

# SLOVAKIA

## General information\*

- Capital: Bratislava
- Population: 5.414 million
- GDP: \$91.62 billion

## CSO legal forms and their characteristics

### *Civic Association*

- General membership based CSO form established by a group of at least 3 citizens sharing a common goal or interest.

### *Foundation*

- General non-membership organisational form, established to gather financial assets for public benefit purposes. The initial capital requirement is EUR 6,638.

### *Non-Investment fund*

- Non-membership organisational form, with a significantly lower initial capital requirement than a foundation, and serving rather temporary than long term purposes.

### *Non-Profit Organisation Providing Public Benefit Services*

- Combination of membership and non-membership based organisational form, active in the provision of public benefit services. The major disadvantage are excessive reporting requirements.

## Key CSO laws



- Law No. 83/1990 Coll. On the association of citizens;
- Law No. 34/2002 Coll. On Foundations;
- Law No. 147/1997 Coll. On the non-investment funds;
- Law No. 213/1997 Coll. On Non-Profit Organisations providing public benefit services.

\* Source: World Bank, 2013.

# 1. Existing forms of CSOs in Slovakia and their characteristics

## ? What forms of CSOs exist in Slovakia? What are their main characteristics?

The existing CSO forms include: **Civic Association** (*Občianske združenie*), **Foundation** (*Nadácia*), **Non-Investment Fund** (*Neinvestičný fond*) and **Non-Profit Organisation Providing Public Benefit Services** (*Nezisková organizácia poskytujúca všeobecne prospešné služby*). For the purposes of this Handbook we will provide information on civic association and non-investment fund.

## ? Are there any restrictions on the permissible goals and activities of CSOs?

**Association:** Prohibited are associations:

- 1) *whose goals violate the Constitution and other laws, i.e. associations whose goal is to subvert or limit the personal, political or other rights of citizens because of their nationality, sex, race, origin, political or other opinions, religious faith or social situation, ignite hatred or intolerance, support the use of force or in other ways violate the constitution and laws;*
- 2) *that seek to attain their goals in ways that are incompatible with the Constitution and other laws;*
- 3) *armies or armed units, this does not include associations whose members maintain or use fire-arms for sport purposes.*

In addition to this, associations are not allowed to perform the functions of state bodies in so far as specific laws do not stipulate otherwise. They are not allowed to govern state bodies and impose responsibilities on citizens who are not their members.

**Non-investment fund:** The permissible goals are either fulfilment of publicly beneficial purposes or individually directed humanitarian aid for an individual or a group of persons whose life is at risk or they are in urgent need of assistance due to an occurrence of a disaster of nature.

Considered as publicly beneficial purposes are:

- a) Promotion and protection of spiritual values,
- b) Protection of human rights,
- c) Protection and development of the environment,
- d) Preservation of natural and man-made values,
- e) Protection and support of health and education,
- f) Development of social services.

## 2. Requirements on the founders of a CSO

**?** What is the minimum number of founders required by law?

*Association:* 3.

*Non-investment fund:* 1.

**?** What are the eligibility requirements for founders? Are foreign citizens allowed to serve as founders?

*Association:* Only individuals with Slovak citizenship may serve as founders; at least one must be older than 18 years and have full legal capacity.

*Non-investment fund:* No restrictions, both individuals and/or legal entities may be founders regardless the country of origin or other requirements. If only one individual establishes a non-investment fund, he/she must be older than 18 years and have full legal capacity.

**?** Are there any property or cash contribution requirements for the founders?

*Association:* No.

*Non-investment fund:* Minimum EUR 66 per founder.

## 3. Registration procedure

**?** Which authority is responsible for the registration?

*Association:* Ministry of Interior, section of the Public Administration, Department of the General Internal Administration.

*Non-investment fund:* Respective Regional Office, assigned on the basis of the seat of the fund. Responsible authority for the maintenance of the Register is the Ministry of Interior.

**?** What is the registration fee?

*Association:* EUR 66.

*Non-investment fund:* EUR 66.



## Are there any other direct financial costs of the establishment of a CSO?

**Association:** EUR 3 — for identification number; EUR 5–15 for trade license (see below).

**Non-investment fund:** Notarial verification of the document of establishment (see below). All the documents must be submitted in the Slovak language.



## How long should the registration process take?

**Association:** Usually 10 to 40 days from the initiation of the registration procedure. If the Ministry does not reject the registration within 40 days, there is a legal presumption that the association has been registered.

**Non-investment fund:** The registration has to be completed within 60 days from the establishment of the fund. The effective date of registration is backdated to the date indicated by the founders in the registration application.



## Which documents are required for registration?\*

**Association:**

- *Application form for the registration* signed by the founders (so called “preparatory committee”). The application for registration must determine which founder, above 18 years of age, is legally empowered to act in the name of the committee. The proposal should be supplemented by two copies of the Statutes.
- *Statutes*, content of the statutes is regulated in Article 6 (2) of the Law No. 83/1990 Coll.
- *Duty stamps* in a value of EUR 66 or payment confirmation.

**Non-investment fund:**

- *Founding document: Deed of establishment* verified by a Notary (just one founder) or *Establishment agreement* with officially verified signatures (more than one founder). Requirements on the content of these documents are regulated in Article 5 (1) of the Law No. 147/1997.
- *Statutes* (2 copies), the content of the statutes is regulated in Article 6 (1) of the Law No. 147/1997 Coll.
- Officially verified *affidavit* of an authorised founder about the payment of the founding contribution or the parts by other founders.
- *Criminal record* of the administrator.
- *Extract from the Business Register* if the founder is a company.
- *Duty stamps* in a value of EUR 66 or payment confirmation.

\* The information about registration procedure and requirements for the documents is provided on the Official website of the Ministry of Interior of Slovak Republic.

### Is electronic submission possible?

No.

### Is there a requirement to have an office in the country? Are there any specific requirements related to it?

Yes, there is a requirement to have an office, but no additional requirements. The office may be located in any kind of premises, including apartments.

### Are there additional requirements related to registration?

No.

### Are there additional administrative procedures related to registration?

#### **Association:**

- *Obtaining an identification number (IČO- identifikačné číslo osoby)* — obligatory for all associations. Statutory representative must within 10 days from the registration submit an application to the Statistics Office.
- *Obtaining a trade license (živnostenské oprávnenie)* — obligatory for associations that want to engage in non- statutory economic activities. They must submit an application to the respective district office.

**Non-investment fund:** *Opening a bank account* for depositing the founding capital and other resources.

### What are the legal grounds for denial of registration?

**Association:** Ministry shall deny registration if:

- a) it is an association of citizens regulated under other laws in the legal framework; such as political parties, political movements, associations of citizens established for conducting for-profit activities or for securing the regular exercise of specific occupations, churches and religious societies, associations of citizens for exercising the right of hunting;
- b) its Statutes are not in compliance with the legal requirements described above;
- c) in case of a prohibited association in light of its goals and activities described in section I of this chapter.

**Non-investment fund:** The registration authority shall deny the registration if the founding document (Establishment Contract or Letter of Establishment) and Statutes are not in compliance with the laws.

## 4. Sources of funding

### ? What are the possible sources of funding?

**Association:** Available sources of income include:

- State funding (on both national and local level);
- Donations from domestic and foreign individuals and legal entities;
- Membership fees;
- Funding from corporate foundations and/or endowment fund;
- Income from economic activities;
- International and EU funding mechanisms;
- Income from service charges and legacies.

**Non-investment fund:** The Law (Article 1) provides a list of possible assets of funds:

- Donations from individuals or legal entities;
- Legacies;
- Income from lotteries and similar games;
- Income from organising events (cultural, educational, social, sports);
- Proceeds from the sale of fund's publications supporting the purpose of the fund;
- Interests on financial deposits in banks;
- Income from government bonds;
- Income from the liquidation balance of another Fund;
- Income from the state budget, the budget of a state fund, or a municipal budget.
- Non-investment funds have access also to the international and EU funding mechanisms and/or funding from corporate foundations.

Additionally, both forms are eligible to receive contributions from *tax designation mechanism*; (1.5–2% from the taxable income of legal entities; 2–3% from taxable income of individual taxpayers).

### ? What are the restrictions on the possible sources of funding?

**Association:** Direct economic activity, such as sale of goods or other form of earning profit, cannot be the main statutory activity, only a supplementary one. If an association wants to engage in these activities, it needs to obtain a trade license. Other income generating activities (such as income from membership fees, sale of own publications) that are related to the statutory goals are allowed without an obligation to have a trade license.

**Non-investment fund:** Direct economic activities are fully prohibited, only occasional and exceptional ones are allowed: income from lotteries and other similar games, from organising cultural, educational, social, and sport events or sale of own publications supporting the statutory goal of the fund.

## 5. Tax treatment of CSOs

### ? What is the income tax treatment of CSOs?

CSOs are generally exempt from taxation on income from statutory activities, income from membership fees, subsidies, grants, donations, statutory activities and income from tax designation mechanism. Income from the non-statutory economic activities (only allowed for associations) that are creating profit are taxed at the general income tax rate (22%). Taxed is income from the rent or sale of property, revenues from commercial ads and other generally taxable income.

### ? What is the VAT treatment of CSOs?

VAT exempt transaction are listed under sections 28–39 of the VAT Law. Services provided by associations in exchange for membership fees are VAT exempted. The general VAT rate of 20% applies to the other sources of income.

### ? Are there any tax benefits for donors in place?

No.

## 6. Obligations of a registered CSO

### ? What are the reporting requirements of a registered CSO?

**Association:** No obligation to submit an annual report.

**Non-investment fund:** Obligation to submit an annual financial report. The report must be audited if the annual turnover exceeds the amount of EUR 165,969. The information to be included in the report is regulated in Article 25 (2) of the Law No. 147/1997.

### ? Are there additional obligations of a registered CSO?

**Association & Non-investment fund:** Obligation to register at the respective Tax Office and submit the *VAT tax declaration* if the annual turnover from the non-exempt income (e.g. income from the direct economic activities) exceeds EUR 49,790.

Additionally, if a CSO has income from sources that are not income tax exempt, it is obliged to submit an *Income tax declaration*.

## 7. Internal governance of the organisation

### What are the basic requirements related to the governance and internal structure as provided by law?

**Association:** The internal governance is fully determined by Statutes of the Association at founders' discretion.

**Non-investment fund:** The bodies of a fund are:

- a) *Board of Directors*, supreme body of the fund. Exclusive competencies of the Board include approval of the budget and use of money, approval of the annual financial statement and annual report, decision on a merger, fusion and abolition of the fund, determination of the resources to be spent on administration of the fund, appointment of a liquidator, changes to the Statues if allowed in the founding document and other competencies determined by the Statutes. The Board is headed by a chairperson. Details regarding the competencies, convening sessions, deliberations, and resolutions of the Board of Directors are determined by the Statutes.
- b) *Administrator*, statutory organ of the fund, directing its activities. Same eligibility requirements apply as for founders. S/he is elected and dismissed by the Board and the term of service is determined by statutes. The Administrator makes decisions about all activities except of those reserved for other bodies of the fund either by Law or by statutes. Competencies can be internally restricted by either a founding document, statutes or Board.
- c) *Other bodies determined by Statutes.*

### Are there any eligibility requirements to the members of the governing bodies?

**Association:** The same as for founders.

**Non-investment fund:** A member of the Board of Directors can only be an individual capable of legal acts and not convicted for committing an intentional crime. A person who receives benefits from the Fund cannot be a member of the Board of Directors.

### Are foreign citizens allowed to serve on the board?

**Association:** Yes.

**Non-investment fund:** Yes.

### Are founders and members financially liable by law?

**Association:** No.

**Non-investment fund:** The founders are responsible for all liabilities before the fund is officially registered. Following the registration, all the liabilities are transferred to fund, unless rejected by fund within 3 months.



## 8. Staff and members of the organisation

### Are there any eligibility requirements of the staff and members of a CSO?

**Association:** No.

**Non-investment fund:** Fund's Administrator has to be individual capable of legal acts and not convicted for committing an intentional crime.

### Is there a requirement to have a full-time employee?

No.

### Is there a requirement to have an accountant?

There is no obligation to have an accountant, but to keep the books. The book keeping could be contracted out to an external accountant or an accounting company.

## 9. Voluntary dissolution and liquidation

### What is the liquidation procedure in case of voluntary dissolution of a CSO?

**Association:** The manner of the voluntary dissolution shall be determined by the Statutes. If there are any remaining assets or claims, the association shall appoint a liquidator that satisfies the claims of the creditors and disburse the remaining assets in accordance with the law.

**Non-investment fund:** The operation of the fund might be terminated with or without liquidation — the liquidation is compulsory if the remaining assets of the fund are not transferred to the other fund or to foundation after merger or fusion. The liquidation of the fund can be conducted either by a member of statutory body or external liquidator. The liquidator does all the necessary actions in order to complete the liquidation procedure. The remaining assets of the fund after liquidation can be only transferred to another non — investment fund or foundation. The full procedure is the same as for business companies and is regulated under Commercial Code.