



# Taxation in Slovenia 2018

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## **INTRODUCTION**

This publication provides concise general information about the current Slovenian tax system with the most up-to-date information as of 1 January 2018. Its purpose is to answer some of the questions relating to taxes and to help readers gain a better and more thorough understanding of the Slovenian tax system. As such, it deals mainly with a general overview and not with specifics.

The publication includes three sections. Section I contains a summary of all existing taxes with a detailed explanation in Section II. Section III is devoted to Slovenian double taxation conventions.

## SUMMARY

The tax system consists of three main categories of taxes: i) direct taxes on income; ii) direct taxes on property; and iii) indirect taxes.

The following three tables show consolidated general government tax revenues in the period 2011–2016, consolidated general government tax revenues in the same period as percentage of GDP and the structure of consolidated general tax revenues as percentage of total revenues.

Table 1: Consolidated general government tax revenues in the period 2011–2016

*- in thousands of EUR*

	2011	2012	2013	2014	2015	2016
<b>TOTAL TAX AND SSC REVENUES (1.+2.)</b>	<b>13.209.222</b>	<b>13.118.309</b>	<b>12.648.354</b>	<b>13.192.808</b>	<b>13.746.384</b>	<b>14.240.459</b>
<b>1. TAXES</b>	<b>7.941.615</b>	<b>7.874.225</b>	<b>7.521.121</b>	<b>7.920.320</b>	<b>8.272.434</b>	<b>8.519.829</b>
1.1. Taxes on income and profit	2.723.521	2.656.553	2.137.447	2.385.888	2.584.640	2.680.848
- Individual taxes on income and profit	2.054.312	2.077.112	1.868.045	1.915.502	1.986.265	2.078.795
- Corporate income tax	667.637	576.885	265.209	468.365	594.764	599.462
1.2. Taxes on payroll and workforce	29.243	25.623	23.411	20.200	19.702	19.792
1.3. Taxes on property	215.206	233.933	254.108	245.017	237.848	256.190
1.4. Domestic taxes on goods and services	4.856.170	4.876.126	5.027.389	5.191.263	5.347.124	5.432.906
- Value added tax	2.992.405	2.905.028	3.029.055	3.153.257	3.228.708	3.272.032
- Excises	1.462.406	1.560.274	1.490.698	1.491.281	1.515.308	1.551.112
- Other taxes on goods and services	401.359	410.824	507.636	546.725	603.108	609.761
1.5. Taxes on international trade and transactions	100.250	82.550	77.468	77.728	82.472	81.932
1.6. Other taxes	17.227	-559	1.298	224	648	48.161
<b>2. SOCIAL SECURITY CONTRIBUTIONS</b>	<b>5.267.607</b>	<b>5.244.083</b>	<b>5.127.233</b>	<b>5.272.488</b>	<b>5.473.949</b>	<b>5.720.630</b>
2.1. Employees contributions	2.774.034	2.701.319	2.640.418	2.784.872	2.892.913	3.019.668
2.2. Employers contributions	2.060.342	2.066.717	2.012.924	2.049.324	2.125.125	2.233.222
2.3. Self employed contributions	281.234	310.141	303.061	310.340	298.853	313.257
2.4. Other social security contributions	151.997	165.907	170.830	127.952	157.058	154.482

Source: Ministry of Finance, Consolidated General Government Budgetary Accounts

([http://www.wf.gov.si/en/areas\\_of\\_work/general\\_government\\_finance/public\\_finances/consolidated\\_general\\_government\\_budgetary\\_accounts/](http://www.wf.gov.si/en/areas_of_work/general_government_finance/public_finances/consolidated_general_government_budgetary_accounts/))

Table 2: Consolidated general government tax revenues as percentage of GDP

*- percent of GDP*

	2011	2012	2013	2014	2015	2016
<b>TOTAL TAX AND SSC REVENUES (1.+2.)</b>	<b>35,8</b>	<b>36,4</b>	<b>35,0</b>	<b>35,4</b>	<b>35,6</b>	<b>36,9</b>
<b>1. TAXES</b>	<b>21,5</b>	<b>21,9</b>	<b>20,8</b>	<b>21,3</b>	<b>21,4</b>	<b>22,1</b>
1.1. Taxes on income and profit	7,4	7,4	5,9	6,4	6,7	7,0
- Individual taxes on income and profit	5,6	5,8	5,2	5,1	5,1	5,4
- Corporate income tax	1,8	1,6	0,7	1,3	1,5	1,6
1.2. Taxes on payroll and workforce	0,1	0,1	0,1	0,1	0,1	0,1
1.3. Taxes on property	0,6	0,6	0,7	0,7	0,6	0,7
1.4. Domestic taxes on goods and services	13,2	13,5	13,9	13,9	13,9	14,1
- Value added tax	8,1	8,1	8,4	8,5	8,4	8,5
- Excises	4,0	4,3	4,1	4,0	3,9	4,0
- Other taxes on goods and services	1,1	1,1	1,4	1,5	1,6	1,6
1.5. Taxes on international trade and transactions	0,3	0,2	0,2	0,2	0,2	0,2
1.6. Other taxes	0,0	0,0	0,0	0,0	0,0	0,1
<b>2. SOCIAL SECURITY CONTRIBUTIONS</b>	<b>14,3</b>	<b>14,6</b>	<b>14,2</b>	<b>14,2</b>	<b>14,2</b>	<b>14,8</b>
2.1. Employees contributions	7,5	7,5	7,3	7,5	7,5	7,8
2.2. Employers contributions	5,6	5,7	5,6	5,5	5,5	5,8
2.3. Self employed contributions	0,8	0,9	0,8	0,8	0,8	0,8
2.4. Other social security contributions	0,4	0,5	0,5	0,3	0,4	0,4

Source: Ministry of Finance, Consolidated General Government Budgetary Accounts; Statistical Office of the Republic of Slovenia.

Table 3: Structure of the consolidated general government tax revenues as percentage of the total tax revenues

	<i>as % of total tax revenues</i>					
	2011	2012	2013	2014	2015	2016
<b>TOTAL TAX REVENUES (1.+2.)</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>
<b>1. TAXES</b>	<b>60,1</b>	<b>60,0</b>	<b>59,5</b>	<b>60,0</b>	<b>60,2</b>	<b>59,8</b>
1.1. Taxes on income and profit	20,6	20,3	16,9	18,1	18,8	18,8
- Individual taxes on income and profit	15,6	15,8	14,8	14,5	14,4	14,6
- Corporate income tax	5,1	4,4	2,1	3,6	4,3	4,2
1.2. Taxes on payroll and workforce	0,2	0,2	0,2	0,2	0,1	0,1
1.3. Taxes on property	1,6	1,8	2,0	1,9	1,7	1,8
1.4. Domestic taxes on goods and services	36,8	37,2	39,7	39,3	38,9	38,2
- Value added tax	22,7	22,1	23,9	23,9	23,5	23,0
- Excises	11,1	11,9	11,8	11,3	11,0	10,9
- Other taxes on goods and services	3,0	3,1	4,0	4,1	4,4	4,3
1.5. Taxes on international trade and transactions	0,8	0,6	0,6	0,6	0,6	0,6
1.6. Other taxes	0,1	0,0	0,0	0,0	0,0	0,3
<b>2. SOCIAL SECURITY CONTRIBUTIONS</b>	<b>39,9</b>	<b>40,0</b>	<b>40,5</b>	<b>40,0</b>	<b>39,8</b>	<b>40,2</b>
2.1. Employees contributions	21,0	20,6	20,9	21,1	21,0	21,2
2.2. Employers contributions	15,6	15,8	15,9	15,5	15,5	15,7
2.3. Self employed contributions	2,1	2,4	2,4	2,4	2,2	2,2
2.4. Other social security contributions	1,2	1,3	1,4	1,0	1,1	1,1

Source: Ministry of Finance, Consolidated General Government Budgetary Accounts.

In Slovenia all taxes and custom duties are collected by the Financial Administration of the Republic of Slovenia.

### Corporate Income Tax

Corporate income tax is levied on the taxable profit of private companies at a rate of 19 %. A special rate of 0 % applies under certain conditions to investment funds, pension funds and insurance undertakings for pension plans. As of 1 January 2013 there is an optional flat-rate taxation regime. In accordance with this flat-rate regime, the tax base is determined on the basis of lump-sum costs accounting for 80 % of income.

A general research and development (R&D) investment allowance is represented as a deduction from tax base of 100 % of the amount invested in internal R&D activities and purchase of R&D services, but not exceeding the amount of the tax base. There is also an investment tax allowance – a deduction from the tax base of 40 % of the amount invested in equipment and intangibles, but only up to the amount of the tax base. Further general tax allowances are available under certain conditions for entities that provide work for employees, trainees or disabled persons, as well as there is a relief for donations and voluntary supplementary pension insurance.

### Dividends

A company paying dividends withholds tax at a rate of 15 % on each distributed dividend to residents and non-residents of Slovenia. If international treaties on the avoidance of double taxation stipulate a tax rate other than 15 %, the tax rate from the treaty applies. No withholding tax is paid if a resident taxpayer notifies the payer of its tax number and if the non-resident taxpayer for activities in a business unit in Slovenia notifies the payer of its tax number. No withholding tax is paid for dividends distributed to persons to whom a common system of taxation applicable in the case of parent companies and subsidiaries applies under certain conditions (at least 10 % equity, with shares held for at least 24 months).

## **Tonnage Tax**

A tonnage tax regime, as an alternative to normal corporate income tax, is available to resident shipping companies in respect of their income from the operation of ships in international traffic. Each shipping company that is a taxpayer under corporate income tax may elect for the tonnage tax regime, provided that:

- it operates in maritime transport in international shipping; and
- the ships referred to in the preceding section must be strategically and commercially operated from the Republic of Slovenia.

The tonnage tax regime was introduced in January 2008; the election term lasts for 10 years and is renewable.

The tax base for a particular ship in a tax period is calculated by multiplying the daily tax base with the number of days a ship is operating within the given tax period. The tax base is the sum of tax bases for the tax period of the ships that are included in the tonnage tax regime.

## **Personal Income Tax**

Personal income tax applies to an individual's income. There are six categories of income: income from employment, business income, income from basic agriculture and forestry, income from rental income and royalties, income from capital (interest, dividends and capital gains) and other income.

Dividends, interest, rental income and capital gains are taxed *cedularly* at a flat rate. Tax rate for dividends, interest and rental income is 25 %. The rate for capital gains depends on the holding period: 25 % for a holding period of up to 5 years, 15 % for a holding period from 5 to 10 years, 10 % for a holding period from 10 to 15 years and 5 % for a holding period from 15 to 20 years; for a holding period greater than 20 years there is a tax exemption.

Income tax on other categories of income not mentioned in the preceding paragraph (income from employment, business income for which the tax base is determined using actual revenue and costs, income from basic agriculture and forestry, royalties and other income, hereinafter referred to as *active income*) is paid during the tax year in the form of advance tax payments. Advance tax payments are determined according to special tax rate schedules or fixed tax rates, as the case may be.

The annual *active income* tax liability of a resident is computed in such a manner that the taxable bases of different sources of income earned in a calendar year are computed separately and then aggregated. The annual taxable base is computed after compulsory social security contributions and certain allowances are deducted. Net active income is taxed according to a progressive tax rate. There are five tax brackets in the annual tax schedule for active income. The progressive tax rates are: 16 %, 27 %, 34 %, 39 % and 50 %. Advance tax payments paid during the tax period are deductible from the final tax liability, and any difference is collected upon receipt of an assessment from the tax authorities. When the total sum of advance payments exceeds the tax payable, a refund is provided.

Under certain conditions personal business income may be taxed on a *scedular* basis using a lump-sum deduction regime (the tax base is determined on the basis of lump-sum costs accounting for 80 % of income). The tax rate is 20 %. The tax is treated as a final tax for residents and non-residents alike.

## **Contractual Work Tax**

This tax is levied on gross payments made to individuals performing temporary contractual work, at a rate of 25 %. Payments for certain types of contractual work are exempt.

## **Interest**

The amount of interest received by an individual resident for taxation purposes in Slovenia is generally taxed at the rate of 25 %. There is no withholding tax on such interest; instead, residents are obliged to submit a return declaring such interest in each calendar year for interest received in the previous calendar year. Such tax is the final tax imposed by Slovenia on interest derived by residents.

## **Derivative Instruments Gains Tax**

The tax on derivative instruments gains is payable by resident individuals and is levied on the difference between the value of the derivative instrument upon disposal and its acquisition value. It is levied at degressive rates depending on the period of holding (from 25 % to 0 %); 0 % (tax exemption) is applied when a holding period is longer than 20 years. Gains realized from short-term contracts are taxed at 40 %.

## **Social Security Contributions**

Besides personal income tax, individuals must pay compulsory social contributions. Both employer and employee must pay contributions, with the contributions withheld by the employer. Self-employed persons must pay social security contributions on their own. There are four types of contributions paid to two social security schemes and to the state budget, as follows:

- for pension and disability insurance, paid to the Pension Fund;
- for medical care and sickness leave, paid to the Health Fund;
- for unemployment insurance, paid to the state budget; and
- for maternity leave, paid to the state budget.

## **Taxation of Winnings from Conventional Games of Chance**

Winnings from lotteries, raffles, scratch lotteries, bingo, betting and similar games of chance organized in Slovenia are subject to a 15 % tax if the prize exceeds EUR 300. In the taxation of winnings the gross principle is used. No deductions are allowed. The tax is withheld by the gaming operator.

## **Gambling Tax and Concession Fee**

Gambling tax and concession fees are levied on the gross gaming revenue (GGR) of an operator of the games of chance. Two tax rates of 5 % and 18 % are applied depending on the type of the game. Additionally, operators of the games of chance are subject to a concession fee on GGR from 5 % to 45 % also depending on the type of the game or the level of the GGR.

## **Tax on profits due to changes in land use**

Tax is applied to capital gains from the sale of land whose use has been altered to building use after acquisition. The taxable persons are sellers, residents and non-residents, individual or legal persons. The tax rates are 25 % for transfers within 1 year after the change in land use; 15 % for transfers within 1 to 3 years after the change in land use; 5 % for transfers within 3 to 10 years after the change in land use and 0 % for transfers in a period exceeding 10 years after the change in land use.

### **Inheritance and Gift Tax**

This tax is paid by the recipient, an individual or legal person of private law. It is levied on inherited property or gifts at market value. Progressive tax rates apply, which depend on the value and the relationship with the testamentary in the case of inheritance or with the donor in the case of gifts.

### **Property Tax**

As of 1 January 2018, there are two types of duties on possession of real property in the Slovenian system. One is a duty called “the charge for the use of building land” and the other is a property tax.

The charge for the use of building land is levied on vacant and constructed building land in a possession of legal persons and individuals. The charge is set by local communities for vacant building land based on the area of the building land planned for building, and for constructed building land based on the useful area of the residential house or business premises thereon.

Property tax is a tax on buildings owned by individuals. The tax is levied at different progressive rates depending on the type and value of the premises.

### **Water Vessel Tax**

Water vessel tax is levied on vessels longer than five metres registered in Slovenia or registered in other countries and owned by Slovenian residents. The taxpayers are the owners. The tax is levied for the calendar year, based on the length of the vessel and its engine power.

The additional water vessel tax is levied progressively according to the length and engine power of the vessel.

### **Motor Vehicle Tax**

For passenger motor vehicles which are put into circulation in Slovenia for the first time or registered for the first time in the territory of the Republic of Slovenia, namely for vehicles with the fixed tariff code of the common customs tariff motor vehicle tax is paid. The person liable to declare and pay tax (hereinafter referred to as the taxable person) is the producer and/or the person that acquires the vehicle in another EU Member State and/or the importer of motor vehicles.

Tax base is selling price of the motor vehicle. Tax rates depend on different criteria (the type of the vehicle, CO<sub>2</sub> release, the type of fuel using for the drive, Euro emission standards, engine power).

An additional tax on motor vehicles is introduced from the 1 July 2012. Tax rates depend on the engine capacity.

### **Motor Vehicle Charges**

Annual duty is defined as an annual fee on the use of motor vehicles in road traffic and is imposed on vehicles registered in Slovenia. Duty is set in the amount depending of different categories of vehicles, and the outstanding amount is calculated in proportion to the duration of the registration period in a certain year. The duty is also paid for the deregistration of the different categories of the vehicle when the vehicle is more than 1 year unregistered.

## **Value Added Tax**

Value added tax (VAT) is a general consumption tax on a net basis included in the price consumers pay for goods and services. Consumers pay this tax indirectly as taxable company or person engaging in commercial activity must remit the tax to the Tax Administration office. All companies pay VAT except those carrying out certain defined activities, small businesses and farmers with a turnover and income below defined thresholds, and in cases dealing with products intended for export and international transport. There are two VAT rates:

- a standard rate of 22 % and
- a reduced rate of 9.5 %.

## **Excise Duties**

Excise duties are levied on alcohol and alcoholic beverages, tobacco products, energy products and electricity. Manufacturers, importers of such products and persons to whom the liability may be transferred are liable to pay excise duties. Products intended for export are exempt.

## **Financial Services Tax**

Financial Services Tax was introduced in March 2013 and is levied on financial services exempt from VAT under regulations governing the VAT and on services of insurance brokers and insurance agents. The base is a fee (compensation) received by the taxable person as the payment for financial service and the rate is 8.5 %.

## **Insurance Contracts Tax**

This tax is levied on insurance premiums and paid by insurance companies. The tax rate is 8.5%.

## **Tax on Transfer of Immoveable Property**

This tax is levied on the selling price of real property at a rate of 2% if VAT on the transaction is not charged. The tax is payable by the seller unless agreed otherwise. There are exemptions for certain transactions of immoveable property.

## **Tax on Lottery Tickets**

Tax on Lottery Tickets was introduced in July 2013 and is levied on lottery tickets which are used for participation in conventional games of chance. The tax rate is 10%.

## **Customs Duties**

Customs duties are levied on goods upon importation into the EU customs territory from third countries not belonging to that territory. The rates of duties are laid down in the Common Customs Tariff of the Community and are applied in accordance with the customs legislation of the EU.

## I. THE TAX SYSTEM

### 1 DIRECT TAXES ON INCOME

#### 1.1 Corporate Income Tax

All legal persons carrying out commercial activities and having their head offices or place of effective management in Slovenia (partnerships and other corporate forms, investment funds, banks, insurance companies, cooperative enterprises, public enterprises and other legal persons) are subject to corporate income tax (taxation on worldwide income). Non-residents (legal persons who do not have their headquarters in Slovenia or their place of effective management in Slovenia) are subject to corporate income tax only if the income has its source in Slovenia.

There are a limited number of legal persons who are exempt from corporate tax for non-profit activities, for example: institutes, societies, foundations, religious communities, political parties, chambers or representative trade unions.

The Bank of Slovenia does not assess and pay corporate income tax.

The general corporate income tax rate is 19 %. There is a special rate of 0 % which applies to investment funds, pension funds and insurance undertakings for pension plans under certain conditions.

There is also a tonnage tax regime, as an alternative to normal corporate income tax. It is available to resident shipping companies in respect of their income from the operation of ships in international traffic. The regime has been in place since 1 January 2008; the election term lasts for 10 years and is renewable. All ships which are operated by a group of companies ought to be included in the tonnage tax system. The tax base for a particular ship in a tax period is calculated by multiplying the daily tax base with the number of days a ship operates within the given tax period. The tax base is the sum of tax bases for the tax period of the ships included in the tonnage tax regime (see details in the section on tonnage tax).

The tax base for computing the corporate income tax is profit, determined as the surplus of revenues over expenses recognized in the income statement according to accounting standards, unless otherwise stipulated by the Corporate Income Tax Act. Taxable income includes revenues, which are determined according to accounting standards. This generally includes all income received and capital gains realized. Recognized expenses according to the Corporate Income Tax Act are those expenses required to acquire taxable revenue. Expenses that are not required to acquire revenue are expenses for which it follows that: they are not directly linked with performing activities and are not a consequence of performing activities; they are of a private nature; and they do not conform to normal business practice. Non-recognized expenses are, *inter alia*, income similar to dividends, including payment of hidden profit distribution, expenses covering losses from previous years, costs relating to private life including the pertaining VAT, costs for forcible collection of taxes or other levies, penalties, taxes paid by a partner as a natural person, deductible VAT not claimed by the taxpayer as a tax credit, interest paid on taxes or other levies not paid on time, interest paid on loans received from persons whose principal office or place of residence is in a country outside the EU with a nominal level of tax on profits less than 12.5 %, donations and bribes.

As of 1 January 2013 there is an optional flat-rate taxation regime. In accordance with this flat-rate regime, the tax base is determined on the basis of lump-sum costs accounting for 80 % of the income. For tax payers who determine their tax base using the flat-rate regime no tax reliefs can be claimed or tax loss declared.

Adjustments or limitations imposed on recognized expenses are as follows:

Entertainment costs (including gifts with or without logo) and supervisory board costs are limited to 50 % of their total amount.

Reimbursement for annual leave, long-service bonuses, severance pay at retirement, solidarity aid, reimbursement of work-related expenses such as the cost of meals during work and for transport to and from work, field allowances, separate living allowances and reimbursement of expenses for work-related travel (per diem allowances, reimbursement of transport costs, reimbursement of accommodation costs) are fully recognized.

The impairment of a receivable is recognized as an expense when the receivable is recorded in the books of account; however, the expense shall not exceed the lower of the following two amounts: the arithmetical average of the actual write-off of receivables in the last three years or the amount representing 1 % of taxable revenue of the tax period.

An instrument of “thin capitalization” is in force. Except in the case of loan recipients that are banks or insurance undertakings, the interest paid on loans received from a shareholder or partner who at any time during the tax period directly or indirectly owned at least 25 % of the shares in the equity capital or voting rights of the taxpayer are not recognized as an expense, if at any time during the tax period the loans exceed four times the amount of the shareholder’s taxpayer equity capital (loan surplus).

In determining the tax base and recognizing revenues and expenses, the creation of provisions is limited to 50 % of their total amount. Recognized expenses for provisions are provisions given for warranties at the sale of products or services, provisions for restructuring, provisions for expected losses from onerous contracts, provisions for pensions, jubilee benefits and termination benefits. Special provisions that banks create in accordance with the act regulating banks and technical provisions that insurance undertakings create in accordance with the act regulating insurance are recognized as expenses.

Depreciation may not exceed the amount calculated using the straight-line depreciation method and the maximum annual depreciation rates shown in Table 4.

Table 4: Depreciation allowances

Depreciation category	Maximum annual depreciation rates (%)
1. Buildings, including investment property	3
2. Parts of buildings, including parts of investment property	6
3. Equipment, vehicles and machinery	20
4. Parts of equipment and equipment for research activities	33.3
5. Computers and computer equipment	50
6. crops lasting several years	10
7. Breeding animals	20
8. Other investments	10

Depreciation of goodwill shall not be recognised as expense.

Expenses from revaluation for impairment in goodwill are recognized up to the amount of 20 % of the initial value of the goodwill per tax period.

Loss is calculated as the surplus of expenses over revenues as defined by the Corporate Income Tax Act. Losses may be offset against 50 % of tax base in the following years. Losses may be carried forward with no limitations but the carry-back of losses is not permitted.

The Directive on the common system of taxation applicable to mergers, divisions, transfers of assets and exchanges of shares concerning companies of different Member States has been implemented.

A general R&D investment incentive is represented as a deduction from the tax base of 100 % of the amount invested in internal R&D activities and purchase of R&D services, but not exceeding the amount of the tax base.

There is also a tax incentive (deduction) from the tax base of 40% of the amount invested in equipment and intangibles but only up to the amount of the tax base. Equipment does not include:

1. furniture and office equipment, except computer equipment, and
2. motor vehicles, except cars and buses on hybrid or electrical drive, and trucks or buses meeting the EURO VI (emission requirements).

A tax relief for employment is granted to a taxpayer that employs a person under the age of 26 or a person above the age of 55 who has been prior to employment at least six months registered as unemployed with the Employment Service of the Republic of Slovenia and has not been employed with this taxpayer or his/her associated enterprise for the last 24 months. Such taxpayer may claim a reduction of the tax base by 45 % of the person's salary, however, only up to the amount of the tax base.

There are further general tax incentives under certain conditions for entities that provide work for disabled persons or apprentices.

A taxpayer that employs disabled persons under the Act regulating the vocational rehabilitation and employment of disabled persons may claim a reduction in the tax base in the amount of 50 % of the salaries of such persons, but not exceeding the amount of the tax base, whilst a taxpayer that employs disabled persons with 100 % physical disability or deaf persons may claim a reduction in the tax base in the amount of 70 % of the salaries of such persons, but not exceeding the amount of the tax base. A taxpayer that employs disabled persons above the prescribed quota, their disability not being the consequence of a workplace injury or occupational disease at the same employer, may claim a reduction in the tax base in the amount of 70 % of the salaries of such persons, but not exceeding the amount of the tax base.

If a taxpayer under a teaching agreement employs an apprentice or student for performing practical work in professional education, the taxpayer may claim a reduction in the tax base in the amount of the payment to this person, but not exceeding 20 % of the average monthly salary in Slovenia for each month of performing practical work of an individual involved in such professional education.

Furthermore, there is tax relief for donations. A taxpayer may claim a reduction in the tax base for amounts paid in cash and in kind for humanitarian, disabled, social protection, charitable, scientific, educational, medical, sports, cultural, ecological, religious purposes and other purposes in public interest, for payments made to residents of Slovenia or residents of EU Member States who are established under special regulations for the performance of such activities and up to an amount equivalent to 0.3% of the taxpayer's taxable revenue in the current tax period, but not exceeding the amount of the tax base. An additional reduction of 0.2 % of the taxpayer's taxable revenue is granted for amounts paid in cash and in kind for cultural purposes and voluntary societies incorporated for protection from natural and other disasters who work in the public interest and are residents of Slovenia or residents of EU Member States and are established under special regulations for the performance of such activities.

Under certain conditions a taxpayer may apply a relief for voluntary supplementary pension insurance up to 24 % of the compulsory contributions for pension and disability insurance for an insured employee, but no more than EUR 2,819.09 annually per employee.

There are also certain tax incentives (state aid) for deprived regions. Taxpayers who actually carry out activities and are established in the deprived regions may claim a reduction of the tax base in the amount of:

- 70 % of the costs (salary and compulsory contributions of employer) for “deprived” worker in the deprived regions and
- 70 % of new initial investments in certain types of equipment and intangible assets in the deprived regions. Tax relief for investment is not compatible with general tax relief for investment according to Article 55.a of CIT-2.

However, the deductions are allowed only up to the amount of the tax base and not exceeding the maximum permissible amount in accordance with the state aid rules.

Corporate income tax is payable for the tax period corresponding to the calendar year; however, corporate taxpayers may choose their tax period to be the same as their business year, which does not necessarily equal the calendar year. In that case the taxpayer must notify the tax authority of its choice and keep in mind that the tax period chosen may not exceed a period of 12 months. The taxpayer may not change the tax period for three years.

Tax payments shall be made in advance. Tax prepayment shall be payable on a monthly basis when prepayments exceed 400 EUR or on a quarterly basis when prepayments do not exceed 400 euros. Tax returns shall be submitted to the tax authority not later than three months from the beginning of the current tax period for the preceding tax period. Taxpayers shall pay the difference between the tax prepayments made and the calculated amount of tax within 30 days of the submission of tax return. The tax authority shall refund any excess prepayments of tax not later than 30 days from the date of submission of claims.

### **1.1.1 Dividends**

Companies paying dividends withhold tax at a rate of 15 % on each dividend distributed to residents and non-residents of Slovenia. If international treaties on the avoidance of double taxation stipulate a tax rate different from 15 %, the tax rate from the treaty applies. There is no withholding tax for dividends distributed to a resident taxpayer who has notified the payer of his/her tax number and to a non-resident taxpayer liable to tax on income obtained by performing activities in or through a business unit in Slovenia and which has informed the payer of his/her tax number, provided that the income was paid to that business unit. No tax is withheld for payments of dividends and income similar to dividends distributed to persons to whom a common system of taxation, applicable in the case of parent companies and subsidiaries, applies under certain conditions (at least 10 % equity and shares held for at least 24 months). The Directive on a common system of taxation applicable in the case of parent companies and subsidiaries of different Member States has been implemented.

There is no withholding tax on dividends paid to a non-resident who is a resident of the EU or EEA if the recipient of the dividend is not able to set off the applicable Slovenian withholding tax in his/her country of residence. Similar applies to payments of dividends and interest paid from Slovenia to EU and EEA investment and pension funds.

When calculating the tax base, the taxpayer may exempt received dividends and other similar income, except hidden reserves, if the payer is:

- a taxpayer under Corporate Income Tax Act; or
- according to the tax law of a EU Member State considered to be resident in that State for tax purposes and, under the terms of a double taxation agreement concluded with a third State, is not considered to be resident for tax purposes outside Community and, in addition, shall be subject to one of the taxes to which the common system of taxation, applicable in the case of parent companies and subsidiaries of different Members States applies, and which are defined by the Minister responsible for finance, and without the possibility of an option or of being exempt; or taxpayer subject to income tax and/or profit tax, comparable to the tax under Corporate Income Tax Act, and not a resident of the state, and in the case of a business unit

this is not located in a state where the general and/or average nominal rate of taxation applicable to profits generated by companies is lower than 12.5 %.

The aforementioned provisions also apply to a non-resident recipient if the recipient's participation in equity or management of the person distributing profits is connected with business activities performed by the non-resident in or through a permanent establishment in Slovenia.

50% of capital gains from disposal of shares are tax exempt if the shares represent 8% of the company participation, they have been held for a minimum of six months, the company had at least one full-time employee continuously during that time and the company is not a resident of a low tax jurisdiction. Likewise, only 50% of capital losses derived from the disposal of such shares are tax deductible.

In determining the tax base under the aforementioned regime of exemption of capital gains and dividends, expenses relating to participation are not recognized in the amount equal to 5 % of the received dividends and capital gains in that tax period.

### **1.1.2 Interest and Royalties**

Withholding tax at a rate of 15 % applies to interest payments. There is no withholding tax if a resident taxpayer notifies the payer of its tax number and if a non-resident taxpayer for activities in a business unit in Slovenia notifies the payer of its tax number. In the case of interest on loans raised and securities issued by the government of the Republic of Slovenia and interest paid by banks there is also no withholding tax.

There is also no withholding tax on interest arising from debt securities issued by a company established under the regulations applicable in the Republic of Slovenia, if:

- they do not contain the option of exchange for an equity security (or if they do not contain the holders' option by way of which an exchange for an equity security could be achieved if the issuer of a debt security is a bank) and
- they are admitted to trading on a regulated market or are traded in a multilateral trading system in an EU Member State or in a OECD member country,

with the exception of debt securities issued for the payment of damages under the law regulating denationalisation.

Withholding tax at a rate of 15 % applies to royalties. There is no withholding tax if a resident taxpayer notifies the payer of its tax number and if a non-resident taxpayer for activities in a business unit in Slovenia notifies the payer of its tax number.

The Directive on the common system of taxation applicable to interest and royalty payments made between associated companies of different Member States has been implemented.

No withholding tax applies to interest payments and royalties payments if at the time of the payment:

- the interest and royalty payments are paid to the beneficial owner, which is a company member of an EU Member State other than Slovenia, or a branch of a company which is an EU Member State and is situated in a different EU Member State;
- the payer and the beneficial owner are related so that:
  - the payer has a direct minimum holding of 25 % in the capital of the beneficial owner;
  - or
  - the beneficial owner has a direct minimum holding of 25 % in the capital of the payer;
  - the same company has a direct minimum holding of 25 % both in the capital of the payer and the beneficial owner;

as long as exclusively companies of the EU Member States are involved;

- the minimum holding is held for at least 24 months; and
- the payer or beneficial owner is:
  - a company that has one of the forms to which the common system of taxation applicable to interest and royalty payments made between associated companies of different EU Member States applies;
  - a resident of an EU Member State for tax purposes in accordance with the law of that country; and
  - a taxpayer subject to one of the taxes to which the common system of taxation applicable to interest and royalty payments made between associated companies of different EU Member States applies.

Eligibility under the aforementioned provisions is recognized on the basis of permission of the tax authority if the conditions are fulfilled.

## ***1.2 Tonnage Tax***

A tonnage tax regime, as an alternative to normal corporate income tax (CIT), is available to resident shipping companies in respect of their income from the operation of ships in international traffic. Each shipping company that is a taxpayer under CIT may elect for the tonnage tax regime, provided that:

- it operates in maritime transport in international shipping; and
- the ships referred to in the preceding section are strategically and commercially operated from the Republic of Slovenia.

The tonnage tax regime includes any seagoing ship with gross tonnage of 100 or more, if it holds valid certificates under the International Convention on Load Lines or International Convention for the Safety of Life at Sea, issued by the country of flag, and is designed to transport passengers or goods by sea or for towage or assistance at sea.

All ships which are operated by a group of companies ought to be included in the tonnage tax system.

The relevant shipping income from operating ships in international shipping under the Tonnage Tax Act is:

- income from shipping earned in international shipping;
- income from towing of and assistance to ships at sea outside ports;
- income from the sale of ships that are included in the tonnage tax regime, provided that in five years after the sale such income is used for the purchase of one or several ships, or of shipping company in part or in full;
- profit or dividend from shipping companies (for this income the company is paying the corporate income tax that is payable under the Corporate Income Tax Act; the tax base is determined by the Tonnage Tax Act).

The tax base for a particular ship in a tax period is calculated by multiplying the daily tax base with the number of days a ship is operating within the given tax period. The tax base is the sum of tax bases for the tax period of the ships that are included in the tonnage tax regime.

The daily tax base underlying the tonnage tax account for a particular ship is calculated by reference to the net tonnage of the ship and multiplied by the amounts from the table 5.

Table 5: Tax base of the tonnage tax

Net tonnage of a ship	EUR/day, for 100 net tonnes
For the first 1,000 tonnes	0.90
For the next 1,000–10,000 tonnes	0.67
For the next 10,000–25,000 tonnes	0.40
Above 25,000 tonnes	0.20

The tonnage tax regime was introduced in January 2008; the election term lasts for 10 years and is renewable.

### ***1.3 Personal Income Tax***

The Personal Income Tax Act distinguishes between six categories of income: income from employment, business income, income from basic agriculture and forestry, income from rents and royalties, income from capital, and other income accruing to persons liable to tax in the Republic of Slovenia.

Residents are liable to income tax on their worldwide income (i.e. income derived in Slovenia as well as abroad). Non-residents are liable to income tax on income derived in Slovenia.

An individual, regardless of his/her nationality, is a resident in Slovenia for personal income tax purposes if he/she has a formal residential tie with Slovenia (i.e. has permanent residence in Slovenia, is a Slovenian public employee employed abroad or was a Slovenian resident but is currently employed in an EU institution) or actual residential tie with Slovenia (has a habitual abode or centre of personal and economic interests or is present more than 183 days in a taxable year in Slovenia).

Each individual is treated as a separate taxpayer. There is no taxation of spouses or a family as a whole. The tax year is the calendar year.

Tax on the income from capital (on interest, dividends and capital gains) and on rental income is paid according to a flat income tax rate. Any such tax payment is treated as a final tax for residents and non-residents alike. Tax rates are as follows:

- interest received: 25 %;
- dividends received: 25 %;
- capital gains: 25 % for a holding period of up to 5 years, 15 % for a holding period from 5 to 10 years, 10 % for a holding period from 10 to 15 years, 5 % for a holding period from 15 to 20 years and tax exemption for a holding period greater than 20 years.

Under certain conditions personal business income may be taxed on a scedular basis using a lump-sum deduction regime (the tax base is determined on the basis of lump-sum costs accounting for 80 % of income). The tax rate is 20 %.

Income tax on other categories of income not mentioned in the two preceding paragraphs (income from employment, business income for which the tax base is determined using actual revenue and costs, income from basic agriculture and forestry, royalties and other income, hereinafter referred to as *active income*) is paid during the tax year in the form of advance tax payments. The rate for advance tax payment is prescribed by the Personal Income Tax Act. Any such advance tax payment of a non-resident is treated as a final tax, whilst in the case of a resident it is treated as a prepayment of tax.

When the payer of income is a domestic legal person, a body of persons without legal personality, an individual who operates a business or a permanent establishment of a non-resident, the payer is bound to calculate and pay withholding tax for the taxpayer. Tax payments in all other cases (i.e. when there

is no payer of income) are to be made by the taxpayer in due time, as determined by the Tax Procedure Act.

The annual *active income* tax liability of a resident is computed in such a manner that the taxable bases of different sources of income earned in a calendar year are computed separately and then aggregated. The annual taxable base is computed after compulsory social security contributions and certain allowances are deducted. The net amount is taxed at progressive rates. The annual tax rate schedule is fixed and applies to the following year. This enables the taxpayer to determine his/her *active income* tax liability during the tax year.

Table 6: Tax schedule for the year 2018 (in EUR)

Tax base		Tax		
over	to			
	8,021.34		16 %	
8,021.34	20,400.00	1.283,41 +	27 % above	8,021.34
20,400.00	48,000.00	4,625.65 +	34 % above	20,400.00
48,000.00	70,907.20	14,009.65 +	39 % above	48,000.00
70,907.20		22,943.46 +	50 % above	70,907.20

Advance tax payments are deductible from the annual *active income* tax liability of a resident, and any difference is collected upon receipt of an assessment from the tax authorities.

Financial Administration is obliged to generate an annual tax return from its own information (delivered by the payers of the income) to assess the tax and submit the return to the taxpayer. If the taxpayer does not dispute the tax assessment the tax (the difference between the total tax payable and the total amount of tax paid in advance) has to be paid within 60 days from the day the tax assessment is submitted. When the total sum of advance payments exceeds the annual tax payable a refund is provided within the same time limit. If the tax assessment has not been submitted to the taxpayer by the June 15th, then the taxpayer is obliged to file an annual income tax return by the end of July. Then the tax liability of the taxpayer is calculated by the Financial Administration. The Financial Administration is obliged to issue a written order before 31 October of the same year. The tax due (the difference between the total tax payable and the total amount of tax paid in advance) must be paid within 30 days of the day the written order is submitted. When the total sum of advance payments exceeds the annual tax payable, a refund is provided within the same time limit.

Taxpayers who are liable for tax on business income are obliged to submit their income tax declarations on business income to the local financial administration office by 31 March of the following year.

All taxpayers (except for basic agricultural and forestry activity) must keep records of their income. They are obliged to keep records for at least five years from the year they relate to.

To avoid double taxation of income, Slovenia has concluded a considerable number of double taxation conventions (see Section III).

### 1.3.1 Taxable Income

According to the Personal Income Tax Act, income is classified into six categories: income from employment, business income, income from basic agriculture and forestry, income from rents and royalties, income from capital and other income. The taxable base for each category of income is clearly defined by the Personal Income Tax Act.

The first category of income includes income from employment, i.e. salaries or wages, including fringe benefits (compensation for work-related expenses are exempt from the tax base up to a certain level, as determined by government regulations), pensions, income earned under contract for temporary work or for the execution of services and jobs on any other basis, and other income from dependent activities, including services and the jobs of directors, procurators and other nominated, appointed or elected persons.

The income paid on the basis of business performance is exempt from the taxable base for the personal income tax (but not from social security contributions) up to amount corresponding to 100% of the last published average monthly salary in the Republic of Slovenia. 'The part of a salary paid on the basis of business performance' is defined as income which should be paid once in a calendar year to all eligible employees at the same time, and under the condition that the right to receive such income is provided:

- in the employer's general legal acts, with the same eligibility conditions for all employees; or
- in the collective labour agreement including or serving as basis for eligibility criteria for receiving such income.

In principle, all fringe benefits given by employers or other persons to their employees or family members of employees in connection with employment, such as the private use of company cars, rental benefits, zero-interest loans, discounts on products and services, gifts and share options, are taxed.

A special scheme for posted workers, introduced in 2018, provides for tax exemption of 20 % of the income from employment but not more than 1000 EUR per month. The Personal Income Tax Act defines conditions for such exemption.

The second category, business income, refers to income derived by an individual who independently performs an activity such as entrepreneurship, agricultural or forestry activity and connected activities, professional activities or other independent activities. The profit is determined by deducting expenditures from income for a given calendar year (determining the tax basis using actual revenue and expenses).

Taxpayers deriving business income may claim a deduction of:

- 100% of the amount invested in internal R&D activities and purchased for R&D services but not exceeding the amount of the taxable base;
- in the case of employment of a person at a disadvantage in the labour market, as defined by Personal Income Tax Act, 45 % of salary of such person.

Next to the mentioned investment incentive, taxpayers deriving business income may claim a deduction of 40 % of the amount invested in equipment and intangibles.

Taxpayers who generate income from business activities and are established in Pomurje or Pokolpje regions may claim a reduction of the tax base:

- 70 % of the amount for new initial investments in certain types of equipment and intangible assets;
- 70 % of the costs incurred if they employ a "deprived" worker in the Pomurje or Pokolpje regions for at least 12 months.

Under certain conditions personal business income may be taxed on a schedular basis using a lump-sum deduction regime (the tax base is determined on the basis of lump-sum costs accounting for 80 % of income). The tax rate is 20 %. Under lump-sum tax regime no allowances or deductions can be claimed by the taxpayer.

The third category of income covers income from basic agriculture and forestry, i.e. agricultural and forestry based on the use of agricultural and forest land. The tax base is determined according to the

presumptive estimation of the income, which also includes other income from agricultural and forestry such as subsidies and other income from state aid. Subsidies are, in principle, treated as taxable income. For agriculture and forestry the presumptive income is generally set by cadastral income, with the exception of apiculture, for which income is set by presumptive estimation of income from beehives. Individuals who are subject to tax are those who have the right to use farmland, woodland or beehives or are recipients of income from agricultural subsidies. This includes owners, holders of the rights to use, or the beneficial owners of plots of land or beehives.

The fourth category refers to rental income and income from royalties.

The taxable base for rental income is in general reduced by the actual or standard expenses incurred. Maintenance expenses (i.e. expenses incurred for keeping a property in good operating condition) represent allowable deductions from income derived from renting. Standard expenses may be claimed as a deduction in the amount of 10 % of the rental income (except in the case of renting farmland or woodland). Since 1 January 2013 the rental income is taxed on a schedular basis (the tax paid is considered to be final tax) using a 25 % tax rate.

The taxable base for royalties is income received (i.e. income from the transfer of property rights – copyrights, inventions, trademarks and technical innovations, plans, formulas, procedures and similar rights or similar property and information regarding industrial, commercial or scientific experience, regardless of whether they are protected by relevant legislation, personal name or image) and is in general reduced by a standard deduction in the amount of 10 % of the income.

The fifth category refers to income from capital, which consists of interest, dividends and capital gains.

The taxable base for interest (i.e. interest on loans, debt securities, bank deposits and other similar financial claims, financial leasing, life insurance and interest income derived from mutual funds, etc.) is equal to the interest derived. The tax rate on interest is 25 %. This tax is a final tax. Interest on certain types of debt securities are tax exempt if received by non-residents.

There is a tax-exempt amount of interest on bank deposits with Slovenian or other EU banks. There is no advance tax payment on such interest received by residents and non-residents residing in Member States of the EU. Instead, residents are obliged to submit a special annual tax return for such interest to the local financial administration office by 28 February of the following year except when the amount of such interest does not exceed the tax-exempt amount of such interest (EUR 1,000).

The taxable base for dividends is income received, i.e. any income derived on the basis of shares owned in a company, cooperative or other organizational form, including income of silent partners and income from other ownership investments in any type of organization with a predominantly equity nature. The tax rate on dividends is 25 %. This tax is a final tax.

Capital gains include income derived from the disposal of real estate, equity securities and other shares in companies, cooperatives or other organizational forms. The taxable base is the difference between the value of capital upon disposal and the acquisition value of the capital, taking into account certain expenses incurred upon acquisition or disposal of the capital. The tax rate for capital gains depends on the holding period: 25 % for a holding period of up to 5 years, 15 % for a holding period from 5 to 10 years, 10 % for a holding period from 10 to 15 years, 5 % for a holding period from 15 to 20 years and tax exemption for a holding period longer than 20 years. This tax is a final tax.

The sixth category, other income, includes income not included in the first five categories of income (i.e. prizes, gifts, contest prizes, certain scholarships, volunteer work etc.). The taxable base for other income is income received.

### 1.3.2 Exemptions

There are a number of exemptions within each category of income which are defined by the Personal Income Tax Act.

### 1.3.3 Allowances

Allowances that reduce the aggregated taxable base (deductions) for a resident taxpayer on an annual level include (for the year 2017) are as follows.

General allowance:

- for residents with active income up to EUR 11,166.37 it amounts to EUR 6,519.82;
- for residents with active income between EUR 11,166.37 and EUR 13,316.83 it is defined linearly with the function:  $total\ allowance = 23,224.85 - 1.49601 \times total\ income$ ;
- for residents with active income greater than EUR 13,316.83 it is equal to EUR 3,302.70.

Personal allowances:

- disabled person's allowance: EUR 17,658.84 if the resident is a disabled person;
- independent artists, journalists and sportsmen: a special deduction of 15 % of their revenues (up to EUR 25,000.00 of revenues);
- student allowance: 100 % of the basic yearly allowance (amount of 3,302.70 for 2018) for income earned by pupils or students for temporary work done on the basis of a referral issued by a special organization dealing with job-matching services for pupils and students.

Family allowances granted to residents who are supporting their family members:

- EUR 2,436.92 for the first dependent child; for each subsequent dependent child this amount is increased;
- EUR 8,830.00 for a dependent child who requires special care;
- EUR 2,436.92 for any other dependent family member.

Special deduction for voluntary additional pension insurance payments:

premiums paid by a resident to the provider of a pension plan based in Slovenia or in an EU Member State according to a pension plan that is approved and entered into a special register are deducted but the deduction is limited to the sum that equals 24 % of the compulsory contribution for compulsory pension and disability insurance for the taxpayer, or 5.844 % of the taxpayer's pension, and no more than EUR 2,819.09 annually.

Pensioners and working disabled persons are entitled to a tax credit in the amount of 13.5 % of the pension/compensation received from compulsory pension and disability insurance.

Self-employed persons may claim additional allowances:

- allowance for investment;
- allowance for investment in research and development;
- allowance for employing disabled persons;
- allowance for donations.

An individual who is a resident of another EU Member State and derives income from employment, business income, income from agriculture, royalties or other income in Slovenia may claim a general allowance, seniority allowance, family allowance, disabled person allowance, independent artists, journalists and sportsmen allowance, student allowance and special deduction for voluntary additional pension insurance payments, if the individual can attest that the above-stated income derived in Slovenia amounts to at least 90 % of his/her entire taxable income for the tax year, and that this

income is not taxed in the country of his/her residence. A non-resident claiming such allowances is obliged to file the same annual *active income* tax return that applies to residents.

#### ***1.4 Derivative Instruments Gains Tax***

Gains derived from derivative instruments are not taxed under the Personal Income Tax Act except in the case they are derived by an individual who independently performs a business activity.

The derivative instruments gains tax was introduced in July 2008. The tax is payable by resident individuals (not independently performing a business activity) and is levied on the difference between the value of a derivative instrument upon disposal and its acquisition value. It is levied at degressive rates depending on the period of holding (from 25 % to 0 % (tax exemption) when the period of holding is longer than 20 years). Gains realized from short-term contracts are taxed at 40 %.

Derivative instruments are defined under the Market in Financial Instruments Act but also include certain debt securities.

#### ***1.5 Contractual Work Tax***

The contractual work tax applies to all registered legal persons and individuals who perform a business activity and employ other persons under contract for temporary work. The tax is levied on each gross payment to individuals made according to the contract for temporary work. The taxable base also includes all refunds of expenses in connection with services performed.

The tax rate is 25 %.

There are a number of exemptions from the contractual work tax. These exemptions include:

- payments for temporary services performed by students or pupils;
- payments for services performed for the help and care of disabled people;
- payments for certain defined services performed periodically in the area of agriculture;
- payments for the use of copyrights made under a copyright contract.

#### ***1.6 Social Security Contributions***

Both employers and employees pay compulsory social security contributions. Employers withhold these contributions from wages or salaries and pay them together with their contributions every month as part of payroll accounting. Self-employed individuals are obliged to remit social security contributions on their own.

Compulsory social security insurance schemes apply to the whole population. There are four social security insurance schemes: i) pension and disability insurance; ii) health insurance; iii) unemployment; and iv) maternity leave.

The taxable basis for both the employer and the employee is the amount of the gross wage, which includes gross leave pay, fringe benefits and remuneration of expenses related to work above a certain threshold.

There are four rates of contributions that apply to employers and employees for the four social security insurance schemes (Table 7).

Table 7: Contribution rates

Fund	Employee (%)	Employer (%)
Pension insurance	15.50	8.85
Health insurance	6.36	7.09
Unemployment	0.14	0.06
Maternity leave	0.10	0.10
Total	22.10	16.10

### ***1.7 Taxation of Winnings from Conventional Games of Chance***

Winnings from lotteries, raffles, scratch lotteries, bingo, betting and similar games of chance organized in Slovenia are subject to a 15 % tax if the prize exceeds EUR 300. In the taxation of winnings the gross principle is used. No deductions are allowed. The tax is withheld by the gaming operator. Winnings from gambling are exempted from personal income tax.

### ***1.8 Gambling Tax and Concession Fee***

Slovenian legislation allows conventional and special games of chance. Conventional games of chance are: lotteries, raffles, scratch lotteries, bingo, betting and similar games. Special games of chance are casino games: machine gambling, table games, cards, etc. Special games of chance are organized either in casinos or gaming salons. All operators have to obtain a state license.

The operators of conventional games of chance are subject to the following taxes:

- 5 % tax on gross gaming revenue (GGR), being the value of payments received for participation in a game of chance, reduced by the value of prizes;
- 25 % to 45 % concession fee on GGR, depending on the type of the game.

The operators of special games of chance are subject to the following taxes:

- 18 % tax on GGR;
- 5 % to 20 % concession fee on GGR, depending on the level of GGR.

### ***1.9 Tax on Profits Due to Changes in Land Use***

The Public Finance Balance Act (ZUJF) that entered into force on 31 May 2012 introduced a new tax on profits due to changes in land use. The new tax applies to capital gains from the sale of land whose use has been altered to building use after acquisition. The taxable persons are residents and non-residents, natural or legal persons selling the land. The tax base is the difference between the value of the land at disposal and the value of the land at acquisition.

The tax rates are 25 % for transfers within 1 year after the change in land use; 15 % for transfers within 1 to 3 years after the change in land use; 5 % for transfers within 3 to 10 years after the change in land use and 0 % for transfers in a period exceeding 10 years after the change in land use. The tax applies to transactions undertaken after 31 May 2012.

## 2 DIRECT TAXES ON PROPERTY

### 2.1 Inheritance and Gift Tax

Inheritance and gift tax applies to transfers of property. The tax is paid by individuals or legal persons of private law who have received property in the form of inheritance or gifts.

Taxpayers are divided into four categories according to their relationship with a deceased or a donor as follows:

- Class I: all direct descendants and spouses;
- Class II: parents, siblings and their descendants;
- Class III: grandparents; and
- Class IV: others.

The tax base of inherited or given property is the value after deduction of debts and other liabilities. For the real estate this value is set at 80 % of generalized market value set by mass valuation or at the market value set by an individual valuation; for movable property, except money, this value is set as the market value.

Exemptions to the inheritance and gift tax include: individuals classified under Class I; farmers who inherit agricultural land or the entire farm; and legal persons of private law, established for religious, humanitarian, educational, cultural, charitable and certain other activities. Movable property up to a value of EUR 5,000 is also exempt from taxation.

The tax is levied progressively depending on the value of the property and the category under which the relation to the deceased or donor is classified. Table 8 presents the tax rates.

Table 8: Inheritance and gift tax rates

Class	Tax rate ranges
Class II	5% to 14%
Class III	8% to 17%
Class IV	12% to 39%

Taxpayers must declare their liability to the local tax authority within 15 days from receiving a gift. The assessment of inheritance tax is made according to the inheritance decision sent by the court to the tax authority. The tax is payable within 30 days of the assessment being issued.

### 2.2 Property Tax

Real Property Tax enforced with 1 January 2014 replaced all existing taxation of real estate in Slovenia by abolishing all previous legislation. However, The Real Estate Act was annulled by Slovene Constitutional Court in March 2014 by the following decision:

- 1) The Real Estate Tax Act is to be annulled;
- 2) Real Property Mass Valuation Act is not in accordance with The Constitution of Republic of Slovenia when used for taxing real estate; and
- 3) until the proper legislative arrangement of the taxation of real estate is enforced the previous legislation is still in use (although being abolished by the annulled Real Property Tax Act).

As of 1 January 2018 the Slovenian property tax system consists of two types of duties on possession of real property. One is the property tax and the other is a duty called “charge for the use of building land”.

### **2.2.1 Charge for the Use of Building Land**

The charge for the use of a building land is levied on vacant and constructed building land possessed by legal persons and individuals. Charge is set by local communities for vacant building land based on the area of the building land planned for building, and for constructed building land based on the useful area of the residential house or business premises thereon.

Exemptions are set for land and buildings used by the army, churches, embassies and international organizations, for temporary or new buildings or apartments for five years, partial or full exemption for people with low incomes, building land planned for public infrastructure (health, social security, schools, culture, science, sport and public administration, etc.) and developed building land under public infrastructure. The tax authority assesses the charge by 31 March for the present year. Tax is paid in instalments for the year in advance.

### **2.2.2. Property Tax**

Property tax is levied on premises such as buildings and parts of buildings, including apartments, garages and secondary homes. The taxpayer is the individual who is the actual or beneficial owner of the premises. The taxable base for premises is the value ascertained according to special criteria issued by the government and local communities. The tax rate for premises depends of the type of property and its value. The tax rate for dwellings varies from 0.10 % to 1 % of the value. The tax rates on premises used for rest and recreation are in the range from 0.20 % to 1.50 %. The tax rate for business premises varies from 0.15 % to 1.25 %. For business premises that are not used for attendant activities or are not rented, the tax rate is increased by 50 %.

Exemptions to the real property tax include:

- buildings of less than 160 square meters;
- buildings used for agricultural purposes;
- business premises used by the owner or user for business activity;
- cultural or historical monuments.

In addition, there is a temporary exemption for 10 years to taxpayers who own a newly constructed building or repaired or renovated buildings, if the value of these buildings has increased as a result of renovation by more than 50 %. For a taxpayer with more than three family members who live in the owner's house, the tax decreases by 10 % for the fourth and every additional family member.

The tax is assessed by the tax authorities by 31 March for the present year. Tax is paid in instalments for the year in advance. It is payable within 45 days of the assessment being issued.

### **2.3 Water Vessel Tax**

The tax is levied on vessels longer than 5 metres registered in Slovenia or registered in other countries but owned by Slovenian residents. The taxpayers are the owners. The tax is levied for the calendar year, based on the length of the vessels and their engine power. For each year of age of the vessel the tax is decreased by 5 % according to length and engine power, but the remaining tax liability cannot be lower than 35 % of the tax liability for the new craft.

Exemptions apply to: vessels used for carrying out business activities, used by the Police, Customs Administration, Army, Ministry of the Environment and Spatial Planning, and Navigation Administration; vessels with the status of museum specimen; vessels for sport activities; and vessels

for the official needs of consular and diplomatic missions and international organizations according to international agreements.

The tax is assessed by the tax authority by 28 February for the present year. Tax is payable within 30 days of the assessment being issued.

Public Finance Balance Act (ZUJF) introduced an additional water vessel tax in July 2012. Additional tax is levied progressively according to the length and engine power of the vessel.

#### ***2.4 Motor Vehicle Charges***

The annual duty is paid for the use of motor vehicles in road traffic by vehicle owners. The duty amount depends on the type of vehicle, as classified in the following groups:

- motorcycles and passenger motor vehicles (related to engine capacity);
- buses (per passenger seat);
- trucks (related to maximum permissible weight);
- traction vehicles (related to engine capacity, to maximum permissible weight or to maximum permissible weight of vehicle group);
- trailers (related to maximum permissible weight).

Vehicles exclusively using electricity for power, tractors and tractor trailers, motorbikes or light two-wheeled motor vehicles, three-wheeled cycles with engine capacity up to 50 ccm or three-wheeled scooter and light quadricycles, light trailers with maximum permissible weight up to 750 kg, police vehicles, fire-fighting vehicles, ambulances, motor vehicles registered to the Slovenian Army, Civil Protection, Mountain Rescue Service, Cave rescue Service, Underwater rescue service, Service for protection and rescue by ecological and other accidents at sea, Ecological Laboratory with mobile unit, Historic vehicles as national wealth, motor vehicles and trailers registered for diplomatic and consular missions, vehicles owned by certain international organizations, and vehicles used for the transport of disabled persons are exempt from paying the annual duty.

The duty is also paid for the deregistration of the vehicles of the category M1, N1 and L2e. The payment is done for the first time after one year from the deregistration of the vehicle and every year thereafter on the date of deregistration of the vehicle. This duty is paid once a year in one lump sum for ten years from the last deregistration of the vehicle. The duty is fixed at 25% of the annual duty, but not less than EUR 25. For electric vehicles of the category M1 and N1 the tax amount is EUR 25 and for vehicles of the category L2e the tax amount is EUR 20. There is no duty for historic vehicles.

## **3 INDIRECT TAXES**

### **3.1 Value Added Tax**

#### **3.1.1 General**

VAT is payable on all supplies of goods and services effected by a taxable person in the course of his economic activity for consideration within the territory of Slovenia, and on intra-Community acquisition, including intra-Community acquisition of new means of transport and on importation of goods.

If the buyer and seller are in Slovenia the seller charges and pays VAT on supplies of goods and services. If the buyer and seller are in different EU member states, the buyer charges and pays VAT on acquisition of goods.

Different rules apply to services depending on the place of the provision and type of service. According to the new rules on the place of supply of services which apply from the 1 January 2010 on, business-to-business supplies of services are taxed where the buyer is situated, rather than where the seller is located. For business-to-consumer supplies of services, the place of taxation continues to be where the seller is established.

However, in certain circumstances, the general rules for supplies both to businesses and to consumers are not applicable and specific rules are applied to reflect the principle of taxation at the place of consumption. These exceptions concern services such as intermediary services; services connected with immovable property; transport services; cultural, artistic, sporting, scientific, educational, entertainment or similar services, ancillary transport services, valuations of movable tangible property or work on such property; restaurant and catering services; the hiring of means of transport and electronic services supplied to consumers.

If the buyer is in Slovenia and the seller is in a country that is not an EU member state, the financial administration will charge VAT on the importation of goods whereby the buyer pays VAT (different rules apply to services depending on the place of the provision and type of service whereby in most cases the buyer pays VAT, later exercising it as input VAT).

If the buyer is in a country that is not an EU member state and the seller is in Slovenia, the seller does not charge or pay VAT.

Slovenia adopted a value added tax system in December 1998, which came into force in July 1999. In May 2004, when Slovenia became a member of the European Union, all provisions concerning intra-Community trade were enacted.

#### **3.1.2 Taxable Persons**

A taxable person is any person who independently carries out any economic activity in any place, whatever the purpose or result of that activity.

A taxable person must apply for registration as a taxable person if the value of its supplies within the period of the last 12 months exceeds the threshold of EUR 50,000. There is a separate threshold for registration in the VAT system for agricultural activities exceeding EUR 7,500 in accordance with the cadastral income of agricultural and forestry land. A foreign taxable person who makes supplies where the place of supply is Slovenia is liable to be registered irrespective of the fact that his turnover does not meet the prescribed threshold of EUR 50,000.

A taxable person or a non-taxable legal person, who makes intra-Community acquisitions of goods, must apply for registration if the total value of its acquisitions of goods exceeds the threshold of EUR 10,000.

A taxable person must apply for registration if he receives services within Slovenian territory for which he is liable to pay VAT and if he supplies services within the territory of another Member State for which VAT is payable by the recipient.

Small businesses (including farmers) may apply for voluntary registration, which should be valid for at least five-year period.

Public authorities are liable to be registered in connection with taxable supplies made in the course of furtherance of business. Persons who perform only exempt supplies with no right of deduction or supplies other than in the course of business are not entitled to be registered for VAT. Where a person performs both exempt supplies with no right of deduction and taxable supplies, the liability to register depends on the basis of the taxable supplies.

VAT is charged when goods are delivered or when services are performed. If an invoice is not issued but goods have been supplied or services performed, VAT shall be charged no later than the last day of the tax period in which the chargeable event has occurred. When payments are made in advance VAT applies to those payments as they are made. When it gives rise to successive statements of account or successive payments, the supply of goods and services shall be regarded as being completed upon expiry of the periods to which such statements of account and payments relate; however, these periods shall not exceed one year.

In the case of intra-Community acquisition of goods, VAT is chargeable on the 15<sup>th</sup> day of the month following that in which the intra-Community supply of goods is made, or on the date the invoice is issued if the invoice is issued before that date.

In the case of importation, importers make the payment of VAT through a VAT return for the tax period in which the goods are imported.

### **3.1.3 Rates**

There are two VAT rates applicable in Slovenia (current rates are applied from 1 July 2013).

The standard rate at 22 % applies to all supplies of goods and services not specified as being subject to the reduced rate or to exemptions. The reduced rate at 9.5 % applies to goods and services specifically defined by the VAT Act. These are:

- foodstuffs (including beverages, except alcoholic beverages) for human and animal consumption; live animals, seeds, plants and ingredients (usually) intended for preparation of food; products (normally) used as food additives or food substitutes; preparation of food;
- supply of water;
- supplies of medicines, including products used for contraception and sanitary protection;
- supplies of medical appliances for the personal use of disabled persons;
- transport of passengers and their personal luggage;
- supply, including on loan by libraries, of books on all physical means of support, newspapers and periodicals;
- admission to cultural and sporting events;
- royalties due to writers and composers and the services supplied by performing artists;
- import and supply of certain works of art, collectors' items or antiques;
- provision, construction, renovation and alteration of housing, as part of a social policy;

- renovation and repairing of private dwellings, excluding materials which account for a significant part of the value of the service supplied;
- window-cleaning and cleaning in private households;
- supplies of animals for fattening, seeds and seedlings, fertilizers, pesticide, biotic medicine for plant protection and services for use in agricultural production;
- accommodation provided in hotels and similar establishments, including the provision of holiday accommodation and the letting of places on camping or caravan sites;
- use of sporting facilities;
- supply of services by undertakers and cremation services and the supply of goods related thereto;
- public hygiene services;
- minor repairing of bicycles, shoes and leather goods, clothing and household linen (including mending and alternation);
- domestic care services such as home help and care of young, elderly, sick or disabled;
- hairdressing;
- supply of live plants and cut flowers.

A farmer who applies a flat rate scheme is entitled to a flat rate compensation for VAT for the supply of agricultural and forest products as well as agricultural and forest services which are the result of the basic agricultural and forestry activity. Taxable persons who acquire agricultural and forest goods and services from a farmer who applies a flat rate scheme shall add the amount of the flat rate compensation of 8 % of the purchase price to the amount of payment for the effected supply.

### **3.1.4 VAT Exemptions**

Slovenia applies two basic forms of exemption from VAT – exemption without credit for previously paid VAT and exemption with credit for previously paid VAT.

Exemption without credit for previously paid VAT means that no credit can be claimed for the VAT attributable to the transaction. Supplies that are VAT-exempt without deduction are:

- certain activities in the public interest: most activities in the field of health, welfare, education, sport and culture, if supplies are made by public bodies or other persons on the basis of a concession, universal postal service;
- other exemptions, including insurance, letting and leasing of immovable property, financial transactions, supplies of stamps, betting, gambling and lotteries, certain supplies of immovable property, including plots, but not building plots of land;
- exemptions on importation: travelers' allowances, all permanent importations of goods from outside the Community if their supply in Slovenia is in all cases exempted, re-importation, importation under diplomatic and consular arrangements, importation of goods by the European Union, EURATOM, ECB, EIB or bodies established by the European Union to which the Protocol on the privileges and immunities of the European Community of 8 April 1965 applies, importation of goods by international organizations, temporary importation, exempt intra-Community acquisitions, and temporary transfers to another EU Member State.

The option to tax may apply for supplies of buildings, land and leasing or letting of immovable property. A taxable person engaging in exempt transactions may conclude an arrangement with the lessee or purchaser of immovable property (who shall be a taxable person having the right to full deduction of VAT) and shall submit a joint statement to the competent tax authority prior to the supply thereof. If the option is taken, the supply which would otherwise be exempt becomes liable to VAT.

Exemption with credit for previously paid VAT is an exemption with credit or refund for VAT attributable to the supply. The goods and services that are VAT-exempt with the right to deduction are:

- exportation;
- exemption for intra-Community transactions: exemptions related to the supply of goods, certain intra-Community acquisitions of goods, exemptions for certain transport services;
- exemptions linked to international transport: international sea and air transport of passengers, and transport of luggage accompanying passengers, supply, chartering and repair of vessels and aircraft, provisioning and supply of services to meet their direct needs;
- exemptions on certain transactions treated as exports: supplies of goods or services under diplomatic and consular arrangements, to the European Union, EURATOM, ECB, EIB or to bodies established by the European Union to which the Protocol on the privileges and immunities of the European Community of 8 April 1965 applies, to international bodies, supply of gold to central banks;
- exemptions on transactions related to international trade: supplies of certain goods under a customs and VAT warehousing regime and related services.

### **3.1.5 VAT Declaration – Payment / VAT Return**

VAT shall be paid no later than the last day of the month following the expiration of the tax period. Registered persons shall calculate their tax liability and submit a VAT return for the tax period (calendar month or calendar quarter). Taxable persons who are obliged to submit recapitulative statements shall submit a monthly VAT return on the 20th day of the month following the expiration of the tax period. In principle, tax credits (excess of input tax over output tax in the tax period) shall be carried forward to the next tax period. However, VAT may be refunded to a taxable person upon his request within 21 days after the VAT return is submitted.

### **3.1.6 Deduction of VAT / VAT Refund**

Taxable person is entitled to deduct VAT as far as the goods and services are used for the purposes of the taxed transactions or goods and services are used for certain exempt transactions for which a taxable person has a right to deduct VAT.

Taxable person that uses immovable property which is part of the taxable person's business used for performance of his activities as well as for his private purposes or for private purposes of his employees or for other purposes, such as for performing his activities, shall be entitled to a deduction of VAT which the taxable person is liable to pay for this immovable property only for the part of the immovable property which is used by the taxable person in the performance of his activities.

Taxable person has no right to deduct VAT in respect of expenditure on:

- yachts and boats intended for sport and recreation, fuels, lubricants, spare parts and services which are closely linked thereto, other than vessels used for carrying out a transport activity for passengers and goods, renting, leasing and resale;
- aircrafts, fuels, lubricants, spare parts and services which are closely linked thereto, other than aircrafts used for carrying out a transport activity for passengers and goods, renting, leasing and resale;
- passenger cars and motorcycles, fuels, lubricants, spare parts and services which are closely linked thereto, other than vehicles used for carrying out a transport activity for passengers and goods, renting, leasing and resale, vehicles used in driving schools for the provision of driver's training program in accordance with the regulations in force, combined vehicles for carrying out an activity of a public line and special line transport and special vehicles adapted exclusively for the transport of the deceased;

- entertainment expenses (entertainment expenses shall include only the costs of entertainment during business and social contacts);
- costs of meals (including drinks) and accommodation expenses, other than costs, which have emerged at the taxable person at these supplies within carrying out his business activity.

Taxable person established in another Member State or in a third country is entitled to a refund of VAT paid in Slovenia on supplies of goods and services and upon importation of goods if the conditions defined by law are fulfilled. These conditions are the following:

- the taxable person is not registered for VAT in Slovenia;
- the taxable person does not make supplies in Slovenia, except:
- transport and transport-related services subject to exemption;
- services where the tax on the supply is payable by the person receiving the supply.

Taxable person *established in another Member State* is entitled to a refund of those amounts of VAT, for which the taxable person established in Slovenia may exercise the right of deduction, and he has to carry out transactions for which he has the right to deduct VAT in the Member State where he is established.

Refund application must be submitted by 30 September of the calendar year following the refund period. The application is only considered as submitted if the applicant has filled in all the required information.

To obtain a refund of VAT in Slovenia, the taxable person established in another Member State must address an electronic refund application to Slovenia and submit it to the Member State in which he is established via the electronic portal set up by that Member State.

Minimum refund limits are as follows:

- 400 EUR or the equivalent in national currency if the refund period is between 3 months and less than a calendar year;
- 50 EUR or the equivalent in national currency if the refund period is of a calendar year, or the remainder of a calendar year.

VAT refunds to taxable persons established *outside the EU* are only granted according to the conditions of reciprocity. For taxable persons established in the EC, the condition of reciprocity is already established by EC legislation and is not required in the national legislation. Refund application has to be submitted by 30 June of the calendar year following the refund period to the competent tax authority.

Minimum refund limits are as follows:

- 400 EUR or the equivalent in national currency if the refund period is between 6 months and less than a calendar year
- 50 EUR or the equivalent in national currency if the refund period is of a calendar year, or the remainder of a calendar year.

Travelers who reside outside the Community are entitled to a VAT refund on goods purchased in Slovenia (except on mineral oils, alcohol and alcoholic beverages, and tobacco products) when the total amount of the goods, including VAT, exceeds EUR 50 and if the goods are taken outside the Community prior to the end of the third month following the month of such purchase.

### **3.1.7. Special Schemes**

The Slovenian VAT Act provides special schemes as follows.

Special scheme for small taxable persons: Small enterprises whose turnover does not exceed EUR 50,000 are exempt from charging VAT and have consequently no right to recover input VAT.

Special scheme for farmers: Exemption from charging VAT applies to farmers (all members of an agriculture household) whose cadastral income does not exceed EUR 7,500. A farmer who applies a flat rate scheme is entitled to a flat rate compensation for VAT for the supply of agricultural and forest products as well as agricultural and forest services. Taxable persons who acquire agricultural and forest goods and services from a farmer who applies a flat rate scheme, shall add the amount of the flat rate compensation of 8 % of the purchase price to the amount of payment for the effected supply.

Special scheme for travel agents: A taxable person who supplies goods or services acquired for the purpose of a travel agent's business and supplied for the benefit of a traveler must use a special scheme known as the travel agents' margin scheme and account for VAT on the margin, i.e. the difference between the purchase price and the selling price. No input tax on purchasing margin scheme supplies can be recovered.

Special scheme for second-hand goods, works of art, collectors' items and antiques: If the goods are subject to this scheme, VAT is calculated on the margin, i.e. the amount by which the selling price exceeds the price which the seller paid for the goods. To use the margin scheme, the taxable person must be registered for VAT and all conditions of the scheme must be met. The conditions are many, the most important one being that the goods must have been obtained by way of supply on which no VAT was chargeable. Input tax cannot be recovered on items purchased for resale under the scheme. The margin scheme can be used for sales of goods made by taxable dealers under the conditions of the special scheme and by auctioneers acting in their own name.

Special scheme for investment gold: The supply, intra-Community acquisition and importation of investment gold are exempt from VAT. A taxable person who produces investment gold or transforms gold into investment gold has the right to opt for taxation of supplies of investment gold to another taxable person. A taxable person has the right of deduction of VAT (paid or due) if his/her subsequent supply of the investment gold is exempt pursuant to this scheme.

Special scheme for telecommunications services, broadcasting services or electronic services supplied by taxable persons not established within the Union: This special scheme may be used for telecommunications services, broadcasting services or electronic services which a taxable person referred to in Article 123 of the Slovenian VAT Act supplies to non-taxable persons who are established or have their permanent address or usually reside in any Member State. These taxable persons shall use this scheme for all telecommunications services, broadcasting services or electronic services he supplies within the Union.

Special scheme for telecommunications, broadcasting or electronic services supplied by taxable persons established within the Union but not in the Member State of consumption: The taxable person not established in the Member State of consumption may indicate that he will use this special scheme if he is established in Slovenia or is not established within the Union and has a fixed establishment in Slovenia and supplies telecommunications, broadcasting or electronic services to non-taxable persons who are established or have their permanent address or usually reside in the Member State of consumption. These taxable persons shall use this special scheme for all telecommunications services, broadcasting services or electronic services that they supply within the Union. The taxable person who has indicated that he will use this special scheme and who is not established in Slovenia but has one or more fixed establishments in Slovenia or within the Union shall fulfil obligations from this special scheme for the current calendar year and for the two following calendar years.

Special cash accounting scheme: Small businesses with a taxable turnover up to EUR 400,000 per year, exclusive of VAT, may opt for the cash accounting scheme, under which a taxable person may account for VAT on the basis of cash paid and received. Certain transactions are excluded from the scheme (i.e. exports, imports, intra-Community supplies, intra-Community acquisitions, etc.).

Special scheme for the supply of occasional services of international carriage of passengers by road: Taxable persons that are not established in Slovenia or they don't have permanent establishment nor permanent or usual residence in Slovenia and on the territory of Slovenia exclusively perform services of occasional international road transport of passengers, at fulfilling of certain conditions may use thus special scheme for registration and they may settle and pay VAT according to this special scheme. This special scheme may apply only for international occasional road transport of passengers and not for international regular scheduled road transport of passengers.

Application of the special arrangement is optional for taxable persons, who fulfil conditions for its application:

- they occasionally perform services of international road transport of passengers in Slovenia with vehicles not registered in Slovenia;
- they don't claim the right to VAT deduction (in accordance with Article 63 of the Slovenian VAT Act) or right to VAT refund (in accordance with Articles 74 to 74.i of the Slovenian VAT Act);
- they don't perform any other transactions, which would be subject to VAT in Slovenia.

### ***3.2 Excise Duties***

Goods subject to excise duties are tobacco products, alcohol and alcoholic beverages, energy products (mineral oils, natural gas, coal and coke) and electricity. Payment of excise duties is administered by the Financial Administration.

Excise duties are paid on excisable goods produced in Slovenia, imported from third countries or acquired from another EU Member State if they are intended for consumption in Slovenia. Normally, a producer, importer or trader pays the excise duty but if the goods are not intended for final consumption they can be placed under a suspension regime. In this case, the excisable goods remain under the supervision of the competent financial office, and the excise duty is payable when the goods leave the suspension regime.

Taxable persons calculate their liability on monthly returns which they must lodge by the 25<sup>th</sup> day of the month following the tax period. They must pay excise duties by the last day of the month following the end of the tax period concerned. Excise duties on importation are payable as if they were customs duties (upon each importation).

The law defines tax rates and/or amounts of excise duties for each excisable product. They may be adjusted to take into account inflation and other changes in the market.

Excise duty is chargeable when products subject to excise duty are produced, received from other Member States or imported into Slovenia from third countries. However, under special conditions provided by law, the liability for excise duty may be transferred to the authorized tax warehouse-keeper or tax-exempt user.

The person liable to pay excise duty is the producer of excise products, registered trader of excise products received from another Member State, importer of excise products from third countries, or legal or natural person dealing in excise products at the wholesale level. All excise duty payers come under the supervision of the Financial Administration and must fulfil certain obligations as required by law.

Through an excise duty suspension arrangement, a basis for the suspension of excise duty is provided for the period of production, processing, storage and transportation of excise products.

The authorized warehouse-keeper is defined as the natural or legal person who acquires an excise licence from the Financial Administration to establish a tax warehouse where products subject to excise duty are produced, held, received or dispatched under duty suspension arrangements.

Registered consignee means a person/trader who receives excise products from other Member States on a regular basis as a part of his/her business activity under an excise duty suspension arrangement; a registered consignee must be authorized by the Financial Administration.

A temporary-registered consignee is a person/trader who occasionally receives excise products from another Member State, authorisation is limited to a specified quantity and a specified period of time, the conditions for instruments guaranteeing payment of excise duty being stricter in this case.

The rates of excise duties (situation as of 1 January 2018) for alcohol and alcoholic beverages, energy products and electricity, and tobacco products are given in tables 9, 10 and 11.

Table 9: Duties on alcohol and alcoholic beverages

Description	per hectolitre (EUR)
<i>Still wine</i>	0.0
Sparkling wine	0.0
<i>Beer*</i>	12.1
Fermented beverages	0.0
Intermediate products	132.0
Ethyl alcohol*	13.2

\* per % volume of alcohol

Certain goods are exempted from payment of excise duty, including those intended for export or for delivery in the context of diplomatic or consular relations, for international organizations, personal needs of foreign staff of diplomatic and consular missions or international organizations, or the needs of armed forces of other state parties to international alliances.

According to the law, for certain uses of energy products, a part of excise duty can be returned, namely for energy products for which it can be proved that they are used as motor fuels for stationary working machines, construction, motor rail track vehicles in railway transport and cable cars, all in amount of 50% of excise duty prescribed for motor fuel; energy products used as motor fuels of agricultural and forestry mechanical equipment (inc. tractors), in amount of 70% of excise duty prescribed for motor fuel; excise duty for gas oil, used as a propellant for commercial purposes is refunded up to amount of EUR 330,00 per 1,000 liters.

Use of energy products in some cases is exempt from payment of excise duty: when energy products are used as motor fuels in air transport and maritime transport, and as fuel for fishing boats, except if used for private purposes; when they are used in power plants and in plants for combined generation of heat and power; when energy products and electricity are used in production of other energy products and electricity, and when they are used in several other specific procedures.

Use of electricity is exempt from payment of excise duty when it is used for chemical reduction and in electrolytic or metallurgical processes; on the manufacturer's premises used for the production of electricity; consumed for the production and represents more than 50% of the cost of the product; used for the production of non-metallic mineral products, produced in small hydroelectric power plants, or from other types of renewable energy, not fossil or nuclear origin, with power up to 2 MW, and the manufacturer is used for own consumption or produced in in the household and used for own consumption or for temporary power supply in case of failure or disruption of normal power supply, provided that the excise duty on energy products used to produce electricity is paid.

Alcohol and alcoholic beverages are exempt from payment of excise duty when used as raw material for the production of medicines or vinegar, or the production of foodstuffs, non-foodstuffs or flavours, and non-alcoholic beverages.

Table 10: Excise duties on energy products and electricity\*

Description	per 1,000 litres unless specified (EUR)
Leaded petrol	421.61
Unleaded petrol	507.80
Gas oil used as/for:	
- propellant	426.05
- heating purposes	157.50
Liquid petroleum gas used as/for <sup>1</sup> :	127.50
- propellant	0.00
- heating purposes.	
Kerosene used as/for:	
- propellant	330.00
- heating purposes	21.00
Heavy fuel oil <sup>1</sup>	15.02
Natural gas used as/for: <sup>2</sup>	
- propellant	8.54
- heating purposes	1,71
Electricity used as/for: <sup>2</sup> :	
- to 10,000 MWh/year	3.05
- over 10,000 MWh/year	1.80
Coal and coke <sup>3</sup>	0.29
Biofuel	0.00

<sup>1</sup> per 1,000 kilograms

<sup>2</sup> per MWh

<sup>3</sup> per gigajoule

\*Energy products are also liable for CO<sub>2</sub> tax. Tax is payable for an atmospheric pollution by CO<sub>2</sub> emissions from energy product (burning of liquid, gaseous and solid fuels) in amount of 17.3 euro per unite of pollution which is determined for each energy product.

Table 11: Duties on tobacco products

Description	
Cigarettes (per 1,000 pcs)	EUR 111 minimum
Cigars, cigarillos (per 1,000 pcs)	6,3% of retail selling price, minimum 42 EUR per 1,000
Fine-cut tobacco (per kg)	EUR 42 and 37 % Ad valorem (as % of TIRSP)
Other smoking tobacco (per kg)	EUR 42
Electronic cigarettes	0.18 EUR/ml
Heating tobacco	88 EUR/kg

### **3.3 Insurance Contracts Tax**

The taxable person is an insurance company or other legal entity which performs insurance operations within the territory of the Republic of Slovenia.

The obligation for charging the tax arises when the taxable person concludes an insurance contract, i.e. when an invoice is issued, or in the case of personal insurance, when the insurance premium is paid. The tax base is the premium or contribution paid on the basis of a concluded insurance contract. The tax is paid at the rate of 8.5 % of the tax base.

The taxable person shall submit a return of the tax to the tax authorities within 15 days after the end of the month for which the return has been prepared. The tax must be paid within 15 days after the end of the month for which the monthly return has been prepared.

The taxable person shall submit the tax return to the tax authorities irrespective of the fact whether it is obliged to pay tax for the period or not.

The tax is not charged on:

- compulsory contributions for pension, disability and health insurance;
- property (accident and health) and life insurance, where the insurance period is not shorter than 10 years (if the insurance contract expires before the end of a 10-year period, the tax shall be charged and paid);
- insurance which covers risks outside the territory of the Republic of Slovenia;
- reinsurance.

### **3.4 Tax on Transfer of Immovable Property**

The taxable person shall be the seller of the real property. In establishing the right of superficies, the taxable person shall be the owner who first acquired the right of superficies, while in transferring the right of superficies, the taxable person shall be the owner who transfers the right of superficies.

The tax is payable at a rate of 2 % of the tax base. The tax base is the selling price of the real property. In establishing or transferring the right of superficies, the tax base is the realized payment equaling the market value of the right of superficies.

When the real property is sold by public auction in a procedure of enforcement, the tax base equals the selling price achieved at auction less the property transactions tax included in the price.

A taxable person files a tax return within 15 days of the tax liability arising with the competent tax authority on the territory of which the real property is situated. The tax authority issues its tax assessment decision relating to property transactions within 30 days from receipt of the tax return. The taxable person pays the assessed tax within 30 days after the tax assessment decision has been served on him.

The transfer of a title on property for which value added tax has already been charged is not considered as a transfer of property. Establishment or transfer of the right of superficies for which value added tax has already been paid is not subject of this tax.

The tax is not charged on:

- transfer of property to diplomatic or consular missions accredited in Slovenia in case of reciprocity, and to international organizations if so stipulated by international treaties binding on Slovenia;

- transfer of property due to expropriation;
- transfer of property possessing the status of cultural monument;
- transfer of agricultural land in the frame of land consolidation and other agrarian operations under the regulations on agricultural land;
- transfer of property in compulsory collection proceedings of mandatory levies;
- transfer of property in the division of property between spouses and cohabiting partners on the termination or during marriage;
- transfer of property upon rescission of a property transfer contract;
- transfer of property in the division of real property between partners or shareholders in winding-up proceedings;
- transfer of property within the frame of financial transformations;
- transfer of property as a non-cash contribution upon the establishment of a legal entity or its capital increase.

### ***3.5 Motor Vehicle Tax***

The motor vehicle tax (MVT) must be paid for motor vehicles which are put into circulation in Slovenia for the first time or registered for the first time in the territory of the Republic of Slovenia, namely for vehicles with the fixed tariff code of the common customs tariff. The person liable to declare and pay tax (hereinafter referred to as the taxable person) is the producer and/or the person that acquires the vehicle in another EU Member State and/or the importer of motor vehicles. Tax base is the selling price of the motor vehicle, this tax and VAT excluded. The tax rates depend as a rule on CO<sub>2</sub> release and the type of fuel using for the drive and is determined for the petrol motor vehicles from 0.5 % to 28 % and from 1 % to 31 % of the tax base for diesel motor vehicles. For diesel motor vehicles, the tax rate depends on particulate matter (MP) emissions and Euro emission standards. Tax rates for motorcycles, three-wheeled cycles and quadricycle are set upon engine capacity in the range from 1.5 % to 5 % of the tax base and from 6 % to 18 % of the tax base for the camper vans.

MVT act provides also cases of the exemption from payment of MVT, namely: vehicles for transport of disabled persons, vehicles for families with three or more children, exported and supplied vehicles before first registration, intervention ambulances, historic vehicles, sports vehicles used only for racetracks, vehicles of diplomatic and consular representations accredited to Slovenia and international organizations.

An additional tax on motor vehicles was introduced in July 2012. Tax rate depends on the engine capacity and is determined from 8 % to 16 % of the tax base for the motor vehicles with an engine capacity over 2,500 ccm and 5 % of the tax base for the motor vehicles, tricycles and quadricycles with an engine capacity over 1,000 ccm.

### ***3.6 Financial Services Tax***

Financial Services Tax Act introduced tax on financial services which are exempt from the VAT according to current regulations governing the VAT system and services performed by the insurance brokers and insurance agents.

Subject to taxation are:

- granting and negotiation of credit or loans in monetary form and the management of credit or loans in monetary form by the person who is granting the credit or the person who is granting the loan;
- issuing of credit guarantees or any other security for money and management of credit guarantees by the person who is granting the credit;

- transactions, including negotiation, concerning deposit and current or transaction accounts, payments, transfers, debts, cheques and other negotiable instruments;
- transactions, including negotiation, concerning currency, bank notes and coins used as legal tender;
- services provided by the insurance brokers and agents.

The tax base is the fee or commission paid on the basis of a concluded financial service.

Liability to pay the tax arises when the financial service is performed. A financial service is considered to have been performed when a fee (commission) has been paid for this service.

The tax is payable at the rate of 8.5% of the tax base.

The taxable person shall submit a monthly return to the tax authorities until the end of the month for which the return has been prepared which is also the date when the tax must be paid.

The tax is not charged on:

- financial services that are subject to the VAT;
- financial services that are subject to Insurance Contracts Tax;
- financial services which are performed by the Central Bank of Slovenia;
- financial services which are performed by or on behalf of the European Financial Stability Facility;
- financial services which are performed by or on behalf of an international financial institution set up by EU member states in order to provide financial assistance to its members experiencing financing problems;
- financial services which are performed by or on behalf of the European Central Bank, the European Investment Bank or other bodies set up by the European Union;
- financial services which are performed by or on behalf of international organisations and diplomatic and consular missions of foreign states.

### ***3.7 Tax on Lottery Tickets***

The tax on lottery tickets is levied on the lottery tickets which are used for participation in conventional games of chance.

Taxable person is the organiser of conventional games of chance with the state concession.

The tax base is the selling price of the lottery ticket excluding tax on lottery tickets.

The tax is payable at the rate of 10 % of the tax base.

Taxable person shall account for tax on monthly basis and shall pay the tax to the tax authority within thirty days after the expiry of the monthly accounting period.

The tax is not charged on the lottery tickets which are issued by the associations and non-profit humanitarian organisations established in the Republic of Slovenia in the context of organisation of conventional games of chance for the purpose of financing their own activity.

### ***3.8 Customs Duties***

Slovenia, as the EU Member State, applies the customs legislation of the Union. The Union, being a customs union and therefore an area without internal customs duties, collects uniform duties upon

importation from the third countries (i.e. countries outside the Union's customs area). Goods from the third countries are cleared through customs and import duties are levied at the place of importation into the Union. Consequently, goods from third countries destined for Slovenia may be cleared in any EU Member State and, vice versa, goods from the third countries destined for another EU Member State may be cleared in Slovenia.

Uniform Union rules are applied for customs and tariff matters. Basic Union rules on customs matters are regulated in Regulation (EU) No. 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code (OJ L 269, 10.10.2013, as amended) and in its implementing provisions contained in Commission Implementing Regulation (EU) No. 2015/2447 (OJ L 343, 29.12.2015, as amended), Commission Delegated Regulation (EU) 2015/2446 (OJ L 343, 29.12.2015, as amended) and Commission Delegated Regulation (EU) 2016/341 (OJ L 069 15.3.2016, as amended). Rules on tariff matters are stipulated in Council Regulation (EEC) No. 2658/87 (OJ L 256, 7.9.1987, as amended).

In certain circumstances and by virtue of the special conditions under which goods are imported, levying duties is not justified. In this respect Slovenia applies the provisions of Council Regulation 1186/2009 setting up a Community system of relief from customs duty (OJ L 324, 10.12.2009). This regulation sets out those cases in which, owing to special circumstances, relief from import or export duties are granted respectively when goods are put into free circulation or are exported from the EU.

## 4 TAX PROCEDURE RULES

The tax procedure as a special administrative procedure is a system of procedural rules that are followed by tax authorities and persons liable for tax in tax collection procedures (calculation, assessment, payment, refund, control and enforcement of taxes).

The Tax Procedure Act (hereinafter: TPA) regulates rights and obligations of persons liable for tax, protection of information obtained in the tax collection procedure, mutual assistance in tax collection and exchange of information between EU Member States. For issues of tax procedure which are not governed by the international treaty binding upon the Republic of Slovenia, by the taxation act, TPA, the act governing financial administration or the act governing inspection, the act governing general administrative procedure is applied.

The fundamental principles of the tax procedure (e.g. the principle of legality, the principle of substantive truth, the principle of proportionality, the principle of certainty, acquaintance and assistance, the principle of confidentiality of information, the principle of legal and timely fulfilment and payment of tax liabilities, the principle of obligation to provide information) are important for the protection of taxpayers' procedural rights and are a tool for minimum procedural guarantees. The tax authorities must ensure the protection and exercise of the rights and interests of the parties involved.

The tax procedure is initiated by the tax authority ex officio (e.g. tax inspection procedure) or at the request of a party (e.g. the application for deferment of tax payment).

Tax liability is the duty of person liable for tax to pay the amount of tax specified by law. The fulfilment of tax liability is a fundamental obligation of the person liable for tax and must be met regardless of any other obligations. The tax is calculated in the tax calculation (e.g. corporate income tax return) or determined with a tax assessment decision issued by tax authority (e.g. tax assessment decision relating to real property transactions). The fundamental and most frequent method of fulfilling tax liability is on the basis of self-assessment. The taxpayer calculates the tax due for payment by himself, taking into account the determined tax base, tax relief and rates. The tax assessment decision is another way of fulfilling tax liability. The tax authority issues an assessment decision on the basis of the taxpayer's tax declaration or under the tax control procedure.

If the person liable for tax does not fulfil or correctly fulfil the tax liability, the tax authority initiates offence procedure. The person liable for tax who commits an offence shall be subject to a fine.

Taxes must be paid by taxpayers within the periods specified in the relevant tax legislation (general time limit for payment of tax is 30 days). If a taxpayer fails to pay the tax liability on time, the tax authority initiates tax enforcement. The subject of tax enforcement is any debtor's property or property right (monetary assets on bank accounts, wage, securities, ownership share in a company, movable and immovable property) except where exempted by law from tax enforcement (e.g. financial social assistance, maintenance ...) or when enforcement on a certain property or property right is restricted by law (the amount of employment income in accordance with the act regulating income tax, seized by way of tax enforcement may not exceed two thirds, leaving the debtor with an amount worth at least 76 % of the minimum wage).

## II. DOUBLE TAXATION CONVENTIONS

Double taxation conventions (DTCs) lay down rules for the taxation of income or capital crossing international borders and define rights of taxation between two countries. The primary purpose of DTCs is to eliminate or reduce international double taxation and to prevent tax evasion.

DTCs contribute to the elimination of obstacles to the flow of goods, services, capital, persons and technology. Slovenia has a small but very open economy and, as such, pursues a policy that encourages cross-border economic activity by providing for non-discrimination and certainty in tax treatment.

DTCs concluded by Slovenia follow the OECD Model Tax Convention on Income and on Capital with some modifications. It should be noted that each convention is unique; therefore, careful review of DTC provisions is required when an issue is affected by such a convention.

Slovenia currently has DTCs in force with 59 countries. They generally cover income and property taxes. A number of new DTCs are in the process of being negotiated. A list of applicable conventions is available on the website of the Ministry of Finance:

[http://www.mf.gov.si/en/areas\\_of\\_work/taxes\\_and\\_customs/documents/list\\_of\\_double\\_taxation\\_conventions/](http://www.mf.gov.si/en/areas_of_work/taxes_and_customs/documents/list_of_double_taxation_conventions/)

Under the Tax Procedure Act there are two methods available to non-residents for claiming benefits under applicable DTCs:

- a) non-residents may claim the reduced tax rate or exemption in accordance with the provisions of the relevant DTC upon the payment of income, subject to prior verification of treaty entitlement at the competent office of the Financial Administration (“reduction or exemption at the source” procedure), or
- b) if, upon payment of income, tax is imposed according to Slovenian domestic taxation law, non-residents may subsequently be refunded the part of the tax that exceeds the amount that Slovenia can levy under the provisions of the DTC (“refund” procedure).

In order to better facilitate the use of methods a) and b) above, special tax forms for claiming verification of treaty entitlement or claiming tax refunds have been published. These are also available on the website of the Financial Administration of the Republic of Slovenia. According to the Act, the general limitation period for claiming a refund under b) is five years from the end of the calendar year in which the tax was paid.

Slovenia signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (referred to as the multilateral instrument or MLI) on June 7, 2017. The MLI helps the fight against base erosion and profit shifting (BEPS) by implementing the DTC - related measures developed through the BEPS Project in existing DTCs in a synchronised and efficient manner. Slovenia has listed many of its DTCs as Covered Tax Agreements under MLI.

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