

FINANCIAL TRANSACTION TAX. SELECTED QUESTIONS AND ANSWERS

Definitions:

Act means Act No. 279/2024 Coll. on Financial Transaction Tax and on Amendments to Certain Acts, as amended.

Tax means the tax on financial transactions as per the Act.

Citibank Slovakia means Citibank Europe plc with its registered office at 1 North Wall Quay, Dublin 1, Ireland, registered with the Companies Registration Office under number 132781, conducting its business activities in the Slovak Republic through Citibank Europe plc, pobočka zahraničnej banky, with its registered office at Dvořákovo nábrežie 8, 811 02 Bratislava, Slovak Republic, Company ID No.: 36 861 260, registered in the Commercial Register of the Municipal Court Bratislava III, Section Po, Insert No 1662/B.

Questions:

1. What is the Financial Transaction Tax and when will the tax come into effect?

Tax is a new tax that apply on financial transactions. The collection of the Tax will begin on **April 1, 2025**.

2. Who is the taxpayer of the financial transaction tax?

Taxpayers (i.e. who is obliged to pay the Tax) are sole traders, legal entities and organizational units of foreign persons who have their registered office or place of business in the territory of Slovakia, or who have an account in a bank or branch of a foreign bank in Slovakia, or who carry out activities in the territory of Slovakia.

3. Who is a tax remitter?

Pursuant to the provision of Section 3(3) of the Act, the Tax remitter is either (i) a bank in Slovakia or a branch of a foreign bank in Slovakia (hereinafter jointly referred to as **a Slovak bank**), which is the provider of the client's payment services, or (ii) the taxpayer himself (see also the information in point 16 below).

4. What is subject to tax?

The subject of the Tax is (a) **a financial transaction** in which an **amount of funds is debited from the taxpayer's payment account**, or b) the use of a payment card issued to the transaction account for the purpose of carrying out a financial transaction, or c) a recharged cost related to the execution of a financial transaction relating to the taxpayer's activity carried out in the national territory.

5. What is not subject to tax?

The subject of the Tax is not (i) financial transactions of persons to whom the Tax does not apply within the meaning of the provision of Section 3 (2) of the Act and (ii) financial transactions that are specified as exceptions in Section 4 (2) of the Act, e.g.

payment of taxes and levies to accounts maintained in the State Treasury, the numbers of which are published by the Ministry of Finance of the Slovak Republic.

6. What is the tax rate and how is the tax calculated?

The Tax rate is (i) **0.4%** of the amount of funds debited from the payment account for non-cash transactions, **up** to a maximum of **EUR 40** per transaction and (ii) 0.8% for cash withdrawals, without limitation. For each payment card used at least once (debit or credit), the tax rate is 2 euros per year.

7. How is the tax calculated when paying from a transaction account held in a currency other than EUR?

If a financial transaction is executed from a client's transaction account maintained in a currency other than euro, for the purpose of determining the tax base, the amount of the financial transaction executed on such account shall be converted into euros and the reference exchange rate determined and announced by the European Central Bank or the National Bank of Slovakia valid on the date of the financial transaction shall be used for the conversion.

8. Will the bank with which I have an account calculate and pay the tax for me?

If a financial transaction subject to the Tax is carried out from an account maintained in a Slovak bank, the Tax will be calculated, withheld and paid to the tax office directly by that financial institution.

9. When will the tax be accounted for the first time and how will it be accounted for on a periodic basis?

The first settlement of Tax will be carried out by Citibank Slovakia in the period between 01.05.2025 and 01.07.2025 and will cover the period from 1.4.2025 to the date of the first settlement of the Tax. Any subsequent settlement will be made on the first business day of the following month for the previous month. When Citibank Slovakia sets the exact date of the first Tax settlement, it will inform clients about it.

10. How do you plan to account for and record this tax in your bank statement - individually after each payment or aggregated for the whole month?

The Tax will be recorded in the account **aggregated in one item** for the entire tax period of one month. Clients will be sent an itemized list of transactions with the calculation of the Tax once a month. A list of transactions will be sent to the client's email address, where they receive PDF statements. For the avoidance of doubt, Citibank Slovakia has the right to change this method from time to time.

11. Under which bank transaction code will we be able to identify the calculated and posted financial transaction tax in the statement?

Statement Type: Transaction Code / Transaction Code Description

XML Camt.053 365+FINANCIAL TRANSACTION TAX

MT940: /CTC/365/FINANCIAL TRANSACTION TAX

PRGSTA: FINANCIAL TRANSACTION TAX

PDF Anglicky: FINANCIAL TRANSACTION TAX

PDF English: TAX ON FINANCIAL TRANSACTIONS

12. Are wage payments to employees subject to transaction tax?

Yes. The payment of wages to employees is also subject to the Tax if the taxpayer is not an excluded person from the payment of the Tax within the meaning of the provision of Section 3 (2) of the Act.

13. Are payments of taxes, levies, social insurance contributions or health insurance contributions exempt from transaction tax?

Yes, they are exempt. These financial transactions are not subject to the Tax.

14. Will the tax be applied to cash-pooling transactions?

The Tax is also applied to the so-called cash-pooling transactions, except if (i) it is an automated pooling of taxpayers' account balances, and at the same time (ii) cash-pooling is carried out within one payment service provider (one bank or one branch of a foreign bank), and at the same time (iii) the participants are taxpayers who are members of the consolidated entity for which the consolidated financial statements are prepared.

Therefore, for example, cash-pooling transactions between accounts maintained with Citibank Slovakia and Citibank Europe plc. Dublin, or Citi UK are subject to the Tax.

15. Are transfers between accounts of one company maintained with Citi Slovakia subject to tax?

No, financial transactions between accounts of one taxpayer held with one payment service provider (one bank or one branch of a foreign bank) are not subject to the Tax.

16. Is a Slovak taxpayer's account held abroad subject to tax?

Yes. In such a case, the Slovak taxpayer is also a Tax remitter, who is obliged to calculate, collect and pay the Tax himself.

17. Are transfers between the accounts of one company in several banks subject to tax?

Yes. Transfers between accounts of one company in several banks or branches of foreign banks are also subject to Tax.

18. Are transactions that I carry out in relation to a bank subject to transaction tax?

Yes. Transactions carried out by the client in relation to a bank or a branch of a foreign bank, including bank fees, loan repayments, etc., are also subject to Tax, unless they are (i) financial transactions of persons to whom the Tax does not apply within the

meaning of the provision of Section 3 (2) of the Act or (ii) financial transactions that are specified as exceptions in the provision of Section 4 (2) of the Act.

19. Where can I find out details about all possible tax exemptions?

Exceptions to the application of the Tax are specified in the Act, in particular in its Sections 3, 4 and 12. The wording of the law is available, for example, on the www.slov-lex.sk website or on www.aspi.sk.

20. Do I need to open a separate account with the bank? If so, in what form do I instruct the bank to open such an account?

If the account holder held with Citibank Slovakia intends to carry out transactions that are not to be subject to Tax within the meaning of **Section 4 (2) (c), (e), (f), (j), (l), (m), (o), (q), (r) to (v) to (z), (ab), (ad) to (a) of the Act**, the account holder is obliged to:

- (i) deliver in advance to Citibank Slovakia a written notice in the form and content set forth by Citibank Slovakia, and
- (ii) specify in the notification a separate account (in Slovak: *osobitný účet*) from which the account holder will carry out transactions to which the Tax is not to apply (hereinafter referred to as the **Notice**).

The text of the Notice can be found here <https://www.citi.com/icg/sa/emea/slovakia/english/documents/>. Once the conditions are met, these transactions are not subject to Tax from the day following the date of proper delivery of the Notice to Citibank Slovakia. The account holder is obliged to notify Citibank Slovakia in advance of any change that may affect the above.

21. What should I do if I think I am completely exempt from transaction tax?

21.1 The following account holder with account held with Citibank Slovakia is completely exempt from the Tax:

- (i) *Social Insurance Agency, Matica slovenská, Slovak Academy of Sciences, Health Care Surveillance Authority, or*
- (ii) *civic association, foundation, non-investment fund, non-profit organization providing generally beneficial services, purpose-built facility for a church and religious society, interest association of legal entities, research and development entity, organization with an international element, Slovak Red Cross* (all this in accordance with those Slovak legal regulations referred to in §3 paragraph 2 of the Act), or,
- (iii) *Regional Tourism Organization, Regional Tourism Organization, Tourist Information Centers.* (all this in accordance with those Slovak legal regulations referred to in §3 paragraph 2 of the Act),

if:

- (a) in a form acceptable to Citibank Slovakia, the account holder proves or has proved to Citibank Slovakia that it is one of the above companies (e.g. by a memorandum

of association or deed, proof of registration, extract from the relevant register, etc.); and

- (b) in a form acceptable to Citibank Slovakia, the account holder shall declare in writing to Citibank Slovakia and **notify** it that it is not a taxpayer under the Act. The text of the announcement can be found here <https://www.citi.com/icg/sa/emea/slovakia/english/documents/>; and
- (c) if the account holder is one of the companies listed in point 21.1(ii) above, then in addition to the above, it must also be proven that the subject of the account holder's activity is **one of the activities pursuant to Section 50 of the Slovak Act No. 595/2003 Coll. on Income Tax, as amended.**

Once the conditions have been met, transactions are not subject to Tax from the day following the date of proper delivery of the above-mentioned notification to Citibank Slovakia.

The account holder is obliged to notify Citibank Slovakia in writing in advance of any change that may affect the above.

21.2 The following account holder with account held with Citibank Slovakia is also completely exempt from the Tax:

- (i) *budgetary organisation and contributory organisation (all this in accordance with those Slovak legal regulations referred to in §3 paragraph 2 of the Act)*
- (ii) *a municipality and a higher territorial unit,*
- (iii) *diplomatic mission and consular office with its registered office in the territory of the Slovak Republic, except for a consular office headed by an honorary consul,*
- (iv) *diplomatic mission and consular office that are accredited for the Slovak Republic and have their registered office outside the territory of the Slovak Republic, except for a consular office headed by an honorary consul,*
- (v) *a school and school facility included in the network of schools and school facilities of the Slovak Republic, except for a school and school facility that is a commercial company,*

if:

- (a) in a form acceptable to Citibank Slovakia, the account holder proves or has proved to Citibank Slovakia that it is one of the above companies (e.g. by a memorandum of association or deed, proof of registration, extract from the relevant register, etc.).

The account holder is obliged to notify Citibank Slovakia in writing in advance of any change that may affect the above.