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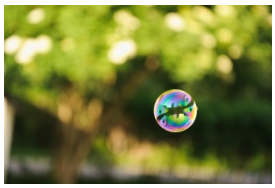

VAT NEWS
Changes to Slovenian VAT Act were announced

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PROPOSED CHANGES OF VALUE ADDED TAX LEGISLATION

On March 17, 2014, a proposal concerning the amendments of the Value Added Tax Act was published by the Ministry of finance and submitted for consideration in the Slovene Parliament.

The main objectives of the proposed changes are implementation of Directive 2008/8/EC, Directive 2008/9/EC, Directive 2013/43/EC and Directive 2013/61/EC, as well as changes related to provisions concerning the tax base, corrections of calculated VAT and related corrections of input VAT. Other proposed changes include broadening the institute of joint and several liability, increases of the VAT rates which were previously implemented by the Republic of Slovenia Budget Implementation Act in 2013, changes related to the special scheme for farmers and penalty provisions. As last, the proposed changes envisage an implementation of a special scheme for foreign taxable persons which engage in occasional provision of services of international road transport of passengers.

We are shortly summarizing the principal amendments below:

a) Special schemes for taxable persons, not established in Slovenia, which are supplying telecommunications services, broadcasting or electronic services to non-taxable persons

As of 1 January 2015, the place of supply of telecommunications, broadcasting and electronic services performed by suppliers, established in countries outside EU or in an EU Member State, which is not the country of consumption, to end customers, i.e. non-taxable persons, will be deemed as the EU Member State of establishment of the recipient of the service.

In cases of supplies of abovementioned services by suppliers, established in countries outside EU, the main change represents the expansion of the use of the special scheme. Namely, the special scheme currently applies only to electronic services, while as per the proposed changes the special scheme may be used for telecommunication services, broadcasting or electronic services.

Furthermore, the optional electronic system “Mini One-Stop Shop” (MOSS)

for VAT reporting submissions in this respect will also be introduced.

b) Adjustment of the tax base, calculated VAT and deductible VAT resulting from compulsory settlement and bankruptcy proceedings

For the purpose of better transparency and clarity, changes of the current provisions concerning the adjustments of the tax base, calculated VAT and deductible VAT resulting from compulsory settlement and bankruptcy proceedings were proposed.

The most important change resulting from the amended provisions of the VAT Act relates to the adjustment of the tax base and the amount of calculated VAT on the basis of a concluded enforcement procedure as well as adjustments of the tax base and the amount of calculated VAT in respect to receivables, declared in compulsory settlement and bankruptcy proceedings, or in other cases of termination of the debtor. Amended provisions shall clearly stipulate when the taxable person may reduce the amount of calculated VAT and in which cases a reduction of the tax base may also be applied as well. The implementation of the changed provisions is essential to ensure that the supplier (creditor) does not bear the burden of VAT for receivables which will remain unpaid.

Further to the above, the changed provisions also stipulate in more detail the procedure of adjustment of deductible VAT by the debtor.

c) VAT rates

Due to legislation changes in the year 2013, the applicable Slovene VAT rates from 1 July 2013 onwards are as follows:

- standard VAT rate of 22%; and
- reduced VAT rate of 9,5%.

d) Joint and several liability for payment of VAT

Following the EU-wide initiative to combat tax fraud, one of the proposed changes relates to the broadening of the institute of joint and several liability of taxable persons.

Namely, the amended provision relates to the complementation of the institute of joint and several liability. Accordingly, in certain cases, any other person, who in any way participates in transactions aimed at avoiding payment of VAT in the whole supply chain (besides the supplier and the buyer), is also liable for payment of VAT related to supplies of goods or services, provided that these persons are identified for VAT purposes in Slovenia.

e) Special scheme for farmers

In accordance with the proposed amended provisions, the conditions for the application of the special scheme for farmers are harmonized with the provisions of the Personal Income Tax Act.

f) Special scheme for foreign taxable persons which occasionally perform services of international road transport of passengers

A special scheme for foreign taxable persons which occasionally perform

services of international road transport of passengers was proposed.

The proposed special scheme envisages a simplification of the procedures of calculation and payment of VAT related to services of international road transport of passengers carried out on the territory of Slovenia by taxable persons, established outside of EU or in another EU Member State, who do not exercise the right to deduct VAT or request the reimbursement of VAT surplus.

g) Penalty provisions

Proposed changes amend the provisions which stipulate penalties for tax offences as well as the classification of tax offenders. Namely, the changes shall implement higher penalties and applicability of different amounts of levied penalties depending on the size of the entity, i.e. in additional to the nature of the tax offence, the penalties imposed shall correspond also with the classification of the entity and shall therefore depend on the size of the entity in accordance with the provisions of the Slovene Companies' Act.

OECD VAT/GST INTERNATIONAL GUIDELINES

Furthermore we are informing you that the Organisation of Economic Co-operation and Development (OECD) released the latest version of International VAT/GST Guidelines with an aim of creating a global standard for VAT/GST principles, particularly on cross-border transactions. The key objective of the Guidelines is to reduce distortion of competition by ensuring the neutrality of VAT systems and reducing double taxation and non-taxation resulting from inconsistencies in the application of VAT/GST to international trade.

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