

International Tax Slovenia Highlights 2017



Investment basics:

Currency – Euro (EUR)

Foreign exchange control – Bank accounts may be held and repatriation payments made in any currency.

Accounting principles/financial statements – Financial statements must be prepared annually in accordance with Slovenian Accounting Standards (SAS) or International Accounting Standards (IAS/IFRS).

Principal business entities – These are the limited and unlimited liability company, limited partnership, public limited liability company, *Societas Europaea*, partnership limited by shares and branch of a foreign company.

Corporate taxation:

Residence – An entity is resident if it has its business seat or place of effective management in Slovenia.

Basis – Residents are taxed on worldwide income; nonresidents are taxed only on Slovenia-source income. Foreign-source income derived by residents is subject to corporate income tax in the same way as Slovenia-source income.

Taxable income – Taxable income comprises all income and profits from a company's activities, reduced by expenses related to those activities (provided the expenses are properly documented). Taxpayers whose revenue in the previous year does not exceed EUR 50,000 (EUR 100,000 if employing at least one full-time person for a minimum of five months) can elect to take a lump sum deduction equivalent to 80% of annual revenue, in lieu of actual expenses.

Taxation of dividends – Dividends received from another Slovene company, an EU subsidiary or a non-EU subsidiary established in a country not included on the black list published by the Ministry of Finance are 95%

tax exempt. Dividends received from a company established in a black-listed jurisdiction are fully taxable.

Capital gains – Capital gains are treated as ordinary income and the full amount of the realized gain is subject to tax at 17%. Gains arising from a transaction subject to the EU merger directive are exempt. A portion (47.5%) of the capital gains derived from the sale of shares are exempt if, *inter alia*, the shares represent a participation of at least 8% and the shareholding has been held for more than six months and at least one person is employed on a full-time basis during this period. Fifty percent of a capital loss is not recognized, unless the loss arises from a venture capital investment.

Losses – Tax losses carried forward from previous years may be used only up to 50% of the tax base. The carryback of losses is not permitted.

Rate – The standard rate is 17%. A 0% rate applies to certain funds, pension insurance undertakings and venture capital companies.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – A tax credit is available for foreign tax paid. The credit is equal to the lesser of the amount of foreign income tax actually paid or the amount of Slovene tax payable on the foreign income.

Participation exemption – See “Taxation of dividends” and “Capital gains.”

Holding company regime – No, but see the special regime under “Capital gains.”

Incentives – Incentives include the following: a deduction of 100% of the amount invested in domestic R&D activities and the purchase of R&D services; a 40% deduction of the actual amount invested in certain

equipment and intangible assets up to the amount of the tax base; relief for donations (limited to 0.3% of taxable income and an additional 0.2% for special purposes); relief for voluntary supplementary pension insurance (limited to 24% of obligatory contributions for pension and disability insurance); relief for employment of the disabled (50% of salary of such persons and 70% for fully physically disabled and deaf individuals); and relief for the employment of persons younger than 26 years or older than 55 years who were previously registered as unemployed with the Employment Office of Slovenia for at least six months (45% of the salary for the first 24 months of employment).

Withholding tax:

Dividends – Dividends paid to a nonresident are subject to 15% withholding tax unless the rate is reduced under a tax treaty or exempt under the EU parent-subsidiary directive.

Interest – Interest paid to a nonresident is subject to 15% withholding tax unless the rate is reduced under a tax treaty or exempt under the EU interest and royalties directive.

Royalties – Royalties paid to a nonresident are subject to 15% withholding tax unless the rate is reduced under a tax treaty or exempt under the EU interest and royalties directive.

Technical service fees – Fees paid for advisory, marketing, market analysis, HR, administrative, IT and legal services are subject to 15% withholding tax if made to persons with a head office outside the EU and the country is on the list published by the Ministry of Finance.

Branch remittance tax – No

Other – Lease payments for real estate located in Slovenia and payments for the services of performing artists or sportsmen, where the payments are made to another person, are subject to a 15% withholding tax.

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – A charge for the use of construction land applies for city areas and settlements of urban importance and other living areas. The charge is assessed in advance by the Slovene tax authority for the entire taxable year based on various factors, including the area, location and potential uses of the land, at rates determined by the local municipalities. The person liable for the payment is the direct user of the land or building or part of a building (the owner or a tenant of the real estate property).

Social security – The employer is required to withhold employee social security contributions from the employee's gross salary (22.1%) and pay it together with the employer's contribution (16.1% of gross salary) each month as part of payroll accounting.

Stamp duty – No

Transfer tax – A special sales tax is levied at various rates on motor vehicles and at 2% on the transfer of real estate not subject to VAT.

Other – Insurance contracts tax at 8.5% is levied on insurance services. Financial services that are not subject to VAT or the insurance contracts tax are subject to the financial services tax, also at 8.5%.

Anti-avoidance rules:

Transfer pricing – Transactions with nonresident related parties must be on arm's length terms. The same applies for resident related parties if one of the parties is deemed to be in a "beneficial tax position" (e.g. evidencing tax losses). Parties are deemed to be related if one party holds directly or indirectly, at least 25% of the other, or if a third party holds, directly or indirectly, at least 25% of both parties, or if the conditions of the transactions between the parties differ from conditions of transactions between unrelated parties. Documentation and reporting requirements apply.

Thin capitalization – Interest on loans is not deductible if: (a) the loan is received from i) a shareholder who, at any time during the tax period owns, directly or indirectly, at least 25% of the equity capital or voting rights; ii) a lender that has the same 25% shareholder as the borrower; iii) a lender, where a family member of the shareholder at any time during the tax period owns, directly or indirectly, at least 25% of the equity capital or voting rights; and (b) the loan exceeds a debt-to-equity ratio of 4:1 at any time during the tax period, unless the taxpayer can demonstrate that the loan would have been granted by an unrelated third party. The interest on loans exceeding the 4:1 debt-to-equity ratio generally is recharacterized as a hidden profit distribution.

Controlled foreign companies – No

Disclosure requirements – None, except for transfer pricing documentation upon the request of the tax authorities.

Other – The 95% dividend exemption and the benefits of the EU parent-subsidiary directive can not be applied if the general intention of the transaction was obtaining the tax benefits (substance-over-form rule). Also, general anti-avoidance rules allow the tax authorities to assess

tax based on the substance-over-form and economic substance principles.

Compliance for corporations:

Tax year – The tax year is the calendar year or any other 12-month period. If the tax period differs from the calendar year, the taxpayer may not change the tax period for three years.

Consolidated returns – Consolidated returns are not permitted; each company must file its own return.

Filing requirements – Slovenia operates a self-assessment regime. Tax payments must be made in advance on a monthly or quarterly basis. The tax return must be submitted to the tax authorities within three months after the end of the relevant tax period.

Penalties – Various penalties are imposed (depending on the size of the company) for failure to file a corporate income return or if the return does not meet legal requirements.

Rulings – Binding rulings on proposed business activities (except for transfer pricing) are available.

Personal taxation:

Basis – Resident individuals are taxed on worldwide income. Nonresidents are taxed only on Slovenia-source income.

Residence – An individual, regardless of nationality, is resident in Slovenia for personal income tax purposes if he/she has a formal residence tie with Slovenia (i.e. a permanent home registered in Slovenia, he/she is a Slovenian public employee working abroad or was a Slovenian resident but is employed by an EU institution) or an actual residence tie with Slovenia (a habitual abode or center of personal and economic interest or is present for more than 183 days in a taxable year in Slovenia).

Filing status – There is no joint taxation; each individual is treated as a separate taxpayer.

Taxable income – Personal income tax is levied on six categories of income: income from employment, business income, income from basic agriculture and forestry, income from rents and royalties, income from capital (dividends, interest and capital gains) and other income. The taxable bases of various sources of income earned in a calendar year are computed separately and then aggregated and taxed at progressive rates. Income from capital, income from business activities (in certain cases) and rental income, however, are subject to “scheduler” taxation.

Capital gains – Capital gains are subject to a base rate of 25%, which is reduced by 10 percentage points after

the first five years and then by five percentage points for each subsequent five years for which the asset (real estate, securities, etc.) is held, making the gain exempt once the asset is held for more than 20 years. Capital gains arising from derivatives are taxed at a rate of 40% if disposed of during the first year of ownership; the rate decreases for longer periods of ownership.

Deductions and allowances – A general allowance is available to all resident taxable individuals. Various personal allowances are also available in certain cases (dependents, disability, etc.).

Rates – The following progressive rates apply: 16% up to EUR 8,021.34; 27% up to EUR 18,960.28; 41% up to EUR 70,907.20; and 50% on amounts exceeding EUR 70,907.20.

Dividend, interest and rental income received by a resident individual are subject to a 25% withholding tax. Income from business activities is taxed at 20%.

Other taxes on individuals:

Capital duty – No

Stamp duty – No

Capital acquisitions tax – No

Real property tax – A charge for the use of construction land applies for city areas and settlements of urban importance and other living areas. The charge is assessed in advance by the Slovene tax authority for the entire taxable year based on various factors, including the area, location and potential uses of the land, at rates determined by the local municipalities. The person liable for the payment is the direct user of the land or building or part of a building (the owner or a tenant of the real estate property).

Inheritance/estate tax – Inheritance and gift tax applies to the transfer of property and is levied progressively, depending on the value of the property and the recipient’s relationship with the deceased/donor.

Net wealth/net worth tax – No

Social security – Social security contributions must be made on income from employment.

The rates for the employee and the employer are 22.1% and 16.1% respectively, payable on the gross income. Self-employed individuals must remit their own social security contributions.

Compliance for individuals:

Tax year – Calendar year

Filing and payment – Personal income tax is collected by way of withholding during the year if the payer of the income is a Slovene legal person. If the payer is a foreign

legal entity, the individual must report the income to the tax authorities, which then assesses the tax.

Dividend and interest tax returns must be submitted quarterly, except returns for bank interest from the EU or Slovene banks, which are due by the end of February, as are capital gains tax returns.

For income taxed on an aggregate basis, the individual receives a preliminary annual tax calculation from the tax authorities by the end of May for the previous year, which takes into account the tax paid during the year. If the calculation is correct and the individual does not object, the tax assessed in the calculation becomes final. If the individual does not receive the preliminary annual tax calculation by 15 June, he/she must file an annual tax return by 31 of July. The tax authorities will then issue a tax assessment.

Penalties – Penalties are imposed for failure to file an income tax return or if the return does not meet the legal requirements.

Value added tax:

Taxable transactions – VAT is payable on the supply of goods and services made by a taxable person, acting as such, for consideration within Slovenia, on intra-Community acquisitions, including intra-Community acquisitions of new means of transport, and on the import of goods.

Rates – The standard rate is 22%; a reduced rate of 9.5% applies to specified goods and services. Certain transactions are exempt or zero rated.

Registration – A taxable person must register for VAT purposes if the value of its supplies within the last 12 months exceeds EUR 50,000 (EUR 7,500 for agricultural activities). Small businesses (including farmers) may apply for voluntary registration, which is valid for a minimum period of five years. A taxable person established abroad that carries out taxable economic activities in Slovenia must register for VAT.

Filing and payment – The VAT return must be submitted and the VAT paid by the last business day of the month following the taxable period (which is a calendar month, or three months for smaller taxpayers established in Slovenia). Taxable persons that are required to submit an EC Sales List must submit both the VAT return and the EC Sales List by the 20th day of the month following the taxable period.

Source of tax law: Corporate Income Tax Act, Personal Income Tax Act, Value Added Tax Act, Tax Procedure Act, Tax on Income from Derivatives Act, Real Property Tax Act

Tax treaties: Slovenia has concluded 58 tax treaties.

Tax authorities: Ministry of Finance, Financial Administration of the Republic of Slovenia

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