

# Doing business in Slovakia

Foreign persons may perform business in Slovakia under the same conditions and in the same scope as Slovak ones. A foreign legal entity becomes entitled to do business in Slovakia on the day of registration of its undertakings or its branch office with the respective Slovak Commercial Register.

Foreign entrepreneurs may perform their business activities in Slovakia in two ways: (i) via their subsidiary (established as separate legal entity in one of the legal forms mentioned below), or (ii) via branch office.

## 1. Subsidiary

A subsidiary may take one of the following legal forms:

- a) general partnership (in Slovak: "verejná obchodná spoločnosť"),
- b) limited partnership ("komanditná spoločnosť"),
- c) limited liability company ("spoločnosť s ručením obmedzeným"),
- d) joint-stock company ("akciová spoločnosť"),
- e) co-operative ("družstvo"),
- f) European Company (SE) ("európska spoločnosť"),
- g) European Economic Interest Grouping (EEIG) ("európske združenie hospodárskych záujmov"), and
- h) European Co-operative ("európske družstvo").

Limited liability company is usually seen as being the most convenient for the purposes of a subsidiary for foreign investors due to its relatively simple procedure of incorporation and corporate governance. In case of joint venture transactions or projects that include external financing, a form of joint stock company is frequently chosen.

Business companies come into existence on the date on which they are incorporated into the Commercial Register. Application for the incorporation into the Commercial Register must be filed not later than 90 days from the establishment of the company and is subject to fees. In case of joint-stock company, the registration fee amounts to SKK 25,000 (approx. EUR 670) and registration of other legal entities as business companies costs SKK 10,000 (approx. EUR 270). Commercial Register shall incorporate new legal entity within the period of five days from the submission of complete and duly prepared application.



## A. Limited Liability Company

A limited liability company may be established by a sole founder or more founders, either individuals or legal entities, with the maximum number of 50 shareholders. The minimum amount of registered capital is SKK 200,000 (approx. EUR 5,330) and the minimum amount of shareholder's contribution to the registered capital is SKK 30,000 (approx. EUR 800). At least 30 % of each such contribution must be paid up prior to the registration with the Commercial Register; however, the total amount of paid up registered capital together with paid non-monetary contributions must be at least SKK 100,000 (approx. EUR 2,670); the rest must be paid up within the period of five years after the incorporation. The ratio between the amount of the shareholder's contribution to the registered capital and the total amount of the registered capital shall determine the amount (in percentage) of the shareholder's business interest (share) in the company, unless the foundation agreement (foundation deed) stipulates otherwise. Business interest (that may be subject to transfer) represents rights and obligations of the shareholder including shareholder's respective participation in the company. Each shareholder may hold only one business interest while in case of further contributions to the registered capital of the company the amount of the shareholder's business interest in the company shall increase (i.e. the shareholder shall not acquire another business interest). In case of a company founded by one person, the full amount of the registered capital must be paid up upon its incorporation.

A limited liability company must create a reserve fund at the time and in the amount determined in the foundation agreement (foundation deed), however, at the latest for the year when the company first generated profit. The first contribution to the reserve fund must be at least 5 % of the net profit, however, not more than 10 % of

the registered capital; subsequently the company must regularly increase the amount of the reserve fund until it reaches 10 % of its registered capital.

A limited liability company is liable for the breach of its obligations with all its assets, while shareholders guarantee for the breach of the obligations of the limited liability company only up to their committed but unpaid contributions to the registered capital registered with the Commercial Register.

The general meeting of shareholders is the supreme body of the limited liability company empowered to decide on all matters vested to it by law or by foundation agreement; general meeting may reserve by itself the right to decide on certain matters. The general meeting decides in most matters by a simple majority of votes of shareholders present at the meeting. In certain most important matters stipulated by law (such as adopting and amending the foundation agreement or increasing or decreasing the registered capital) a two-third majority is required; foundation agreement may stipulate a higher majority for approval of certain decisions.

The general meeting appoints one or more executive directors as the statutory body of the limited liability company; only an individual can be appointed an executive director. Executive directors decide on all matters of the company not vested to its general meeting, act on behalf of the company and represent the company in relations with third persons.

Supervisory board may be established in a limited liability company as an optional supervisory body. If established, it must consist of at least three members elected by the general meeting. Executive director of a limited liability company cannot be a member of the supervisory board of the same company.

## B. Joint Stock Company

A joint stock company may be established by one founder being a legal entity through the execution of a foundation deed, or by two or more founders if they are legal entities or individuals upon the conclusion of a foundation agreement. Both documents, the foundation deed and the foundation agreement must be executed in the form of a notarial deed.

The minimum amount of the registered capital is SKK 1,000,000 (or EUR 26,670 if the nominal value of shares is expressed in EUR); at least 30 % of the monetary contributions must be paid by its founders prior to the registration of the company with the Commercial Register, while all non-monetary contributions must be paid up in full and the rest within the period of one year after incorporation.

A joint stock company must create a reserve fund upon its incorporation in the amount of at least 10 % of its registered capital and supplement it each year with the amount of at least 10 % of the net profit up to the total amount of 20 % of the registered capital.

A joint stock company is liable for the breach of its obligations with its entire property. The shareholders are not liable for the obligations of the company. However, each shareholder is liable to the company to pay the issue rate of the subscribed shares.

A joint stock company establishes three mandatory bodies. The general meeting of the shareholders is the supreme body of the company, in general entitled to decide on all matters vested to it by law or the articles of association of the company. A simple majority of votes of shareholders present at the general meeting is sufficient for the adoption of most of the general meeting's decisions, provided that the law or the articles of association do not stipulate a higher majority of votes.

The board of directors is a statutory body of a joint stock company entitled to decide on all matters not in the competence of the general meeting or the supervisory board. Its members are elected by the general meeting. Articles of association of the company may however stipulate that the board of directors' members are elected by the supervisory board.

The supervisory board must have at least three members elected by the general meeting while one third of the supervisory board's members must be elected by employees of the company provided the company has at least 50 employees. Only individuals can be members of the board of directors and the supervisory board.

## 2. Branch Office

A branch office is not a legal entity but an establishment acting on behalf of its founder and it must be registered with the Commercial Register. The application for registration must be filed within 90 days following the establishment of the branch office and it is subject to registration fees in the amount of SKK 10,000 (approx. EUR 270). Assets of the branch office belong to the founder and are maintained in separate accounting books of the founder. The liability for the obligations of the branch office is borne by its founder. Head of the branch office, registered in the Commercial Register, is empowered to perform on behalf of the founder all legal acts concerning the branch. Also the founder of the branch is entitled to act on its behalf, if registered with the Commercial Register.

## 3. Trade Licences

In order to conduct business in Slovakia, entrepreneurs (including Slovak subsidiaries of foreign entities or branch offices) must obtain various licences and permits.

Generally, business activities can be divided into three categories:

- (i) free trade licences (e.g. wholesale, retail, intermediary activities) that may be performed as of the day of the notification of such business activities to the Trade Licensing Office, if general conditions required for the



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performance of the trade licence are fulfilled by a statutory representative or a responsible representative of a business company: (a) being aged over 18, (b) having no criminal records, and (c) having full legal capacity;

- (ii) conditioned trade licences for which a special qualification is required or special criteria must be met. They may be performed upon notification to the Trade Licensing Office that must be accompanied with relevant documents proving fulfilment of special criteria; and
- (iii) trade certificates for performance of activities requiring higher degree of skills or special professional qualification (concessions); they may be carried out only after Trade Licensing Office has issued the trade certificate to the entrepreneur.

Entrepreneurs may perform business activities within the scope of issued trade licences and trade certificates from the day of incorporation.

Trade licenses are usually issued within 7 days, trade certificates within 30 days from the submission of a complete application, depending on the type of business activities. One trade license may contain several business activities. The administrative fee of SKK 1,000 (approximately EUR 27) for a trade license and SKK 2,000 (approximately EUR 53) for a trade certificate is due upon filing of the application.

## 4. Residency Permit

Generally, a foreign citizen is required to obtain a residency permit in Slovakia if he/she intends either to (i) work, or (ii) perform business activities (as statutory representative of legal entity or as a self-employed entrepreneur) in Slovakia. The residency permit allows the foreigner to stay in the Slovak Republic and to travel to foreign countries and back within the time period stated in the permit. However, a residency permit is not required if a foreigner travels to Slovakia occasionally

and does not spend in Slovakia generally more than 90 days during a half of the calendar year. The requirement for a residency permit does not apply to the citizens of EU and European Economic Area (EEA) who intend to reside in Slovakia temporarily.

Further, there is no duty to obtain residency permit for the citizens of member countries of the Organisation for Economic Cooperation and Development (OECD) who will be registered with the Commercial Register as statutory representatives (directors) and will not stay in Slovakia more than 90 days during a half of the calendar year.

A foreigner who is a business person – statutory representative of a Slovak company obtains residency permit on grounds of a document proving the appointment to the function (i.e. foundation deed or foundation agreement of a company or decision of a company on the appointment to the function of a statutory representative). An employee of a Slovak company receives the residency permit on grounds of the work permit issued by the respective Slovak labour authority.

Residency permit is issued by the Slovak Foreign Police on grounds of an application filed by the foreigner at the Slovak Consular Office in the country where he has his current residence or in the country that has issued his passport. However, there are certain exemptions when the foreigner is allowed to file application for residency permit with the Foreign Police in Slovakia. The application is submitted in the standard form available at the Slovak Consular Office or Foreign Police.

A foreigner must submit the application in person with his/her passport to the Slovak Consular Office. The Consular Office will verify the data indicated in the passport and return the passport immediately. The administration fee of approximately EUR 180 (for business residency permit) or EUR 135 (for employment residency permit) is due together with filing of the application. The residency permit is issued within 90 days from the date of application provided that all required documents have been submitted by the applicant.

Note: Information contained in this Chapter reflects the legal and factual state as of 1 May 2006.

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