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# International Tax
## Slovenia Highlights 2021

Updated January 2021

## 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

| Rates | |
|---|---|
| **Corporate income tax rate** | 19% |
| **Branch tax rate** | 19% |
| **Capital gains tax rate** | 19% |

**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. Branches are taxed in the same way as subsidiaries.

**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.

**Rate**: The standard rate is 19%. A 0% rate applies to certain investment funds, pension insurance undertakings, and insurance companies.

**Surtax:** There is no surtax.

**Alternative minimum tax**: There is a prescribed minimum (effective) tax rate of 7.03% (as from 1 January 2020, the tax base may be reduced by a maximum of 63%).

**Taxation of dividends**: Dividends received from another Slovenian company, an EU subsidiary, or a non-EU subsidiary established in a country not included on a "black list" published by the Ministry of Finance are 95% tax exempt. Dividends received from a company established in a jurisdiction on the list 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 19%. 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 is 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.

**Foreign tax relief**: 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 Slovenian tax payable on the foreign income.

**Participation exemption**: See "Taxation of dividends" and "Capital gains," above.

**Holding company regime**: There is no specific holding company regime but see the special regime under "Capital gains," above.

**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 deduction of 40% of the actual amount invested in certain equipment and intangible assets; 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 the salary of such persons; 70% for fully physically disabled and deaf individuals); relief for the employment of persons younger than 26 years or older than 55 years who previously were 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); and relief for employment and investment in certain regions.

## Compliance for corporations

**Tax year**: The tax year is the calendar year or financial year. 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 and payment**: 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 and nonbinding rulings on proposed business activities may be obtained from the tax authorities.

## Individual taxation

| Rates | | |
|---|---|---|
| **Individual income tax rate** | **Taxable income** | **Rate** |
| | Up to EUR 8,500 | 16% |
| | EUR 8,501–EUR 25,000 | 26% |
| | EUR 25,001–EUR 50,000 | 33% |
| | EUR 50,001–EUR 72,000 | 39% |
| | Over EUR 72,000 | 50% |
| **Capital gains tax rate** | | 27.5% |

**Residence:** Individuals, regardless of nationality, are resident in Slovenia for personal income tax purposes if they have a formal residence tie with Slovenia (i.e., they have a permanent home registered in Slovenia, are Slovenian public employees working abroad, or were Slovenian residents but are employed by an EU institution) or an actual residence tie with Slovenia (i.e., they have a habitual abode or center of personal and economic interests, or they are present for more than 183 days in a taxable year in Slovenia).

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

**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 fixed tax rates.

**Rates**: The following progressive rates apply: 16% on taxable income up to EUR 8,500; 26% on taxable income over EUR 8,500 and up to EUR 25,000; 33% on taxable income over EUR 25,000 and up to EUR 50,000; 39% on taxable income over EUR 50,000 and up to EUR 72,000; and 50% on taxable income over EUR 72,000.

Dividends, interest, and rental income received by a resident individual are subject to a 27.5% withholding tax. Income from business activities (under certain conditions) is taxed at 20%.

**Capital gains**: Capital gains are subject to a base tax rate of 27.5%, which is reduced to 20% after the asset has been held for five years. The rate is further reduced by five percentage points (to 15%) if the asset is held for more than 10 years, and then by an additional five percentage points (to 10%) if the asset is held for more than 15 years. The capital gain is not taxed if 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 individuals. Various personal allowances also are available in certain cases (dependents, disability, etc.).

**Foreign tax relief**: 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 Slovenian tax payable on the foreign income.

## Compliance for individuals

**Tax year**: The tax year is the calendar year.

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

**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 assess the tax.

Tax returns for income from capital (dividends, interest, and capital gains arising from the disposal of financial capital) and rental income must be submitted by 28 February for the previous tax year. Tax returns for capital gains arising from the disposal of immovable property must be submitted within 15 days after the disposal.

For income taxed on an aggregate basis, the individual receives a preliminary annual tax calculation from the tax authorities by the end of May of the current year for the previous tax 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, the annual tax return must be filed by 31 July of the current year for the previous tax year. 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.

**Rulings**: There are no binding rulings available on the level of individual taxation; however, non-binding rulings may be obtained from the tax authorities.

## Withholding tax

**Rates**

| Type of payment | Residents | | Nonresidents | |
|---|---|---|---|---|
| | Company | Individual | Company | Individual |
| **Dividends** | 0% | 27.5% | 15% | 27.5% |
| **Interest** | 0% | 27.5% | 15% | 27.5% |
| **Royalties** | 0% | 25% or progressive individual tax rates if employment income | 15% | 25% or progressive individual tax rates if employment income |
| **Fees for technical services** | 0% | 25% or progressive individual tax rates if employment income | 0%/15% | 25% or progressive individual tax rates if employment income |

**Dividends**: No withholding tax applies on dividends paid to a domestic company. Dividends paid to a nonresident company are subject to a 15% withholding tax unless the rate is reduced under a tax treaty or an exemption is available under the EU parent-subsidiary directive. Dividends paid to an individual are subject to a 27.5% withholding tax, unless the rate is reduced under a tax treaty.

**Interest**: No withholding tax applies on interest paid to a domestic company. Interest paid to a nonresident company is subject to a 15% withholding tax unless the rate is reduced under a tax treaty or an exemption is available under the EU interest and royalties directive. Interest paid to an individual is subject to a 27.5% withholding tax, unless the rate is reduced under a tax treaty.

**Royalties**: No withholding tax applies on royalties paid to a domestic company. Royalties paid to a nonresident company are subject to a 15% withholding tax unless the rate is reduced under a tax treaty or an exemption is available under the EU interest and royalties directive. Royalties paid to individuals are subject to a 25% withholding tax or progressive individual tax rates if taxed as part of employment income. The rate for nonresident individuals may be reduced under a tax treaty.

**Fees for technical services**: No withholding tax applies on fees for technical services paid to a domestic company. Fees paid for advisory, marketing, market analysis, human resources, administrative, information technology, and legal services to a nonresident company are subject to a 15% withholding tax if paid to persons with a head office in a country outside the EU that is on the "black list" published by the Ministry of Finance; otherwise, no withholding tax applies. Fees paid to individuals for technical services are subject to a 25% withholding tax or progressive individual tax rates if taxed as part of employment income. The rate for nonresident individuals may be reduced under a tax treaty.

**Branch remittance tax**: There is no branch remittance tax.

**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.

## 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 directly or indirectly holds at least 25% of the other; if a third party directly or indirectly holds at least 25% of both parties; or if the conditions of the transactions between the parties differ from the conditions of transactions between unrelated parties. Documentation and reporting requirements apply.

Advance pricing agreements are available.

**Interest deduction limitations**: Interest on loans is not deductible if: (a) the loan is received from (i) a shareholder that, at any time during the tax period, directly or indirectly owns at least 25% of the equity capital or voting rights in the borrower, (ii) a lender that has the same 25% shareholder as the borrower, (iii) a shareholder where a family member, at any time during the tax period, directly or indirectly owns at least 25% of the equity capital or voting rights in the borrower, or (iv) a third party, such as a bank, if a shareholder who falls within scope of (i), (ii), or (iii) guarantees the loan or acquires the loan in connection with a deposit in the third party or the bank; 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**: Slovenia has implemented controlled foreign company (CFC) rules in line with the EU Anti-Tax Avoidance Directive (ATAD 1). The CFC income of a low-taxed CFC of a taxpayer is included in the taxable base of that taxpayer. Losses of a CFC are not included in the taxable base of the taxpayer; however, they may be carried forward to future tax periods.

A CFC generally is defined as an entity whose profits are not subject to tax or are exempt in the entity's member state of residence, if:

- The taxpayer holds, individually or together with affiliates, a direct or indirect "stake" of more than 50% in the entity; and
- The actual corporate income tax paid by the entity or permanent establishment is effectively lower than half of the corporate income tax that would have been due in the taxpayer's member state of residence.

**Hybrids:** Slovenia has implemented hybrid mismatch rules in line with ATAD 1 and ATAD 2.

**Economic substance requirements:** There are no specific economic substance requirements in Slovenia; however, the Tax Procedure Act contains a provision aimed at preventing tax avoidance or abuse, which is based on a substance over form approach. In accordance with this provision, invalid legal transactions, fictitious transactions, and breaches of law due to a particular act or conduct are not recognized for tax purposes.

**Disclosure requirements**: Transfer pricing documentation must be provided where requested by the tax authorities. Slovenia has implemented country-by-country (CbC) reporting requirements. A Slovenian entity that is deemed to be a constituent entity of a multinational enterprise group is liable to submit a CbC notification.

**Exit tax**: Under the Corporate Income Tax Act, any positive difference between the fair market value and the tax value of assets that leave Slovenia is taxed at the rate of 19%. The tax can be paid in up to five annual installments.

**General anti-avoidance rule**: General anti-avoidance rules allow the tax authorities to assess tax based on the substance-over-form and economic substance principles, both in domestic and cross-border cases.

Slovenia also has implemented a general anti-abuse rule in line with ATAD 1.

**Other**: The 95% dividend exemption and the benefits of the EU parent-subsidiary directive cannot be applied if the general intention of the transaction was obtaining the tax benefits (substance-over-form principle).

## Value added tax

| Rates | |
|---|---|
| **Standard rate** | 22% |
| **Reduced rate** | 0%/5%/9.5% |

**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. As from 1 January 2020, a special reduced rate of 5% applies to books, newspapers, and periodicals supplied in physical form, electronically, or both (including brochures, leaflets and similar products, children's picture books, maps, etc.). Certain transactions are exempt or zero-rated.

**Registration**: A taxable person must register for VAT purposes if the value of its supplies within the previous 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 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.

**Other:** In response to COVID-19, customs duties and VAT exemptions on imports of medical devices and protective equipment from third countries were introduced at the EU level. These exemptions are expected to apply until 30 April 2021. At the national level, a VAT exemption was introduced for intra-Community acquisitions and local supplies of protective medical equipment, vaccines, *in vitro* diagnostic medical devices, and related services.

## Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply to both companies and individuals and are imposed at the national level.

**Social security**: The employer is required to withhold employee social security contributions from the employee's gross salary (22.1%) and pay them together with the employer's contribution (16.1% of gross salary) each month as part of payroll accounting. Self-employed individuals must remit their own social security contributions.

**Payroll tax**: There is no payroll tax.

**Capital duty:** There is no capital duty.

**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 tax authorities 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, building, or part of a building (the owner or a tenant of the real estate property).

**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.

**Stamp duty**: There is no stamp duty.

**Net wealth/net worth tax**: There is no net wealth or net worth tax.

**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.

**Other**: Insurance premium tax is levied on insurance services at the rate of 8.5%. Financial services that are not subject to VAT are subject to the financial services tax, also at 8.5%.

**Tax treaties:** Slovenia has concluded 62 tax treaties. The OECD multilateral instrument (MLI) entered into force for Slovenia on 1 July 2018. For further information on Slovenia's tax treaty network, visit Deloitte International Tax Source.

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

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