the SK TPD Guidance, a benchmark (a comparability analysis) is an essential part of the full-scope documentation. Entities not obliged to keep full-scope documentation are not required to submit a benchmark.

However, it is advisable to prepare a benchmark anyway, as it is useful for the taxpayer to define its tax position. If the taxpayer submits a benchmark, the burden of proof is shifted to the tax administrator, and if the tax administrator does not agree with the benchmark, it has to prove the benchmark is not correct. Benchmarks submitted by taxpayers to the tax authorities are closely reviewed and it is not uncommon that the tax administrator prepares its own benchmark (even if a benchmark is submitted by the taxpayer), and if the results deviate from the figures presented by the taxpayer as market values, it is up to the taxpayer to defend its position. The tax administrator may still accept the figures presented by the taxpayer if the taxpayer provides valid argumentation. At this point, valid negotiation and argumentation is extremely important. If the taxpayer fails to defend its position, the tax administrator calculates the difference in tax (tax adjustment) and the taxpayer has to pay the outstanding amount plus sanctions.

Benchmarks are mostly based on regional comparison, as Slovakia is a small country and there might not be enough comparable entities within the country for an exclusively local comparison. When selecting the comparable region, it is advisable to select countries similar in both geography and economic position to Slovakia (e.g., EU, Europe, Central and Eastern Europe), so that the results are truly comparable. Otherwise, it might prove very difficult to defend the results.

Internal CUPs are very difficult to find, but not impossible. As a direct method, internal CUP is even preferred by the tax administrator. If internal CUP method is applied by a taxpayer, the tax administrator closely inspects whether the conditions are truly comparable.

## Focus on Financial Transactions

So far, Slovakia has not issued any special guidance or regulation focused on transfer pricing of financial transactions. The only specific mention of financial transactions can be found in Section 17 of the Slovak Income Tax Act, specifying that the term "material controlled transaction" covers also loans between related parties with principal amount exceeding EUR 50,000.

Apart from this threshold, the Slovak tax law does not contain any specific statutory provisions dedicated exclusively to transfer pricing of financial transactions. The primary legal basis is Section 18 of the Slovak Income Tax Act, which requires all controlled transactions between related parties, including loans, guarantees, cash-pooling arrangements, and other financing activities, to comply with the arm's length principle. Taxpayers and the tax authorities primarily rely on the OECD Transfer Pricing Guidelines, particularly Chapter X on Financial Transactions.

Historically, taxpayers have relied on indicative financing offers from commercial banks to support the arm's length nature of intercompany loan pricing. This approach is generally not accepted by the Slovak tax authorities, as such offers are merely indicative and do not represent transactions that were actually concluded or executed.

As regards case law, Slovakia has currently very limited case law dealing specifically with the transfer pricing of financial transactions. To date, the **EURO AGR**I **case (Administrative Court in Banská Bystrica, 2025)** appears to be the only relevant and publicly available Slovak judgment that directly addresses the arm's-length pricing of intra-group loans.

In **EURO AGRI**, the taxpayer entered into several intra-group loan arrangements, acting both as lender and borrower within its corporate group. The loan agreements were drafted in a very general manner, without fixed loan amounts, maturities, or clearly defined repayment schedules, and interest was charged at only **0.6%**, based on the company's funding costs plus a small premium. The Slovak tax authorities concluded that independent parties would not have agreed to such terms, particularly because the borrowers showed weak financial performance and elevated credit risk. They therefore performed their own credit-risk analysis, relied on market data and National Bank of Slovakia sector information, and adjusted the interest rates to what they considered an arm's-length level.

The court sided with the tax authorities and upheld the transfer pricing adjustment. The court also accepted the use of borrower credit-risk analysis and market-based benchmarking by the tax authorities. As a result, the judgment confirms that, in Slovakia, the arm's-length assessment of intra-group financing depends not only on the interest rate itself but also on the overall economic substance of the loan, including contractual terms, repayment conditions, and the borrower's creditworthiness.

## Advance Pricing Agreement "APA"/Bilateral Advance Pricing Agreement "BAPA" Overview

In Slovakia, it is possible to apply for both unilateral APA and BAPA, and numerous taxpayers decide to take this step to gain legal certainty. The request for unilateral APA/BAPA has to be filed no later than 60 days prior to the beginning of the first year to which the APA should apply. APAs may be approved for a period of up to 5 years. If the taxpayer files a new APA request no later than 60 days before the lapse of the first APA and proves that the conditions have not changed, the tax administrator may approve another APA for a period of further up to 5 years.

The conditions for a BAPA are analogous. Roll-back is possible for a BAPA if both contracting states agree.

If no agreement on BAPA with the other state is reached, the Slovak administrator may still approve a unilateral APA.

The law specifically defines the information which has to be provided in the APA request.

The standard fee for a unilateral APA amounts to EUR 10,000 and for a BAPA to EUR 30,000. The fee is due at the time the request is filed. Both fees are reduced by 50% if the taxpayer is ranked as "highly reliable" within the Tax Reliability Index rating. This rating monitors the history of the taxpayer (whether the tax returns and other filings were filed on time, whether taxes were paid on time and in the correct amount etc.).

The duration of the process depends on individual circumstances. If there are no disputed issues, an APA may be approved within a few months. According to our experience, most unilateral APAs are issued within the period of 4 – 6 months. On the other hand, the average time to negotiate a BAPA is 48 months (according to EU statistics for 2024 published in January 2026). According to these statistics, there were 17 applicable APAs in Slovakia as at the end of 2024, thereof 15 unilateral and 2 bilateral.

## Transfer Pricing Audits

In recent years, the Slovak tax administration started focusing on transfer pricing audits. The statute of limitation for cross-border transactions, and thus also for cross-border transfer pricing issues, is considerably long: 10 years after the lapse of the tax period in which the tax return was due, which means 11 years after the year in which the transaction was conducted. Transfer pricing audits are often performed by the tax administrator within the last 2-3 years of the limitation period, which results in rather big sanctions if findings are identified.

During transfer pricing audits, the tax administrator focuses mainly on losses or extremely low profit margins/mark-ups.

During transfer pricing audits, the tax administrator often prepares its own benchmark (even if a benchmark is submitted by the taxpayer), and if the results deviate from the figures presented by the taxpayer as market values, it is up to the taxpayer to defend its position. The tax administrator may still accept the figures presented by the taxpayer if the taxpayer provides valid argumentation. At this point, valid negotiation and argumentation is extremely important. If the taxpayer fails to defend its position, the tax administrator calculates the difference in tax and the taxpayer has to pay the outstanding amount plus penalty (penalty in form of interest).

A new rule regarding transfer pricing adjustments came into effect in 2023. If the taxpayer does not comply with the arm's length principle (i.e., when his values are outside the range of independent comparable values), the adjustment by the tax administrator shall be based on the median resulting from the benchmark analysis (independent comparable values). If the taxpayer proves that, considering the particular circumstances, another value within the interquartile range than median is more suitable, the tax base shall be adjusted to this value. The law amendment copies the previous practice, as the adjustments of the tax administrator were based on the value of the median in the past, too.

Experts argue that this new provision is actually not in line with the OECD Guidelines, which specify that the whole range of independent comparable values (interquartile range) is in line with the arm's length principle and should therefore be accepted by the tax administrator without the need to defend the value with special arguments and circumstances. It will therefore be interesting to see the future development in this field, especially whether the tax administrator will enforce this provision during tax audits and how willing it will be to accept the argumentation of the taxpayer.

## The Burden of Proof in Transfer Pricing: Theory versus Practice

High quality documentation that defines the tax position through evidence (comparability analysis) means that the burden of proof shifts to the tax administrator. In practice, the TP Catalyst database, which is also used by the Slovak tax administration, is popular and widely used. When a taxpayer submits a comparability study, the tax administrator first checks whether it agrees with the search strategy. If so, it then downloads its own dataset and performs a quantitative and qualitative analysis of the sample and confronts the taxpayer with the differences. This shifts the burden of proof back and the taxpayer has to explain and justify its steps and results. This is where the burden of proof shift back to the tax administrator often fails; it is more about the power of negotiation.

## Transfer Pricing Penalties

Since 2017, the sanctions for the failure to comply with the arm's length principle in transactions with related parties have increased. The stricter sanctions are applicable to taxpayers that intentionally decrease the tax base or increase the tax loss through transfer prices. In such a case, the sanction is not the standard 3 x ECB base interest rate p.a. of the adjustment (additionally assessed tax) generally imposed by the tax administrator during tax audits, but double the amount. The maximum sanction is 100 % of the additionally assessed tax.

In addition to the above described sanctions, penalties may be imposed for other transfer pricing related offences, e.g., the failure to submit transfer pricing documentation or the submission of faulty transfer pricing documentation. These administrative offences are subject to a penalty of up to EUR 10,000.

## Local Hot Topics and Recent Updates

The latest update of the SK TPD Guidance has been applicable since 2025. While most rules, requirements and also the documentation thresholds were left unchanged, the guidance has introduced the following changes:

- Abolition of the standalone simplified documentation requirement. Under the 2023 guidance, taxpayers not subject to full or basic documentation were generally required to maintain simplified documentation. Under the 2025 guidance, the documentation obligation is primarily satisfied through the proper completion of the transfer pricing section of the corporate income tax return;
- Introduction of a direct link between the tax return and transfer pricing documentation obligations. This reflects the increased importance of the transfer pricing disclosures contained in the Slovak tax return;
- More flexible transaction grouping rules. The 2025 guidance clarifies that a group of controlled transactions may include transactions carried out with different counterparties, provided they are of the same nature, closely linked, or comparable from a functional perspective. The previous wording did not expressly mention the possibility of grouping transactions involving different counterparties.

# SLOVAKIA

RETURN TO CONTENTS PAGE

## Documentation threshold

| | |
|---|---|
| Master file | N/A (complex rules explained in part Transfer Pricing Documentation Requirements) |
| Local file | N/A (complex rules explained in part Transfer Pricing Documentation Requirements) |
| CbCR | group revenue over EUR 750 million/year |

## Submission deadline

| | |
|---|---|
| Master file | During the transfer pricing audit, or, outside the audit within 15 days after the receipt of the request of the tax administrator |
| Local file | During the transfer pricing audit, or, outside the audit within 15 days after the receipt of the request of the tax administrator |
| CbCR | For CbCR: 12 months after the lapse of the relevant fiscal year (according to the fiscal year of the parent company)<br>For Notification on which foreign entity within the group files the CbCR: same as tax return filing deadline (standard deadline 3 months after the lapse of the tax period) |

## Penalty Provisions

| | |
|---|---|
| Documentation – late filing provision | from EUR 100 up to EUR 10,000 (at the discretion of the tax administrator, depending on the severity, duration and possible consequences) |
| Tax return disclosure – late/incomplete/no filing | from EUR 100 up to EUR 30,000 (at the discretion of the tax administrator, depending on the severity, duration and possible consequences) |
| CbCR – late/incomplete/no filing | up to EUR 10,000 (for non-filing of CbCR), repeatedly<br>up to EUR 3,000 (for non-filing of the Notification on which foreign entity within the group files the CbCR), repeatedly |


**CONTACT**
**Judita Kuchtova**
**BMB Partners**
judita.kuchtova@bmb.sk
+421 2 212 99 000



**Renata Blahova**
**BMB Partners**
renata.blahova@bmb.sk
+421 2 212 99 000