LEGISLATIVE CHANGES FOR EMPLOYERS SINCE 2025

AND WHAT YOU CAN STILL DO BY THE END OF 2024

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RADOVAN IHNAT

Global Expatriate Services Director

MIROSLAVA ŠLAVKOVÁ

Payroll Consultant

BDO

This autumn was rather fruitful as regards the legislative changes in the field of taxes, social security/health insurance, but also in the area of labour law. We informed you about the key changes in our last newsletter.

For self-employed individuals and small businesses, these changes may feel like a Christmas gift. However, for many employers, they might resemble the challenges of Black Friday. With the end of 2024 fast approaching, let's recap:

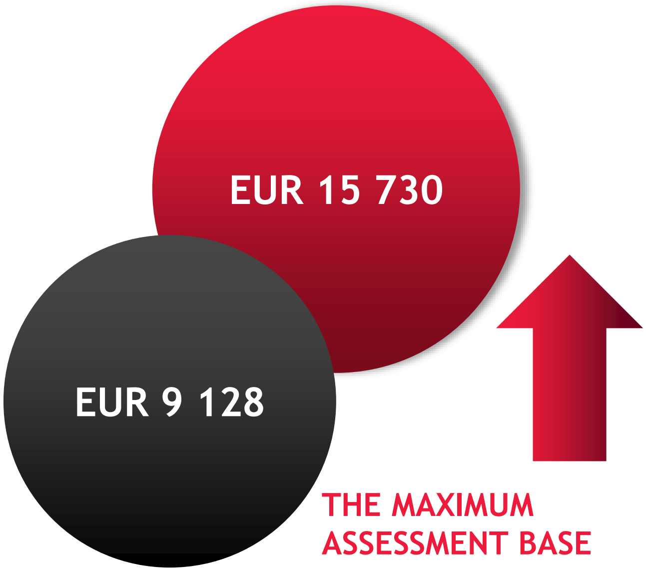
- **What changes for Employers are relevant in 2025**
- **What the Employers still can manage in 2024**

EMPLOYEE TAXES AND LEVIES:

- For electric or plug-in hybrid vehicles used for both business and private purposes, the taxable value of the non-monetary benefit will be reduced from 1% to **0.5%** of the car's value (including VAT applied upon their purchase).

- The maximum assessment base for social insurance will rise from 7 times the average wage to **11 times.** In 2024, the monthly cap was EUR 9,128; in 2025 it will increase to **EUR 15,730.**

  Note: Maximum limits for pension or other social security benefits remain unchanged.



- At the same time, the child bonuses have been reduced and the rules for their application were amended:
  - The required tax base for the entitlement of the full amount of the bonus **has been decreased.**
  - Bonuses are no longer applicable for children over **18 years old.**
  - Tax residents earning over **10% of their taxable income** from abroad lose entitlement.
  - Monthly bonuses will decrease to **EUR 100 (children under 15)** and **EUR 50 (children aged 15-18).**

MONTHLY CHILD BONUS FOR CHILDREN UNDER 15	MONTHLY CHILD BONUS FOR CHILDREN AGED 15-18	MONTHLY CHILD BONUS FOR CHILDREN OVER 18
EUR 100	EUR 50	EUR 0

- The tax rate applied on the distributions of company profits to individuals – **dividends** will be **decreased to 7%.**

  This will be relevant also to members of statutory or supervisory boards of legal companies or employees participating on the share capital (not applicable to directors/konatelia of LLC not participating on their share capital).

EMPLOYERS SHOULD ADJUST THEIR PAYROLL SYSTEMS TO THE NEW LEGISLATIVE RULES

The employees should consider whether to further claim the child bonus **on monthly basis** or to shift it to a spouse who might be entitled to apply it on the **annual basis.** Otherwise, those employees may become shocked by the result of the annual tax reconciliation for 2025...

As regards the increased maximum assessment basis for social security, it will limit the number of employees for whom it will be 'benefitable' to apply **bonus remuneration** (limited monthly remuneration and quarterly, semi-annually or annually paid bonuses), irrespective of other risks related to such compensation set-up.

The employers might still consider that they pay annual bonuses for **2024 within December 2024 salary** rather than later during 2025 - in particular, if the total amount of December remuneration, including bonuses, would exceed EUR 9,128.

LABOUR LAW AND TRAVEL REIMBURSEMENTS

Amended obligations for the employers will be introduced since 2025 in relation to employer's **vouchers** for employers with **more than 49 employees:**

- The existing recreational vouchers remain, however as of 1st January 2025 they can be used also by **employee`s parents.** Thus, if employees intend to give holiday or spa treatment to their parents as a Christmas gift, they should plan such holiday for 2025.

- Employers with over 49 employees (the average number in 2024) must provide a **sports activity allowance for employees' children** (working period exceeding 24 months) upon request:

  - Covers 55% of eligible costs up to EUR 275 annually.
  - Must involve a registered sports organization.

  The relevant employers should expect that, since January 2025, their employees will claim this benefit and set-up the appropriate processes (and budgets).

- In the area of travelling allowances, the legislation, finally, reacted to the current issues with the increasing electromobility and defines the rules how to process **travel allowances related to the electric and plug-in hybrid vehicles**. For the employers it brings the obligation to harmonize their internal processes with the new rules.

WHAT THE EMPLOYERS MAY STILL MANAGE IN 2024?

With December around the corner, employers have a last chance to utilize their 2024 Employees' budget efficiently from the HR and tax perspective. Some ideas:

- Tax exemption of In-kind benefits up to EUR 500 (in exchange for the tax deductibility of respective costs) can be used also in 2024.

  Recent decision of the Czech Supreme Court also confirmed that the "bonus swap", ie exchange of the financial bonus for the a (tax-advantaged) in-kind benefit, can be considered as a legal tax optimization.

- There are certain benefits which have a preferential tax regime when paying from the Social fund sources. While the scope of in-kind benefits is very broad (as the Czech Supreme Court ruled, the in-kind benefit is any benefit which is not in paid cash or in a form transferable to cash), we recommend being rather cautious.

  For instance, using the social fund for large one-off meal allowances may be viewed as tax abuse.

- Penalty for a non-compliance with the obligation of **employing disabled persons** could still be eliminated by the purchase of goods and services from protected workshops, potentially aligning with marketing items, Christmas gifts or Christmas events or teambuildings.

When talking about the Christmas/Mikulas parties or other annual teambuildings – there, once again, arises a question of their tax regime.

Our Czech neighbors are again one step forward – since 2024 there will be applied a tax exemption on: *"non-monetary benefits derived by an employee from the participation of the employee or a member of the employee's family in a sporting or cultural event organised by the employer for a limited number of participants, if, in view of its nature, the organisation of such an event is customary for the employer and its form and scope are reasonable."*

The official reason of such an amendment presented by the Czech Financial Directorate will probably not surprise you - *"However, since in practice problems could arise with the valuation of income attributable to individual employees and the monitoring of the amount of such income would represent a disproportionate/excessive administrative burden... Employers will therefore not have to keep track for tax purposes of which employee (and possibly their family member) attended the event and how much they consumed at the event in order to quantify their income from such an event..."*

While the Slovak tax law lacks similar rules, the Czech argument of excessive administrative burden / impossibility to determine the amount of taxable income may support Slovak employers' positions as well.

In summary, the upcoming year, 2025, poses significant challenges for employers, including higher employee-related costs; Even without considering the new transaction tax (although it will be further amended, it will almost certainly apply also on the payment of employees' wages).

December 2024 offers an excellent opportunity to utilize the 2024 budgets, implement motivating employee benefits and prepare for new processes.

Our BDO team is here to support you through these changes.

ADDRESS OF THE OFFICE IN BRATISLAVA

BDO Holding, spol. s r.o.
Eurovea - Central 3
Pribinova 10
811 09 Bratislava
SLOVAK REPUBLIC

Office: +421 2 5710 6666
www.bdoslovakia.com

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