



Doing business in Slovenia

A comparative guide

July 2023

A guide to doing business in Slovenia

Deloitte Legal compiled this guide for Legal 500, providing an overview of the laws and regulations on doing business in a variety of jurisdictions. The following country chapter contains the relevant information on the systems of law, the legal forms through which people carry out business, capital requirements, how entities are operated and managed, expansion possibilities, corporate governance, employment law and more.



No. **Question**

A. Legal system and landscape

1 **Is the system of law in your jurisdiction based on civil law, common law or something else?**

The Slovenian system of law is based on the civil law system, with codified legislation.

B. Entity establishment

2 **What are the different types of vehicle / legal forms through which people carry on business in your jurisdiction?**

The Slovenian Companies Act (*Zakon o gospodarskih družbah*), regulates the following types of vehicle / legal forms:

- sole proprietor (*samostojni podjetnik – s.p.*);
- limited liability company (*družba z omejeno odgovornostjo – d.o.o.*);
- unlimited liability company (*družba z neomjeno odgovornostjo – d.n.o.*);
- limited partnership (*komanditna družba – k.d.*);
- joint stock company (*delniška družba – d.d.*);
- European joint stock company (*evropska delniška družba – SE*);
- limited partnership with share capital (*komanditna delniška družba – k.d.d.*); and
- commercial interest organization (*gospodarsko interesno združenje – g.i.z.*).

Furthermore, the Cooperatives Act (*Zakon o zadrugah*) regulates cooperatives (*zadruga*), which primarily aim to streamline economic benefits and improve the economic conditions of their members.

3 **Can non-domestic entities carry on business directly in your jurisdiction, i.e., without having to incorporate or register an entity?**

As Slovenia is a member of the European Union (“**EU**”) entities incorporated in EU member states, as well as entities incorporated in the members of the European Economic Area (“**EEA**”) can conduct business in Slovenia directly based on the free movement of goods and services principle, as well as the freedom of establishment principle. The right to conduct business without having to incorporate an entity under Slovenian law is provided by the Act on Services in the Internal Market (*Zakon o storitvah na notranjem trgu*). On the other hand, entities registered in third countries (i.e., non-EU / EEA member states) may only operate in Slovenia through a subsidiary or a branch office.

4 Are there any capital requirements to consider when establishing different entity types?

The Companies Act sets capital requirements as a precondition to establish the following types of entities (i) a limited liability company - EUR 7,500, (ii) a joint stock company - EUR 25,000, and (iii) a European joint stock company - EUR 125,000, whereas special capital requirements may apply for certain entities in regulated sectors e.g., banks and insurance companies. There are no capital requirements for the establishment of other legal entities.

5 How are the different types of vehicles established in your jurisdiction? And which is the most common entity/branch for investors to utilize?

Generally, the establishment procedures are provided in the Companies Act, as well as in the Register of Companies Act (*Zakon o sodnem registru*). All entities must be registered in the Slovenian court register (*sodni register*), which *inter alia* provides for a publicly available database of registered legal entities.¹

The most common legal entity for investors to utilize in Slovenia is a limited liability company, or a joint stock company, whereas an unlimited liability company, a limited partnership or a limited partnership with share capital, are rare in practice; Therefore, the rest of the questionnaire is focused on the former two entities.

Prior to registration, shareholders of all (anticipated) legal entities need to adopt a deed of incorporation (e.g., Act on the Establishment / Articles of Association / Statute) by way of adoption of a shareholders' resolution, which additionally comprises at least the following resolutions: (i) the appointment of legal representatives, and (ii) the decision on the designated business seat. Prior to the commencement of business operations, a legal entity has to open a bank account and pay the initial share capital (if required) and obtain the prior consent of the owner of the real estate / business premises, if the premises from which the business are to be conducted are leased.

Additionally, a joint stock company may be incorporated in a simultaneous or subsequent procedure. The simultaneous procedure means that the shareholders adopt and execute the legally required incorporation documentation and take over all the issued shares of the new company by themselves. On the other hand, in a subsequent incorporation procedure, after the adoption and execution of incorporation documentation, the prospectus is published via a public call to interested parties to take over the newly issued shares. The Companies Act stipulates that the procedure used for the establishment of the joint stock company is also used for the establishment of a limited partnership with share capital and for a European joint stock company. In practice there are two different types of joint stock company, namely: a public limited company, which is present on the stock market with its shares, and a private limited company, which is not present on the stock market and the stock exchange does not trade its shares.

6 How is the entity operated and managed, i.e., directors, officers or others? And how do they make decisions?

The Companies Act provides for different ways of managing an entity, depending on its form of incorporation.

¹ <https://www.ajpes.si/prs/>

A limited liability company is usually managed by at least one director (a legal representative), who makes decisions with resolutions. In the event that there are two or more directors, they can represent the company solely or jointly in accordance with the relevant provisions of the Act on the Establishment / Articles of Association. Any restrictions of director's representation powers must be registered with the court register and thus evident in publicly available records, otherwise, such limitations have no legal effect towards third parties. A limited liability company can have a supervisory board if it is foreseen in its incorporation deed, whereas the legal provisions of the functioning of the supervisory board in a joint stock company apply *mutatis mutandis*.

A joint stock company can have a one-tier or two-tier system. In a one-tier system, a company is managed and supervised by the board of directors, which may appoint executive directors to perform the day-to-day management of the company. The executive directors may be chosen among the members of the board of directors, albeit this is not a prerequisite. In a two-tier system, the day-to-day management of the company rests on the management, which is appointed and supervised by the supervisory board, which is in turn appointed by the majority of the shareholders.

The role of a procurator is also common in the Slovenian legal system and may be used in all legal entities in Slovenia. The procurator may perform all acts which fall under the scope of the legal representatives, save for disposing and encumbering real estate and awarding powers of attorney for representation in court proceedings. The procurator's representation powers can be further restricted (e.g., joint representation), however, such restrictions must be registered in the court register to be effective against third parties.

7

Are there general requirements or restrictions relating to the appointment of (a) authorized representatives/directors or (b) shareholders, such as a requirement for a certain number, or local residency or nationality?

There are no restrictions regarding local residency or nationality requirements for shareholders and directors in Slovenian legislation, however, the following limitations apply under the Companies Act:

Shareholders - each shareholder must provide (i) their criminal record, stating they have not been convicted of a criminal offense against the economy, social security, legal transactions, property, the environment, or natural assets, (ii) proof they have no outstanding tax debt and have not been published on the list of tax debtors in the last twelve months, (iii) confirmation they have not been fined by the tax or employment inspection twice (or more) in the last three years in connection with illegal employment or payment for work, nor should they be a shareholder with at least a 25% stake in a company which has been subject to the above-mentioned fines.

Legal representatives - a legal representative of a company cannot be a person who (i) is already a member of a supervisory body of the same company, (ii) has been convicted of a criminal offense against the economy, social security, legal transactions, property, the environment, or natural assets. Any appointment of such a representative is restricted for five years after the final judgment or two years after imprisonment, (iii) is subject to a preventive measure prohibiting them from pursuing their profession - for the duration of the prohibition, (iv) has been convicted in a final judgement as a member of a management or a supervisory body of a company for which bankruptcy proceedings had been initiated and is thereby required to compensate creditors.

Notwithstanding the above in accordance with Article 37 of Employment, Self-employment and Work of Foreigners Act (*Zakon o zaposlovanju, samozaposlovanju in delu tujcev; ZZSDT*) a foreigner (i.e., a person who does not have the Slovene citizenship) who is entered in a Court register as a legal representative of the company is principally obliged to register the start of performing the work in the function of legal representative with Employment Service of Slovenia (Zavod za zaposlovanje).

8 **Apart from the creation of an entity or establishment, what other possibilities are there for expanding business operations in your jurisdiction? Can one work with trade /commercial agents, resellers and are there any specific rules to be observed?**

Conducting business based on a contractual relationship is possible in Slovenia. Companies may work with trade or commercial agents based on a distribution, agency, or trade contract, which are set forth in the Obligations Act (*Obligacijski zakonik*) and / or by business practice like franchise contracts.

Appropriate contracts should be concluded with business partners, who should be duly incorporated in accordance with Slovenian law, before commencing business activities and different tax and legal implications should be diligently assessed.

C. Entity operation

Please answer the following questions only for the most common entity / ies within your jurisdiction:

C1. Governance

9 **Are there any corporate governance codes or equivalent for privately-owned companies or groups of companies? If so, please provide a summary of the main provisions and how they apply.**

Various corporate governance codes exist in Slovenia, whereas once adopted, such a governance code becomes a part of the internal acts of the adopting company and must be made publicly available. The Slovenian Chamber of Commerce (*Gospodarska zbornica Slovenije*) has issued the Corporate Governance Code for Unlisted Companies (*Kodeks upravljanja za nejavne družbe*), which the companies may use at their own discretion.² It mostly focuses on the structure of the management and supervisory body and the relationship between such bodies, as well as on the remuneration of their members. It also regulates public reporting standards and internal control systems. Further, the Corporate Governance Code for State-owned Enterprises³ applies to all companies in which the Slovenian sovereign holding (*Slovenski državni holding, d.d.*) is a shareholder, and to their respective subsidiaries⁴. Finally, the Companies Act explicitly lists legal entities, which must be audited, and therefore adhere to a governance code when preparing the governance statement (*izjava o upravljanju*), which is an integral part of the annual report.

² <https://www.gzs.si/Portals/SN-Pravni-Portal/Vsebine/novice-priponke/kodeks-eng.pdf>

³ https://www.sdh.si/Data/Documents/pravni-akti/EN_corporate_governance_code_2019.pdf

⁴ Slovenian sovereign holding is a joint stock company fully owned by the Republic of Slovenia, set up with the Slovenian Sovereign Holding Act (*Zakon o slovenskem državnem holdignu*) to manage state ownership stakes in entities.

C2. Capital

10 **What are the options available when looking to provide the entity with working capital? i.e., capital injection, loans etc.**

There are numerous options to provide a legal entity with working capital, whereas the most common ones are (i) subsequent payment made by shareholders, (ii) various versions of share capital decrease (e.g., regular and simplified share capital decrease, share capital decrease by share withdrawal, and a combined share capital decrease), (iii) various forms of loans (bank loan, intra-group loan, shareholder's loan, (iv) and debt factoring, among others.

C3. Return of proceeds

11 **What are the processes for returning proceeds from entities? i.e., dividends, returns of capital, loans etc.**

The most common way to distribute profits is via the payment of dividends, which are distributed among shareholders after the general meeting of the company adopts a decision on the distribution of (net) profits. Loans granted by the company to shareholders are allowed; However, there is a risk that such a loan might be treated as an undue distribution of profits. In any case, legal entities must comply with capital maintenance rules when returning proceeds from entities.

C4. Shareholder rights

12 **Are specific voting requirements/percentages required for specific decisions?**

The Companies Act generally provides for a simple majority when making shareholders' resolutions, while an incorporation deed may prescribe a higher (but not lower) majority than required under the Companies Act.

The following resolutions in a joint stock company, however, must *inter alia* be adopted by a qualified majority:

- the recall of a member of the supervisory board prior to the end of the term (3/4 of votes cast);
- consent to business transactions for which the supervisory board has refused consent (3/4 of votes cast);
- a change to the company's statute (3/4 of represented initial share capital);
- the conclusion of an asset deal where the company sells 25% of its assets (3/4 of represented initial share capital);
- an increase / decrease to the initial share capital (3/4 of represented initial share capital);
- issuing bonds which are transferable to shares (3/4 of represented initial share capital);
- the voluntary liquidation of the company (3/4 of represented initial share capital);
- the reversal of the resolution for the voluntary liquidation of the company (3/4 of represented initial share capital); and
- the conclusion of M&A transactions concerning the entity (3/4 of represented initial share capital).

In the case of a limited liability company, the consent of all shareholders is required to (i) demand payment of subsequent payments from the shareholders and (ii) to initiate a simplified dissolution of the company, whereas a qualified majority is required for:

- changes to the Articles of Association (at least 3/4 votes of all shareholders);
- the conclusion of an intercompany contract (at least 3/4 votes of all shareholders);
- the voluntary liquidation of the company (at least 3/4 votes of all shareholders); and
- the conclusion of M&A transactions (at least 3/4 of the initial share capital).

13 Are shareholders authorized to issue binding instructions to the management? Are these rules the same for all entities? What are the consequences and limitations?

The relationship between shareholders and management is governed by the Companies Act and differs between entities. In a limited liability company, the shareholders’ meeting may give binding instructions to the management, unless otherwise provided in the Act on the Establishment / Articles of Association. The Act on the Establishment / Articles of Association may also prescribe the prior consent of the shareholders’ meeting. Failure to comply with the instructions may result in liability of responsible persons. In a two-tier joint stock company, the management should act independently of the shareholders, consequently the shareholders are not allowed to issue binding instructions to the management. On the other hand, the management may demand that the shareholders’ meeting decides on a certain matter. However, in the case of a one-tier management system, the shareholders may give binding instructions to the executive directors regarding management matters.

C5. Employment

14 What are the core employment law protection rules in your country (e.g., discrimination, minimum wage, dismissal etc.)?

Right / Protection	Details
National Minimum Wage	The minimum wage in Slovenia is stipulated in the Minimum Wage Act (<i>Zakon o minimalni plači</i>) and amounts to EUR 1,203.36 gross as of 1 January 2023. The minimum wage is subject to yearly re-evaluation based on increases in the minimum living costs.
Holiday	The Employment Relationships Act provides for at least 20 days annual leave in the event of a five-day work week and 24 days for a six-day work week, whereas collective bargaining agreements may provide for extra days of annual leave. The following employees are entitled to additional days of annual leave, due to special circumstances: (i) parents are entitled to two extra days for every child up to the age of 15, (ii) elderly workers, disabled persons or employees taking care of a child with disabilities are entitled to three extra days of annual leave, (iii) employees who are under 18 years old are entitled to seven extra days of annual leave, and (iv) employees who work night shift get an extra day of annual leave.
Working Hours	The Employment Relationships Act generally provides for a 40-hour workweek. There is the possibility of overtime work; However, the employer must inform employees of any overtime work in written form in advance, and employees must be appropriately paid for overtime

	work. Overtime work is limited to a maximum eight working hours per week, 20 working hours per month or 170 working hours per year.
Rest Periods	The Employment Relationships Act provides for the following (minimum) rest periods: (i) a mandatory 30-minute break in an eight-hour work-day, (ii) an eleven-hour rest period between working days, and (iii) a 24-hour rest period in a seven day working period.
Pension rights	The Employment Relationships Act stipulates that an employer is obliged to enrol employees into the state retirement scheme within 15 days from the beginning of the employment relationship. Contributions to the scheme and retirement age are set in the Pension and Disability Insurance Act (<i>Zakon o pokojinskem in invalidskem zavarovanju</i>).
Discrimination	The Employment Relationships Act prohibits discrimination in the workplace. Employees must be treated equally, irrespective of their nationality, race, or ethnic origin, national or social background, gender, skin colour, health, disability, religious beliefs, age, sexual orientation, family status, trade union membership, financial standing, or other personal circumstances.
Maternity Leave / Pay	<p>Maternity, paternity, and parental leave are regulated in Paternal Protection and Family Benefits Act (<i>Zakon o starševskem varstvu in družinskih prejemkih; ZSDP-1</i>). Please note that on 24 November 2022 the Act Amending Paternal Protection and Family Benefits Act has been adopted to implement the provisions of EU Directive 2019/1152 and its provisions will apply from 01 April 2023 (“amended ZSDP-1”). Below we will present the regulation of maternity, paternity and parental leave in a following way: first the regulation that is in place currently as per ZSDP-1 and second the regulation as per amended ZSDP-1.</p> <p>ZSDP-1: ZSDP-1 provides for 105 days of maternity leave, which begins 28 days before the expected labour date. Maternity leave is payable to 100% of the average monthly wage in the last year and is covered by a national health insurance scheme. Maternity leave may only be used by the mother of the child or in special circumstances by the father or the grandparents of the child. It is common for the mother of the child to use the maternity leave, as well as the transferable part of the shared parental leave; Together, this amounts to 365 days (approximately 12 months).</p> <p>Amended ZSDP-1: No changes to maternity leave are foreseen.</p>
Paternity Leave	<p>ZSDP-1: The Paternal Protection and Family Benefits Act provides for 30 days of paternity leave; 15 days must be used at the latest one month after the expiry of the shared parental leave (see below), and the other 15 days before the child is six years old. The father cannot transfer paternity leave to the mother.</p> <p>Amended ZSDP-1: The duration of paternity leave, which a father can take between the child being born and reaching 3 months of age, was reduced from 30 to 15 days. However, this difference of 15 days was included into an increase of the non-transferable element of parental leave.</p>

<p>Shared Parental Leave</p>	<p>ZSDP-1: Paternal Protection and the Family Benefits Act provides for 260 days of shared parental leave – 100 days for the father and 130 for the mother, who can transfer 100 days to the father, but cannot transfer the remaining 30 days, which can only be used for the mother; However, the father may transfer the entire 130 days to the mother of a child.</p> <p>Amended ZSDP-1: The length of parental leave for each parent is extended from 130 days to 160 days; although 100 days of the parental leave can be transferred from one parent to another, the remaining 60 days are non-transferable. The non-transferable element may be used until the child is 8 years old at the latest.</p>
<p>Statutory sick pay</p>	<p>The Health Care and Health Insurance Act (<i>Zakon o zdravstvenem varstvu in zdravstvenem zavarovanju</i>) provides for a compensation that amounts to 80% of the employee's full-time salary in the previous month in the case of an employee's absence from work due to an illness or injury that is not related to work. The compensation in cases of work related sick leave amounts to 100 % of the amount of the employee's average monthly salary for full-time work during the past three months or during the period he/she worked in the three months prior to the start of absence..</p> <p>Sick leave up to 20 business days is covered by the employer (or up to 30 days in cases of an employee's inability to work due to an occupational disease or injury at work); Time exceeding this is covered by the national health insurance scheme. A certificate of excused absence from work (in general) is a public document issued to the employee by their doctor or by a child's doctor.</p>
<p>Statutory Notice Periods</p>	<p>The Employment Relationships Act provides for different notice periods depending on the circumstances of the termination of the employment contract. The situation differs based on who terminates the contract (the employee or the employer) and based on what reason (ordinary termination or extraordinary termination) the contract is terminated.</p> <p>In the event of ordinary termination of the contract by employee, the notice period is:</p> <ul style="list-style-type: none"> • 15 days for up to one year of employment; and • 30 days for a period of employment exceeding one year. <p>No notice period is required in the event of extraordinary termination of the contract by the employee; However, extraordinary termination is only allowed in the following cases:</p> <ul style="list-style-type: none"> • the employer has failed to provide the employee with work for more than two months and has also failed to pay the agreed upon wage; • the employee has not been able to perform the work due to a decision by a competent inspection service on the prohibition of performing the working process or on the prohibition of using means of work for more than 30 days, and the employer has failed to pay the employee the agreed upon wage; • the employer has failed to pay the employee the wage or has paid a substantially lower wage for more than two months;

	<ul style="list-style-type: none"> • the employer has failed to pay the employee the wage twice in succession or within a period of six months; • the employer has failed to pay in full social security contributions three times in succession or within a period of six months; • the employer has failed to ensure the employee’s safety and health at work and the employee has previously requested that the employer eliminates an immediate and unavoidable danger to life and health; • the employer has failed to ensure the employee equal treatment; and • the employer has failed to ensure protection against sexual or other harassment or bullying in the workplace. <p>In the event of ordinary termination of the employment contract by the employer the notice periods are:</p> <ul style="list-style-type: none"> • 15 days for up to one year of employment; • 30 days for a period of employment exceeding one year; • after two years of employment, the 30-day period shall increase for each year of employment for two days, however, it shall not exceed 60 days; • and, after 25 years of employment the notice period is 80 days. <p>In the event of the employer terminating the employment contract for reasons of the employee’s misconduct (see question 15) the notice period is 15 days.</p> <p>In the event of the extraordinary termination of the employment contract by the employer, the termination is effective immediately - that is without a notice period. However, in certain cases it may be effective retroactively (in case the employee fails to show up to work for five consecutive days – in such a case the termination is valid from the first day of the employee’s unjustified absence). In other cases, the employee may be suspended from the workplace while the termination procedure takes place. During the time of suspension, the employee must be paid 50% of their monthly wage. For a detailed explanation of reasons for extraordinary termination of the employment contract by the employer, see question 15.</p>
<p>Unfair dismissal</p>	<p>According to the Employment Relationships Act, the employee may only be dismissed due to circumstances explicitly provided for under the law (see question 15). Dismissal for any other reason may generally be treated as unfair. The employee has a right to file a lawsuit to the Labour and Social Court in case the dismissal was unfair. The lawsuit must be filed within 30 days from the dismissal, whereas the burden of proof that the dismissal is fair rests on the employer. In the case that a dismissal is found to be unfair in court proceedings, the employee may have to be reinstated and is entitled to receive compensation for damages.</p>
<p>Statutory Redundancy Payment</p>	<p>The Employment Relationships Act provides that the employee has the right to a statutory redundancy payment also known as severance pay in the following cases (i) the expiry of the employment contract concluded for a definite term, which expires after one year from its</p>

	<p>commencement, (ii) the employer terminates the contract due to a commercial reason or a reason of incompetence, or (iii) the employee retires (subject to additional conditions provided by the law). Consequently, there is no severance pay in the case of the termination of the contract based on the reason of misconduct (see question 15).</p> <p>Severance pay is based on the average monthly salary of the employee during the last three months prior to their termination of employment and depends on the continuous employment at the employer terminating the contract or at the legal predecessors of the employer. The employee is entitled to:</p> <ul style="list-style-type: none"> • 1/5 of the wage basis for each year of employment, for employment between 1-10 consecutive years; • 1/4 of the wage basis for each year of employment, for employment between 10 and 20 consecutive years; and • 1/3 of the wage basis for each year of employment for employment exceeding 20 consecutive years.
<p>Statement of particulars</p>	<p>Slovenian legislation does not regulate a statement of particulars <i>per se</i>. However, an employment contract must <i>inter alia</i> include mandatory conditions of employment, as specified in the Employment Relationship Act, namely: (i) data on the contractual parties, (ii) the start date of employment, (iii) the job description, (iv) the place of work, (v) the duration of the employment contract, (vi) the provision on the term of the contract (definite / indefinite), including annual leave provisions in the case of employment for a definite term, (vii) the full time / part time employment provision, (viii) the daily or weekly working time and working time arrangements, (ix) the basic salary and other payments, (x) the provision of the other components of the worker's salary, the pay period, the pay day and the method of payment of the salary, (xi) the provision on annual leave or the method of determining annual leave, (xii) the length of notice periods, and (xiii) the indication of the collective bargaining agreements binding on the employer or the internal acts relevant for the employee.</p>

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On what basis can an employee be dismissed in your country, what process must be followed and what are the associated costs? Does this differ for collective dismissals and if so, how?

The dismissal of an employee is stipulated in the Employment Relationships Act, which provides for the ordinary and extraordinary termination of the employment contract and among them different reasons for dismissal.

The employer can ordinarily terminate an employment contract due to (i) a commercial reason, if an employer has no need for the performance of the type of work the employee performs according to the condition under the employment contract, (ii) a reason of incompetence, if an employee fails to attain the expected performance results, and (iii) a reason of misconduct, if an employee violates the contractual obligation(s) or other obligation(s) arising from the employment relationship. For Statutory notice periods and severance pay, please see question 14.

For the termination of the employment contract to be valid, the employer must follow the procedure prescribed by in the Employment Relationships Act. Prior to termination due to the reason of

misconduct, the employer must notify the employee of the violation no later than six months from the occurrence of the violation. Notification has to be in writing and contain a list of the employee's legal and contractual obligations and a warning that if the employee violates the contractual obligations, or other obligations arising from employment, within one year from the notification, the employment contract may be terminated.

In cases of termination of the contract for reasons of incompetence, the employment contract must be terminated within 60 days from the employer identifying a valid reason for termination – that is, the employee is not performing to expected standards. Termination cannot be made later than six months after the valid reason for termination has occurred.

Further, in the case of termination of the contract for reasons of incompetence or misconduct, the employer must notify the employee of the violation or failure to perform to expected standards in writing and organize a meeting with the employee in which the employee may present their defence.

The employee must be given a reasonable opportunity to prepare the defence (at least three days). A trade union representative, or a different person authorized by the employee, may be present at the meeting. Upon the employee's demand, the employer must notify the trade union of the termination. If the employee is not a member of a trade union, they may demand that the employer inform the workers' council or the workers' representative.

The employer may extraordinarily terminate the contract in the following cases:

- a major violation of the contractual relationship, which has all signs of a criminal offense;
- the employee intentionally or by gross negligence violates contractual obligations;
- the employee submits false information or proof of meeting employment requirements as a candidate in the selection procedure;
- the employee fails to turn up for work for five consecutive days with no information to the employer as to the reasons for absence;
- the employee is prohibited by a final judgment from carrying out certain work within the employment relationship;
- in the case of the transfer of (a part of) the undertaking, the employee refuses the transfer and the actual performance of work with a transferee employer;
- the employee unjustifiably fails to return to work within five working days after the cessation of the reason for the suspension of the employment contract; or
- the employee fails to respect the instructions of a competent doctor during sick leave.

Extraordinary termination is only possible if one of the above reasons exists and if due to those reasons the employment cannot continue until the end of the notice period.

Collective dismissal

In the event of a collective dismissal, the employer must prepare a redundancy programme if it is established that, for commercial reasons, the work performed by a certain number of employees will become unnecessary in the next 30 days. The number of employees who need to be made redundant for this to apply are as follows:

- at least ten employees where the employer employs more than 20 and fewer than 100 employees; or
- at least 10% of employees where the employer employs at least 100 employees but fewer than 300 employees; or
- at least 30 employees where the employer employs 300 employees or more.

The employer must notify the trade union(s) about the collective dismissal as soon as possible and must engage in a consultation with the trade union(s) as well as with the workers' council if it exists. In determining which employees are to be made redundant, the employer must take the following criteria into consideration: the employee's qualifications, work experience, performance, length of service, medical health, and social status, whether the employee is a parent of three or more minors, or if the employee is the sole provider for a family with minors. The criteria must be determined in consultation with the trade union.

Furthermore, the employer must notify the Employment Service of Slovenia (*Zavod Republike Slovenije za zaposlovanje*) of the process of collective dismissal and of the process of consulting with the trade unions. The employer is obligated to work closely with the Employment Service of Slovenia and follow their advice regarding collective dismissal.

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Does your jurisdiction have a system of employee representation/participation (e.g., works councils, co-determined supervisory boards, trade unions etc.)? Are there entities which are exempt from the corresponding regulations?

Slovenian legislation enables employee representation and participation in the company, which is regulated with the Worker Participation in Management Act (*Zakon o sodelovanju delavcev pri upravljanju*) and the Representativeness of Trade Unions Act (*Zakon o reprezentativnosti sindikatov*).

Employees have the right (but not obligation) to form and participate in trade unions based on the Slovenian Constitution. A trade union may be organized by workers in any company, no matter the size of the company. The trade unions may have legal personality although this is not a prerequisite. In addition to forming trade unions, the Worker Participation in Management Act grants the employees the right (but not obligation) to elect a workers' council in companies with more than 20 employees. If established, the workers' council must be informed and consulted before certain consequential decisions that could affect employees are made (e.g., statutory changes, the sale of the company's important assets, major changes to the ownership of the company, whereas certain decision (e.g., decisions regarding annual leave or bonus payments) must be made with the consent of the workers' council. In companies with 20 or fewer employees, employees may elect a workers' representative who performs similar (limited) functions to the workers' council.

Finally, based on the Worker Participation in Management Act, employees have a right to representation in the supervisory board (in a two-tier system of management) or the board of directors (in a one-tier system of management) in large and medium sized companies. The number of employee representatives is to be determined in the deeds of incorporation of the respective legal entity, but it cannot be lower than one-third of the members of a board or higher than one half of the members. In companies with more than 500 employees, the employees have the right to demand that at least one employee representative be a member of the management (in a two-tier system) or an executive director (in a one-tier system).

C6. Anti-corruption / bribery / money laundering / supply chain

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Is there a system governing anti-bribery or anti-corruption or similar? Does this system extend to nondomestic constellations, i.e., have extraterritorial reach?

The Slovenian Integrity and Prevention of Corruption Act (*Zakon o integriteti in preprečevanju korupcije*) provides comprehensive anti-bribery and anti-corruption legislation in relation to public service employees and certain other state-controlled entities. In some circumstances, it applies to private

entities as well. The Commission for the Prevention of Corruption (*Komisija za preprečevanje korupcije*) may subpoena financial documents from the public and private sector and hold accountable public servants, as well as management and supervisory boards of certain state-controlled entities for corruption, for conflict of interest, or for breaches of ethics. Further, anti-corruption measures are set forth in the Prevention of Money Laundering and Terrorist Financing Act (*Zakon o preprečevanju pranja denarja in financiranja terorizma*).

18 **What, if any, are the laws relating to economic crime? If such laws exist, is there an obligation to report economic crimes to the relevant authorities?**

Economic crimes or white-collar crimes are regulated under the Slovenian Criminal Code (*Kazenski zakonik*), whereas criminal liability of legal persons is regulated under the Liability of Legal Persons for Criminal Offences Act (*Zakon o odgovornosti pravnih oseb za kazniva dejanja*). There is no obligation to report economic crimes under Slovenian law; However, anyone may report them.

19 **How is money laundering and terrorist financing regulated in your jurisdiction?**

Money laundering and terrorist financing are regulated by the Prevention of Money Laundering and Terrorist Financing Act, which implements EU anti money laundering legislation and provides for relevant "Know Your Customer" procedures, Ultimate Beneficial Owner identification, as well as other anti-money laundering reporting standards for regulated entities in accordance with domestic and EU legislation.

In addition, the Whistleblower Protection Act (*Zakon o zaščiti prijaviteljev*) has been adopted on 27 January 2023 and establishes systemic mechanisms for reporting violations of the applicable rules and protecting the whistleblower.

20 **Are there rules regulating compliance in the supply chain (for example comparable to the UK Modern Slavery Act, the Dutch wet kinderearbeid, the French loi de vigilance)?**

No, there are currently no rules regulating compliance in the supply chain on the national level. However, companies may have their own ethics codes, which are becoming prominent and may also deal with supply chain due diligence.

C7. Compliance

21 **Please describe the requirements to prepare, audit, approve and disclose annual accounts / annual financial statements in your jurisdiction.**

Requirements to prepare, audit, approve, and disclose annual accounts are (primarily) regulated in the Companies Act. According to this, annual accounts of large and medium-sized companies must be audited in line with the standards provided for in the Auditing Act (*Zakon o revidiranju*). Annual accounts and annual financial statements must be reported to AJ PES by 31 March each year, and are published in a public register kept by AJ PES⁵. Audited reports must be approved at the shareholders' meeting and reported to AJ PES⁶ by 31 August each year.

⁵ <https://www.ajpes.si/jolp/>

⁶ <https://www.ajpes.si/jolp/>

22 Please detail any corporate / company secretarial annual compliance requirements?

Annual compliance requirements are stipulated under the Companies Act. According to this, companies must hold a shareholders' meeting to approve the annual accounts and annual financial statements, which must be made publicly available on AJPES⁷ (please see question 21). The shareholders' meeting of public limited companies also adopts a Compensation Policy (*Politika prejemkov*), specifying compensation for the management and supervisory board in a two-tier system or the compensation of the board of directors and executive directors in a one-tier system.

23 Is there a requirement for annual meetings of shareholders, or other stakeholders, to be held? If so, what matters need to be considered and approved at the annual shareholder meeting?

The requirements for the annual shareholders' meeting are set forth in the Companies Act. All legal entities must hold a meeting at least once a year in order to *inter alia* adopt a resolution on the use of balance sheet profit or on covering the balance sheet loss.

24 Are there any reporting/notification / disclosure requirements on beneficial ownership / ultimate beneficial owners ("UBO") of entities? If yes, please briefly describe these requirements.

The reporting of Ultimate Beneficial Owners is mandatory under the Prevention of Money Laundering and Terrorist Financing Act. Accordingly, the Ultimate Beneficial Owners of the company must be registered in the Registry of Ultimate Beneficial Owners (*Register dejanskih lastnikov*)⁸ within eight days of the establishment of the company or from the change in the Ultimate Beneficial Ownership structure.

The Ultimate Beneficial Owner is generally a natural person who is the ultimate owner of a significant number of shares of the legal entity or who controls the entity in other significant way (e.g., economically). The Prevention of Money Laundering and Terrorist Financing Act provides for a presumption that a natural person holding more than 25% of the initial share capital or shares is considered to be the Ultimate Beneficial Owner of the company. In certain cases, provided by the law, the directors of the company may be considered as the Ultimate Beneficial Owners of the company.

C8. Tax

25 What main taxes are businesses subject to in your jurisdiction, and on what are they levied (usually profits), and at what rate?

Business taxes are mainly set forth in the Corporate Income Tax Act (*Zakon o davku od dohodkov pravnih oseb*).

A company operating a business in Slovenia is obliged to pay corporate income tax. The general tax rate in Slovenia is 19% and applies to tax residents' worldwide profits and gains and taxes non-residents' profits and gains attributed to their business carried through permanent establishment in Slovenia. The corporate income tax return must be submitted to the Slovenian Financial Administration (*Finančna*

⁷ <https://www.ajpes.si/?language=english>

⁸ https://www.ajpes.si/Registri/Drugi_registri/Register_dejanskih_lastnikov/Splosno

uprava) within three months after the fiscal year-end whereby the fiscal year is to be the same as either the calendar year or the financial (business) year.

26 **Are there any particular incentive regimes that make your jurisdiction attractive to businesses from a tax perspective (e.g., tax holidays, incentive regimes, employee schemes, or other?)**

The Corporate Income Tax Act provides for certain incentive regimes from which companies may benefit. In certain circumstances, when companies make gains on the disposal of ownership stakes in companies, or other forms of organizations in Slovenia, 50% of that gain may be excluded from the taxpayer's tax base; However, this is only possible if a taxpayer owned at least 8% of a company's shares for at least six months and that the business employed at least one person during that time.

Furthermore, please note that a taxpayer can, among other things, benefit from a research and development allowance and an investment allowance. This means that they can reduce the tax base to the amount of 100% of the research and development expenses (the effective reduction to the tax base is 200%) and to the amount of 40% of the amount invested in equipment or intangible assets (the effective reduction to the tax base is 140%), respectively.

27 **Are there any impediments/tax charges that typically apply to the inflow or outflow of capital to and from your jurisdiction (e.g., withholding taxes, exchange controls, capital controls, etc.)?**

Certain income, such as dividends, interest, royalties, and rent, are subject to withholding tax. The withholding tax rate is set forth in the Corporate Income Tax Act and is set at 15%. In case a double taxation treaty exists, the tax can be reduced according to the relevant provisions of the treaty. Payments of interest, royalties, and dividends within the EU and EEA may be exempt from the withholding tax according to the EU Interest and Royalties Directive (Council Directive 2003/49/EC of 3 June 2003) and the EU parent-subsidiary directive (Council Directive 2011/96/EU of 30 November 2011).

28 **Are there any significant transfer taxes, stamp duties, etc. to be taken into consideration?**

There is a real estate transfer tax to the amount of 2% of the value of the property. There is no stamp duty in Slovenia.

C9. M&A

29 **Are there any public takeover rules?**

In Slovenia, general provisions relating to takeovers are provided in the Companies Act; However detailed rules regarding takeovers are enumerated in the Takeovers Act (*Zakon o prevzemih*), which implements EU legislation in the field of public takeovers and governs the procedure for mandatory and voluntary takeover bids in the event of a change of control in certain public or private companies. The main aim of the Takeovers Act is to give minority shareholders the possibility to sell their shares to the shareholder who reaches a certain threshold. The takeover bid process is overseen by the Securities Market Agency (*Agencija za trg vrednostnih papirjev*).

30 Is there a merger control regime and is it mandatory / how does it broadly work?

The merger control regime is regulated by the Slovenian Prevention of Restriction of Competition Act (*Zakon o preprečevanju omejevanja konkurence*), which implements EU competition legislation, which states that under certain circumstances any lasting changes of control in the company, which happen due to a merger of the company, acquisition of control over the company, or the creation of a joint venture with the company, have to be notified to the Slovenian Competition Protection Agency (*Agencija za varstvo konkurence*). Such a change may have to be notified to the Competition Protection Agency as it might have an undue effect on the competitiveness of the relevant market.

Concentration must be notified if the following thresholds are met:

- the total annual turnover of the undertakings involved in a concentration, together with other undertakings in the group, on the Slovenian market in the preceding business year exceeds EUR 35,000,000;
- the annual turnover of the acquired undertaking, together with other undertakings in the group, on the Slovenian market in the preceding business year exceeds EUR 1,000,000; or
- in the case of a joint venture, the annual turnover of at least two undertakings concerned in a concentration, together with other undertakings in the group, in the preceding business year exceeds EUR 1,000,000.

A concentration notification has to be submitted to the Competition Protection Agency no later than 30 days after the conclusion of the agreement, the announcement of a public bid, or the acquisition of control over the entity.

31 Is there an obligation to negotiate in good faith?

The Slovenian Obligations Code (*Obligacijski zakonik*) stipulates the general obligation to negotiate in good faith. Furthermore, a party which negotiated in bad faith, which is without real intent to enter the contractual relationship, may be liable for damages caused to the other party (*culpa in contrahendo*).

32 What protections do employees benefit from when their employer is being acquired, for example, are there employee and/or employee representatives' information and consultation or co-determination obligations, and what process must be followed? Do these obligations differ depending on whether an asset or share deal is undertaken?

According to the Employment Relationships Act, in the case of a transfer of (a part of) an undertaking, the employees that work in the respective undertaking are automatically transferred with the undertaking by law, whereas all rights and obligations that the employees had prior to such transfer, are transferred to the transferee employer regardless of the fact as to whether the transfer is a share or asset deal. The transferee employer should comply with rights stemming from collective bargaining agreements for at least one year after the conclusion of the transfer, if such a collective bargaining agreement exists and is binding for the transferor employer. Furthermore, a change of the employer is not considered a valid reason for the termination of an employment relationship. In Slovenia, according to the Employment Relationships Act, the transferor employer and the transferee employer must inform the trade unions at the employer at least 30 days prior to the transfer of the following: (i) the date or the proposed date of the transfer, (ii) the reasons for the transfer, (iii) the legal, economic, and social implications of the transfer for employees, and (iv) the measures envisaged for employees. The transferor employer and the transferee employer, with the intention of achieving an agreement, must consult the trade unions at the employer at least 15 days prior to the transfer regarding the legal, economic, and social implications of the transfer and regarding the envisaged measures for employees.

In addition, the Worker Participation in Management Act stipulates a general obligation to consult with the workers' council prior to the share or asset deal if such a council exists. If there are no trade unions or workers' council representing the employees at the company, employees must be informed about the transfer at least 30 days prior to the transfer in a common way at the transferor employer (e.g., by e-mail, notice board, or intranet).

C10. Foreign direct investment

33 **Please detail any foreign direct investment restrictions, controls or requirements? For example, please detail any limitations, notifications and/or approvals required for corporate acquisitions.**

Foreign direct investment in Slovenia has been regulated since 2020 under the Act Determining the Intervention Measures to Mitigate and Remedy the Consequences of the COVID-19 Epidemic (*Zakon o interventnih ukrepih za omilitev in odpravo posledic epidemije COVID-19*; "**FDI law**") but will only be in force until the end of June 2023. It is to be expected that some foreign direct investment controls will apply after that date; However, the legal regime governing foreign direct investment might be subject to change during the adoption of new legislation.

The FDI law defines foreign direct investment as an investment aiming to establish or maintain lasting and direct links between the foreign investor (including EU citizens) and the economic entity registered in Slovenia, by acquiring at least a 10% share in the capital or voting rights.

In certain cases of foreign direct investment, the new shareholder will have to make a formal notification to the Ministry of Economic Development and Technology (*Ministrstvo za ekonomski razvoj in tehnologijo*; "**Ministry**") within 15 days after the conclusion of the deal (the incorporation of an entity, or the conclusion of a transaction). The notification to the Ministry is only compulsory in case foreign investments affect critical infrastructure (or objects which are in proximity of critical infrastructure) in Slovenia or may affect critical technologies and dual-use items, supply of critical inputs, access to sensitive information, the freedom and pluralism of the media, or certain project and programs in the interest of the EU.

The Ministry must issue an opinion regarding the foreign direct investment in 15 days from the day it received the notification. The entity or the investor may appeal the decisions of the Ministry directly to the Government of Republic of Slovenia (*Vlada Republike Slovenije*). Furthermore, the entity or the investor may lodge a court appeal against the decision of the Government of Republic of Slovenia.

34 **Does your jurisdiction have any exchange control requirements?**

The foreign exchange regime in Slovenia is governed by the Slovenian Foreign Exchange Act (*Zakon o deviznem poslovanju*) and is fully liberalized, meaning that residents may freely exchange money and purchase all types of securities abroad. The provision of exchange services is subject to regulation by the Bank of Slovenia (*Banka Slovenije*).

D. Entity closure

35

What are the most common ways to wind up / liquidate/dissolve an entity in your jurisdiction? Please provide a brief explanation of the process.

The most common way to wind up a legal entity in Slovenia is via a liquidation / dissolution procedure, which is set forth in the Companies Act. The law provides for two options, namely a simplified and a regular procedure. Both decisions to liquidate have to be approved by the shareholders and there are provisions protecting the creditors of the company in both cases.

A simplified procedure is initiated with a submission of the shareholders to the competent authority requesting to remove the company from the competent registry. The submission must include a resolution regarding the liquidation of the company, adopted by all shareholders. All the company's debt must be paid and all obligations the company has towards its employees must be settled, and the shareholders must assume all outstanding obligations of the company, including those which may arise after the dissolution of the company.

The regular procedure commences with the resolution of the shareholders, provided that the resolution is adopted with a qualified majority of all votes. The following steps need to be taken regarding assets, liabilities, and contracts:

- the preparation of the opening liquidation balance sheet;
- the finalisation / closure of any and all outstanding business operations, transfer, or termination of contracts;
- the publishing of a call to creditors in order for them to give notice of their claims;
- the settling of all outstanding debt;
- the recovery of the company's outstanding debt.

The above steps are carried out by and under the responsibility of the liquidator of the company. It must be done prior to the date of the closing of the liquidation i.e., the submission of the application to remove the company from the court registry.

Beside voluntary dissolution, legal entities may also cease operations due to a bankruptcy proceeding, forced liquidation, or deletion of the company from the court register without liquidation.

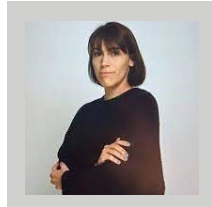
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