



International tax

Slovenia Highlights 2012

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 unlimited and limited liability company, limited partnership, silent partnership, public limited liability company, European public limited liability company, limited partnership with share capital 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 – Corporate income tax is imposed on income derived by residents and by nonresidents operating through a permanent establishment in Slovenia. Expenses related to the business activities of the entity generally may be deducted if they are properly documented.

Taxation of dividends – Dividends are exempt if received from another Slovene taxpayer, an EU subsidiary or a non-EU subsidiary established in a country not included on the “black list” published by the Ministry of Finance.

Capital gains – Capital gains are treated as ordinary income, although gains arising from a transaction subject to the EU merger directive are exempt. An exemption of 50% of gains derived from the sale of shares is

available if, *inter alia*, the shares represent a participation of at least 8% and the shareholding has been held for more than 6 months and at least 1 person is employed on a full-time basis in this period. Fifty percent of a capital loss is not recognized (unless the loss arises from a venture capital investment).

Losses – Tax losses generally may be carried forward indefinitely. The carryback of losses is not permitted.

Rate – The standard rate is 18% for calendar year 2012 (reduced from 20% on 27 April 2012). The rate will further reduce to 17% for 2013, 16% for 2014 and 15% for calendar year 2015 and onwards. A special rate of 10% applies to operations in special economic zones and a 0% rate applies to certain funds and 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 – All dividends are exempt from tax.

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

Incentives – These include a deduction of 100% (increased from 40%) of the amount invested in internal R&D activities and the purchase of R&D services; a 40% (increased from 30%) deduction of the actual amount invested in equipment and intangible assets up to the amount of the tax base (previously limited to EUR 30,000); relief for donations is limited to 0.3% of taxable income and an additional 0.2% for special purposes; relief for voluntary supplementary pension insurance is limited to 24% of obligatory contributions for pension and disability insurance; relief for employment of disabled persons is 50% of salary of such persons (70% of the salary for physically disabled and

deaf individuals); and relief for employment of unemployed persons younger than 26 years or older than 55 who were registered as unemployed at the Employment Office of Slovenia for at least 6 months (45% of the salary for the first 24 months of employment).

Withholding tax:

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

Technical service fees – Service fee payments are subject to a 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 – No

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – No

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

Stamp duty – No

Transfer tax – A special sales tax is levied on motor vehicles (different rates), the transfer of real estate if not subject to VAT (2%) and insurance services (6.5%).

Other – No

Anti-avoidance rules:

Transfer pricing – Rules apply to transactions with nonresident related parties. The rules apply to resident parties only to the extent that one or both parties are deemed to be in a favorable tax position (evidencing tax losses). The arm's length principle applies and there are documentation and reporting requirements. A party is related if it holds directly or indirectly at least 25% of the other party or if the conditions between them differ from those between unrelated parties.

Thin capitalization – Interest on loans (other than those granted by a bank or an insurance company) is not deductible if (a) received from a shareholder who, at any time during the tax period, directly or indirectly owns at least 25% of the shares in the equity capital or voting rights; and (b) the loan exceeds at any time during the tax period the established debt-to-equity ratio (6:1 for 2008-2010, 5:1 for 2011 and 4:1 from 2012), unless the taxpayer can prove that the loan would have been granted by an unrelated third party. The excess interest is generally recharacterized as a dividend.

Controlled foreign companies – No

Other – General anti-avoidance rules allow the tax authorities to assess tax based on the substance-over-form and economic substance concepts.

Disclosure requirements – None, except for transfer pricing.

Administration and compliance:

Tax year – 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 3 years.

Consolidated returns – The ability to file consolidated returns was abolished as from 1 January 2007. Each company must file its own return.

Filing requirements – Slovenia operates a self-assessment regime. Tax payments are made in advance on a monthly or quarterly basis. The tax return must be submitted to the tax authorities 3 months after the end of the relevant tax period.

Penalties – Various penalties are imposed (depending on the size of the company) for failure to submit a corporate income or if the return does not comply with the 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 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 residence registered in Slovenia, is a Slovenian public employee employed abroad or was a Slovenian resident but is currently employed in an EU institution) or 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 6 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 (except income from capital). Scheduler taxation is applied to income from capital.

Capital gains – Capital gains are subject to a base rate of 20%, which is reduced by 5 percentage points for every 5 years the capital (real estate, securities, etc.) is held, making the gain exempt when the capital is held for more than 20 years. Capital gains arising from derivatives are taxed at a 40% rate if disposed of during the first year of ownership.

Deductions and allowances – A general allowance is available to all resident taxable persons. Various personal allowances are also available under certain conditions (dependents, disability, etc.). The amounts are changed annually.

Rates – The following progressive rates apply: 16% up to EUR 7,634.40; 27% up to EUR 15,268.77; and 41% on amounts exceeding EUR 15,268.77 (2011). The tax schedule is changed annually. Dividend and interest income received by a resident individual is subject to a 20% withholding tax.

Other taxes on individuals:

Capital duty – No

Stamp duty – No

Capital acquisitions tax – No

Real property tax – A 2% transfer tax applies if the transaction is not subject to VAT.

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 or donor.

Net wealth/net worth tax – No

Social security – Income from employment is subject to employee contributions (22.1% of gross income) and employer contributions (16.1% of gross income). Self-employed individuals are obliged to remit social security contributions on their own.

Administration and compliance:

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 of the income 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 interest from the EU, which are due by the end of February, as are capital gains tax returns. For income taxed on an aggregate basis, the individual receives an information tax calculation from the tax authorities by the end of May for the previous year, under which tax prepaid during the year is taken into consideration. If the assessment is correct and the individual does not file a complaint, the tax assessed in the calculation becomes final. If the individual does not receive the information calculation by 15 June, he/she must file a tax return by the end of July. Thereafter, the tax authorities issue a tax assessment.

Penalties – Penalties are imposed for failure to submit a corporate income or if the return does not comply with the legal requirements.

Value added tax:

Taxable transactions – VAT is payable on supplies of goods and services effected 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 20%; a reduced rate of 8.5% applies to specified goods and services. Certain transactions are exempt or zero rated.

Registration – A taxable person must register if the value of its supplies within the last 12 months exceeds the EUR 25,000 threshold (EUR 7,500 for agricultural activities). Small businesses (including farmers) may apply for voluntary registration, valid for a minimum period of 5 years. A

taxable person established abroad who performs taxable economic activities in Slovenia must register.

Filing and payment – The VAT return must be submitted and VAT paid by the last working day of the month following the taxable period (which is a calendar month, or 3 months for smaller taxpayers). Taxable persons that are also obliged to submit an EC Sales List have to submit both documents 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

Tax treaties: Slovenia has concluded 43 tax treaties.

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

International organizations: EU, WTO

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