leitnerleitner

tax audit advisory

guidelines to taxation 2021

slovenia

www.leitnerleitner.com

© LeitnerLeitner
The information included in this publication is of general nature only. It does not constitute an advise on any particular matter and should not be understood as such. Neither LeitnerLeitner as a company nor any counsel of LeitnerLeitner involved in the preparation of this publication is responsible for any action taken on the basis of information herein, including errors and omissions. We do not assume any responsibility for external links included or documents cited in the publication.

All rights reserved. No part of this book may be reproduced, stored in a retrieval system or disclosed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of LeitnerLeitner.

Women and men have equal opportunities at LeitnerLeitner, and we have a completely gender-neutral view of all professions and positions. Any use of the masculine form in the publication is just for the sake of better reading and understanding the complex nature of the tax provisions.

guidelines to taxation in

slovenia

AUSTRIA
BOSNIA-HERZEGOVINA
BULGARIA
CROATIA
CZECH REPUBLIC
HUNGARY
SERBIA
SLOVAK REPUBLIC
SLOVENIA
profile

slovenia

I	**TAX FRAMEWORK FOR DOING BUSINESS IN SLOVENIA**		**444**
	A	LEGAL FORMS	444
	B	INCOME TAX ASPECTS	446
	1	Sole entrepreneurs and partnerships	446
	2	Corporations	452
	3	Reorganizations	456
	4	Specific aspects for foreign investors	456
	C	INTERNATIONAL BUSINESS-RELATED ISSUES	459
	1	Tax treaties	459
	2	Transfer pricing	459
	3	Controlled foreign corporations	461
	4	Exit taxation	462
	5	Hybrid mismatches	463
	6	DAC 6 reporting obligation	466
	D	VALUE ADDED TAX	467
	1	Taxable persons	467
	2	Taxable transactions	467
	3	Place of supply	469
	4	Taxable amount	469
	5	Tax rates	470
	6	Exemptions	470
	7	Input VAT deduction	471
	8	VAT liability	472
	9	Tax assessment	472
	10	Quick Fixes	474
	E	OTHER BUSINESS-RELATED TAXES	475
	1	Capital duty	475
	2	Stamp duties	475
	3	Customs duties	475
	4	Other excise duties	475
	5	Environmental taxes	476
	6	Advertising duty	476
	7	Digital services tax	476
	8	Tax on financial services	476
	9	Bank balance sheet tax	476
	10	Tax on insurance services	476
	11	Fire fee	477

slovenia

II	**SPECIAL AREAS OF TAXATION OF BUSINESS-RELATED ACTIVITIES**		**478**
	A	HOLDING STRUCTURES	478
	1	Participation exemption	478
	2	Outbound dividends	480
	3	Interest deduction and thin capitalization	481
	4	Non-resident shareholders	482
	5	Tax group	483
	B	REAL ESTATE INVESTMENTS	484
	1	Resident investors	484
	2	Non-resident investors	485
	3	Real estate taxes	485
	4	VAT on real estate	487
	5	Real estate investment funds	487
	6	Structuring of real estate investments	488
III	**EMPLOYEES AND BOARD MEMBERS**		**489**
	A	EMPLOYEES	489
	1	Resident employees	489
	2	Non-resident employees	492
	B	BOARD MEMBERS	493
	1	Executives and non-executives	493
	2	Non-resident board members	493
	C	MUNICIPAL TAX	493
	D	SPECIFIC PROVISIONS FOR CROSS-BORDER EMPLOYMENTS	494
	1	General provisions	494
	2	Specific provisions	495
IV	**TAX ASPECTS FOR PRIVATE INVESTORS**		**498**
	A	CAPITAL INVESTMENTS	498
	1	Resident capital investors	498
	2	Non-resident capital investors	500
	3	Investment funds	501
	B	INHERITANCE AND DONATION TAX PLANNING	502
	1	General	502
	2	Notification of donations	502
	3	Private foundations	502

I TAX FRAMEWORK FOR DOING BUSINESS IN SLOVENIA

A LEGAL FORMS

Slovenian company law is based on civil law principles. The main legislation on company law can be found in the Companies Act (Zakon o gospodarskih družbah) and the Code of Obligations (Obligacijski zakonik). Additional legislation is laid down in specific laws on certain forms of companies, e.g. the Banking Act, Insurance Act, the Investment Funds and Management Companies Act. Specific parts of company law can also be found in separate laws, e.g. the Financial Instruments Market Act, the Takeovers Act, etc.

The EC Regulation (Council Regulation 2157/2001/EC of 8 October 2004) on the statute for the European Company (SE) entered into force on 8 October 2004. The changes required to align Slovenian Company Law with the Regulation were included in the Commercial Companies Law, which became effective from 4 May 2006. Furthermore, Council Directive 2001/86/EC of 8 October 2001 gives further rules for the SE with regard to the involvement of employees. These provisions were implemented by the Participation of Workers in Management of the European Public Limited-Liability Company Act (SE) (Zakon o sodelovanju delavcev pri upravljanju evropske delniške družbe (SE)), which has been effective since 18 March 2006.

Business activities in Slovenia are carried on by sole entrepreneurs or by companies. A sole entrepreneur is defined as an individual carrying on business activities. The term »company« refers to legal entities. Moreover, a distinction can be made between entities with legal personality (legal entities) and entities without legal personality (non-legal entities). Legal entities form the majority of entities, while non-legal entities are, in general, civil law companies and pension funds. The silent partnership was abolished in 2012. All existing silent partnerships were terminated on 28 July 2012 according to the law, and the final calculation of partners' profit/loss had to be made by 28 January 2013.

The major Slovenian companies are organized in one of the following forms:

- either as »personal companies«
  - unlimited liability company (d.n.o.);
  - limited partnership (k.d.).
- or as »companies with share capital«
  - limited liability company (d.o.o.);
  - public limited company (d.d.), a limited partnership with share capital (k.d.d.);
  - SE.

The main difference between personal companies and companies with share capital is that companies with share capital provide for limited liability of their shareholders, whereas partnerships generally require unlimited liability of the partners.

Furthermore, companies with share capital are required to have a certain minimum share capital due to their limited liability. This is not necessary for partnerships since the creditors can be satisfied with the property of the partner who has unlimited liability.

All companies are legal entities. Having legal personality, a company may own movable and immovable property, acquire rights, assume obligations and may prosecute and be prosecuted.

Some information about the legal and tax framework of sole entrepreneurs (SEnt) and companies is provided below:

FORMS	LIABILITY OF SHAREHOLDERS	MINIMUM CAPITAL (EUR)	MINIMUM OF FOUNDERS AND SHAREHOLDERS	REGISTRATION IN COMMERCIAL REGISTER	TAX TREATMENT	TAX RATES
SEnt	no shares, personal liability of the sole entrepreneur		1	obligatory, commercial register	tax liability of sole entrepreneur	16% – 50% [1]/ 20% flat rate [2]
d.n.o.	unlimited		2	obligatory, court register	non-transparent, dividend/ capital gain taxation at the level of the shareholders	19% [3]
k.d.	2 types of shareholders: one type of shareholders unlimited liability, other type limited liability		2	obligatory, court register	non-transparent, dividend/ capital gain taxation at the level of the shareholders	19% [3]
d.o.o.	limited	7,500	1	obligatory, court register	non-transparent, dividend taxation at the level of the shareholders	19% [3]
d.d.	limited	25,000	1	obligatory, court register	non-transparent, dividend taxation at the level of the shareholders	19% [3]

1 Personal income tax rate.
2 Tax rate in the case of lump-sum taxation for individuals engaging in a private business.
3 Corporate income tax rate.

B INCOME TAX ASPECTS

1 Sole entrepreneurs and partnerships

1.1 UNLIMITED TAX LIABILITY AND INCOME

A sole entrepreneur that is a resident in Slovenia will be subject to unlimited personal income tax liability on his worldwide income in accordance with the Personal Income Tax Act. Thus, income from business activities is subject to tax at the level of the individual. An individual is a resident in Slovenia for personal income tax purposes in general if he has a formal residential tie or has an actual residential tie with Slovenia (i.e. habitual abode, center of personal and economic interests or presence of more than 183 days in a taxable year in Slovenia), with the exception of individuals who are physically present in Slovenia only for their studies or for medical treatment. If an individual is physically present in Slovenia only during the day, such presence is not considered relevant for the residency status determination. Only if an individual stays in Slovenia overnight is this considered one day in Slovenia for tax residency purposes. Thus, cross-border workers who live in another state are not considered tax resident in Slovenia due to their presence in Slovenia. For non-residents, see I.B.4.1.

Partnerships are non-transparent entities for tax purposes in Slovenia. Partnerships are, consequently, treated as separate taxable persons, subject to corporate income tax. Profits made by the partnership are, firstly, taxable at the level of the partnership under the Corporate Income Tax Act and afterwards at the level of partners as well when/if distribution of profits is made:

- under the Personal Income Tax Act, if partners are individuals; or
- under the Corporate Income Tax Act, if partners are companies.

In general, resident individuals are subject to income tax on their worldwide income derived from the following categories:

- income from employment;
- income from trade or business;
- income from agriculture and forestry;
- income from renting movable and immovable property and from intellectual property;
- income from capital; and
- other income (e.g. rewards, contest prizes).

All income, profits and gains are taxable, unless specifically exempted by law.

Income from trade or business in the case of a lump-sum deduction, income from renting movable and immovable property, dividends, interest, and capital gains are taxed separately at flat rates (schedular taxation).

1.2 PRINCIPLES OF DETERMINATION OF THE BUSINESS INCOME TAX BASE

Income from business includes income from any entrepreneurial, agricultural, forestry, occupational or any other independent activity. It also encompasses income from the exploitation of immovable and movable property, as well as intellectual property rights.

Methods
The distinction between business income and other income is important with regard to the method of income determination applicable.

For business income (i.e. income from agriculture and forestry and from other trade or business), the concept of »profit« applies when determining the amount of taxable income from a particular source.

The net equity comparison method must be applied for the determination of profit. According to this method, profit is defined as the difference between the net equity of the business at the end of the business year and the net equity at the beginning of the business year. Profit may not be reduced by withdrawals or increased by contributions.

Valuation of assets and debts
In general, the valuation of assets and debts follows International Financial Reporting Standards (henceforth IFRS) or Slovenian accounting standards, which generally follow the IFRS.

Revaluation expenses
In general, subject to special conditions and limitations, revaluations of the following items are deductible for tax purposes:

- receivables,
- financial assets and financial instruments measured at fair value through profit or loss,
- goodwill,
- debts, receivables, investments and cash receivables, provided that the revaluations are based on changes in the exchange rate.

Depreciation
The depreciation of tangible and intangible fixed assets is a deductible business expense in the calculated amount, insofar as the amount is not exceeded if the straight-line depreciation method and the maximum depreciation rate are applied. Pursuant to Slovenian Accounting Standards, it is not possible to suspend the depreciation. Accordingly, suspension is also not applicable for tax purposes.

A person is allowed to claim depreciation for in the books of account and in the balance sheet recognized assets. A recognition of assets in the books of account and in the balance sheet is permitted if:

- it is probable that the future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Usually, an asset is recognized in the books of account and in the balance sheet of its owner. In case of financial leasing, an asset is not recognized by its legal owner but by a lessee. Consequently, a lessee is also entitled to claim depreciation.

The maximum annual depreciation rate is:

- 3% for buildings, including investment properties;
- 6% for parts of buildings, including parts of investment properties;
- 20% for equipment, vehicles and machinery;
- 33% for parts of equipment and equipment for research activities;
- 50% for computer software and hardware;
- 10% for crops lasting several years;
- 20% for breeding animals; and
- 10% for other investments.

Also in case of an operative leasing the lessee is entitled to claim depreciation. Disregarding the above listed depreciation rates, the depreciation rate used for an asset in an operative leasing is the maximum depreciation rate corresponding to the effective depreciation period of this asset.

As of 1 January 2017, depreciation of goodwill is no longer tax-deductible.

Provisions

For anticipated claims that are not yet certain in respect of the reason or the amount, a provision has to be entered in the books under general accounting principles. For tax purposes provisions are in general tax effective at 100% of their value. However, the following types of provisions are only tax effective at 50% of their value, when they are made:

- provisions for given warranties on sold products or services;
- provisions for reorganizations;
- provisions for expected losses from onerous contracts;
- provisions for pensions;
- provisions for jubilee benefits; and
- provisions for severance benefits paid upon retirement.

The difference of 50% is subject to deferred taxation as it is only a temporary difference.

Expenses

Deductible business expenses are expenses or expenditures caused by a trade or business. In particular, no deduction is allowed for expenses and expenditures relating to the taxpayer's household or lifestyle, personal taxes such as income tax payments, penalties, bribes and interest on unpaid tax.

Representation expenses are only deductible up to 50%.

Tax incentives

The following tax incentives are available to entrepreneurs:

THE TAX INCENTIVE FOR R&D

100% of investments in or costs of research and development are recognized as tax incentive and lower the taxable base. The amount of incentive may not exceed 63% of the tax base in the current tax period (together with all other tax incentives and deductions of losses carried forward). For the unused part of the incentives in the tax period concerned, the taxpayer may reduce the tax base in the subsequent five tax periods.

THE TAX INCENTIVE FOR INVESTMENTS

40% for the investments in equipment or intangible assets are recognized as tax incentive and lower the taxable base. The amount of incentive may not exceed 63% of the tax base in the current tax period (together with all other tax incentives and deductions of losses carried forward). For the unused part of the incentives in the tax period concerned, the taxpayer may reduce the tax base in the subsequent five tax periods.

THE EMPLOYMENT-RELATED TAX INCENTIVES

Various tax incentives are provided for the employment of disabled persons, specific categories of unemployed persons, and professional education and training under certain conditions.

THE TAX INCENTIVE FOR DONATION

The tax incentive for donation is provided for donations under certain conditions.

THE TAX INCENTIVE FOR VOLUNTARY SUPPLEMENTARY PENSION INSURANCE

The tax incentives 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 [1] annually per employee, may apply under certain conditions.

For the tax period starting in January 2020 or later the total amount of tax reliefs (together with the deductions of losses carried forward) may not exceed the amount corresponding to 63% of the tax base in the current tax (introduction of a 7% effective tax rate).

The reliefs are not granted to small entrepreneurs, who opt for the lump-sum deduction.

1 This amount is subject to annual price indexation.

Small entrepreneurs fulfilling the condition that their annual turnover in the last 12 months has not exceeded EUR 50,000 may opt for an 80% lump-sum deduction of the turnover instead of claiming actual costs. Since 1 January 2015, a taxable person may also opt for an 80% lump-sum deduction of his turnover if it did not exceed EUR 100,000, under the condition that he was self-employed or had at least one full-time employee continuously for at least five months. The amount of lump-sum deduction is also limited nominally; EUR 40,000 for an entrepreneur without insured persons and EUR 80,000 for an entrepreneur who is self-employed or has at least one full-time employee continuously for at least five months. The taxable income of such entrepreneurs is calculated on the normal accrual basis. In the case of a lump-sum deduction business income is not included in the individual's annual taxable base but is taxed separately at the flat tax rate of 20%. This is the final tax.

1.3 CARRY-FORWARD OF LOSSES

Generally (with some exceptions and limitations), losses may be set off against income from the same category.

Remaining losses derived from business income may be carried forward, provided the loss was computed according to generally accepted accounting principles. A reduction of the taxable base with tax losses from previous tax periods is allowed only to a maximum amount of 50% of the taxable base for the current tax period. Further restriction is valid for the tax period starting in January 2020 or later. Namely, the total amount of the deduction of the tax losses and claimed tax reliefs may not exceed the amount corresponding to 63% of the tax base in the current tax (introduction of a 7% effective tax rate).

1.4 TAX RATES AND TAX PAYMENTS

The annual tax liability on the aggregate taxable income is computed by applying the following progressive rates (from 1 January 2020):

TAXABLE INCOME (EUR)	TAX ON LOWER AMOUNT (EUR)	RATE ON EXCESS (%)
up to 8,021.34	0	16
8,021.34-20,400.00	1,283.41	27
20,400.00-48,000.00	4,625.65	34
48,000.00-70,907.20	14,009.65	39
70,907.20 and over	22,943.64	50

The special tax rate of 70% applies to taxation of income whose source cannot be explained by the taxpayer. The 70% tax rate may be applied only in a special tax assessment procedure started by the Tax Authorities upon discovering that an individual disposes of assets or income that rather exceeds the income reported to the Tax Authorities. During this process, the Tax Authority determines the tax base by valuation.

In general, individuals are subject to income tax on their capital gains only if derived from the disposal of:

- immovable property;
- shares and other participation rights; or
- investment coupons (investments in non-legal entities, e.g. investment funds).

Capital gains are taxed at a 27.5% final tax rate. After expiry of a 5-year holding period, the rate is reduced from 27.5% to 20%. After expiry of a 10-year holding period the rate is reduced to 15%, and after 15 years to 10%. After expiry of a 20-year holding period any gains are tax exempt.

Capital gains derived from the disposal of immovable property acquired before 1 January 2002 are not taxable. Gains on immovable property used as a permanent home by the taxpayer for at least the three years preceding the disposal are exempt under the condition that the individual has permanently lived and also registered his permanent residency address at this immovable property. The same applies if the taxpayer, a citizen of an EU or EEA country other than Slovenia, had his temporary residence registered there for the same time period. Gains on the disposal of venture capital are exempt.

The taxable amount of capital gains is determined as the difference between the sales price and the purchase price, reduced by certain lump-sum costs incurred.

Capital gains derived by an individual from the disposal of shares or other participation rights within his business are, generally, taxed as capital gains and not as business income.

Dividends and interest are taxed at a 27.5% final tax rate. There is a tax-exempt amount (EUR 1,000) of interest on bank deposits with Slovenian or other EU banks.

2 Corporations

Companies are subject to corporate income tax. In Slovenia the corporate income tax is regulated by the Corporate Income Tax Law (Zakon o davku od dohodkov pravnih oseb, CITA-2), Official Gazette RS, No. 117/2006, which has been effective since 1 January 2007. CITA-2 regulates the substantive corporate tax issues, while tax procedure and administration is governed by the Tax Procedure Law (Zakon o davčnem postopku, ZDavP-2), Official Gazette RS, No. 117/2006, also effective since 1 January 2007.

2.1 TAXPAYERS AND RESIDENCE

A taxpayer is any domestic or foreign legal entity, including:

- partnerships and other corporate forms;
- investment funds, except open-end funds;
- banks;
- insurance companies;
- cooperative enterprises; and
- non-profit organizations and other legal persons.

Partnerships established under Slovenian law (general partnerships and limited partnerships) are considered legal entities under the Commercial Companies Law, taxable like commercial companies according to CITA-2. Non-profit organizations are taxable persons but are not subject to CIT except for the income earned from commercial activities.

Certain categories of income and companies enjoy a special tax regime. For example, investment funds and pension funds are entitled to apply a zero tax rate subject to certain conditions.

A taxpayer having its statutory seat or place of effective management in Slovenia is subject to unlimited corporate income tax liability, i.e. for a taxation of income on a worldwide basis (subject to applicable tax treaties). Pursuant to the Slovenian law, the place of effective management is the place where management actually manages the business activities. This place is not necessarily the same place where the main control or supervisory activities are carried out. If the business activities are not managed from the same place, the place of effective management is considered a place where day-to-day business activities are managed or carried out.

Taxpayers without a statutory seat or an effective place of management in Slovenia are only taxable on income derived through a permanent establishment in Slovenia or from another Slovenian source.

2.2 PRINCIPLES OF DETERMINATION OF THE TAX BASE

In general, taxable income is calculated as the difference between the gross income and all expenses of the company, disclosed in the profit and loss account or in the financial statement corresponding to the profit and loss account, based on the accounting standards for business purposes, unless otherwise provided by the CITA-2. Both the Slovenian accounting standards (SRS 2016) and the International Financial Reporting Standards (IFRS) may be applied and are equally acceptable. For tax incentives, see I.B.1.2.

The resident's taxable income is computed on a worldwide basis. Income and expenses are taken into account on the accrual basis. Cash payments are irrelevant for tax purposes.

In general, the taxable income is closely linked with the operating profit and business accounts. Nevertheless, some temporary and permanent divergences exist. Temporary divergences result from provisions, impairment of operating receivables, impairment of financial instruments, impairment of goodwill, depreciation and valuation rules related to transfers of assets, exchanges of shares, mergers and divisions. Permanent divergences result from non-taxable dividends, capital gains and non-deductible expenses.

Income includes revenues (active income) and gains (passive income). The main categories of income are operating income and expenses, financial income and expenses (including dividends and capital gains) and other (extraordinary) income and expenses. Taxable income derives from all types of business activity and from all disposals of company property.

Companies whose annual turnover has not exceeded EUR 50,000 in the last 12 months may opt for a lump-sum deduction of the turnover instead of claiming actual costs. A company may also opt for a lump-sum deduction of its turnover if it did not exceed EUR 100,000, under the condition that it had at least one full-time employee continuously for at least five months. The lump-sum deduction is considered at the amount of 80% of the turnover. The amount of lump-sum deduction is also limited nominally; EUR 40,000 for a company without employees and EUR 80,000 for a company that employs at least one full-time employee continuously for at least five months. The lump-sum deduction is applicable for residents or business units of non-residents in Slovenia.

2.3 CARRY-FORWARD OF LOSSES

Generally, a taxpayer can set off a tax loss in a tax period by reducing the tax base in the subsequent tax periods. A reduction of the tax base with tax losses from previous tax periods may only be allowed to a maximum amount of 50% of the taxable base for the current tax period. However, losses from current and previous years may not be carried forward if the direct or indirect ownership of the capital or voting rights of a company changes by at least 50% and:

- The taxpayer has not carried out the company's business activity for at least two years before the change in ownership, or
- The taxpayer has essentially changed the company's business activity two years before or after the change in ownership, unless the change in activities is necessary in order to preserve jobs or implement a business restructuring.

Further restriction is valid for the tax period starting in January 2020 or later. Namely, the total amount of deduction of tax losses and claimed tax reliefs may not exceed the amount corresponding to 63% of the tax base in the current tax (introduction of a 7% effective tax rate).

2.4 TAX RATES AND TAX PAYMENTS

The general tax rate is 19%.

Additionally, there is a special tax rate of 0% that applies to:

- investment funds established under the Investment Funds and Management Companies Act, if at least 90% of the profit generated in the preceding tax period is distributed by 30 November of the tax period;
- pension funds established under the law regulating pension and disability insurance; and
- insurance companies authorized to manage pension schemes under the law regulating pensions and disability insurance, within the qualified activities.

A taxable person must calculate and pay the corporate income tax by itself. The forms of tax returns and tax procedures are governed by the Tax Procedure Act. All resident companies and all non-resident companies with a permanent establishment in Slovenia are obliged to submit a tax return. Also companies subject to a zero tax rate and non-profit organizations that are exempt from taxation on their non-profit activities are required to submit a tax return.

The tax return must be submitted to the tax authorities by 31 March of the following year. If the taxable period is different from a calendar year, the tax return must be submitted three months after the end of the taxable period. There is no extension possible. In the case of corporate restructuring and liquidation, special time limits for submitting tax returns apply.

The tax return is prepared and submitted based on the self-assessment principle and is deemed to be final. If the taxable person subsequently finds an error in his tax return that results in a higher tax liability, he may submit a correction and pay the tax difference. He also has to pay the interest but no penalty, provided the tax administration has not yet commenced a tax audit. If the taxable person finds an error in his tax return that results in a lower tax liability, he may submit a corrected tax return within one year of the submission of the original tax return, upon which the tax administration refunds the excess amount of tax paid.

The tax return must be submitted electronically and supported by the balance sheet, profit and loss account, and other documents as prescribed by bylaws published by the Ministry of Finance. Additional information and disclosures that must generally support the tax return are:

- the form about hidden reserves disclosure;
- evidence regarding exempt foreign income;
- the form about covering tax loss;
- the form about claiming the tax incentives for investments;
- the form about claiming the tax incentive for R&D;
- the form about claiming the regional tax incentive for R&D;
- the form about claiming the employment-related tax incentives;
- the form about claiming the tax incentive for donations;
- evidence regarding foreign tax credit;
- evidence regarding increase or decrease of the amount of tax due to a change of a foreign tax credit;
- the form about provisions;
- the form about transactions with countries deemed to be engaged in harmful tax competition (the list of those countries is published by the Ministry of Finance and Tax Administration);
- the form about loans and interest between associated enterprises;
- the form about business transactions between associated enterprises non-residents;
- the form about business transactions between associated enterprises residents;
- evidence regarding payments based on participation of employees on a company's profit and tax incentive in this respect;
- the form about profits and gains derived from investments into venture capital companies;
- the notification about entry into the lump-sum taxation scheme; and
- the notification about country-by-country reporting within the group of multinational companies (»CbCR« notification).

Books of accounts that a taxable person kept for business purposes must also be kept for tax purposes. The books of account, balance sheet, profit and loss account, annual report and business report shall be stored permanently. All tax documents and records must be stored for ten years after the end of the year to which they relate. Also some other documents and data (e.g. salary accounts, etc) are to be stored permanently.

3 Reorganizations

Under general income tax principles, a reorganization of companies normally constitutes a taxable event and triggers the realization of hidden reserves of the assets transferred in the course of the reorganization. However, the CITA-2 – which is based on the EC Merger Directive (90/434/EEC) – provides for a special tax regime applicable to the following types of reorganizations:

¬ mergers;
¬ divisions;
¬ contributions of assets; and
¬ exchanges of shares.

The CITA-2 basically provides for the following tax treatment, subject to certain conditions:

¬ no liquidation taxation in the course of a reorganization (either on the level of the company/partnership or on the level of the shareholder/partner);
¬ a tax-neutral transfer of assets;
¬ transfer of loss carry-forward to the receiving entity;
¬ beneficial rules as to the tax base for real estate transfer tax purposes;
¬ exemption from capital tax; and
¬ exemption from value added tax.

The CITA-2 allows reorganizations with retroactive effect (basically within a nine-month period) as well as multiple reorganizations on the same effective date.

4 Specific aspects for foreign investors

4.1 NON-RESIDENT SOLE ENTREPRENEURS AND PARTNERS OF PARTNERSHIPS

A non-resident individual may carry on a business in Slovenia as a sole entrepreneur through a Slovenian permanent establishment (PE) but not as a partner of a Slovenian partnership, because a partnership is treated as a taxable person in Slovenia. A non-resident individual may have a PE in Slovenia if he carries on activities and/or business through one of the following formations:

¬ fixed place of business (a fixed place through which the business of an enterprise is wholly or partly operated);
¬ dependent agent (an agent who acts on behalf of an enterprise, and has and habitually exercises the authority to conclude contracts in Slovenia in the name of the enterprise);
¬ independent agent (an agent who, on his own behalf, acts for the non-resident as a stockbroker within the framework of his regular activities, an agent holding a general power of attorney, or any other independent agent where the agent acts, fully or partly, on behalf of the non-resident and where the conditions and circumstances pertaining to commercial and financial relations between the non-resident and agent in question differ from those prevailing in relations between non-associated enterprises;

¬ construction site, a project involving construction, assembly or mounting, or the related supervision.

The CITA-2 applicable also for determination of a non-resident individual's PE does not apply the concept of a »service« PE. Thus, when a non-resident individual carries on services in Slovenia, including consulting or management services, a PE shall be established pursuant to the general rules above.

Non-resident sole entrepreneurs are taxed – inter alia – on income from the sources defined by tax law. The following income is considered as having its source in Slovenia, even though there is no PE in Slovenia:

¬ employment income, directors' fees, social security pension, dividends, interest, income derived from the transfer of intellectual property, rental income, and any other income not listed below if it is paid out or economically borne by a Slovenian resident company or by a PE of a non-resident in Slovenia;
¬ income from immovable property and from the rights pertaining to immovable property if the immovable property concerned is located in Slovenia;
¬ income from agricultural and forestry activities if the activity is performed on land located in Slovenia;
¬ capital gains from disposal of shares in legal entities established in Slovenia and income derived from investments coupons (including capital gains from disposal of the investment coupons) if the investment fund is established in Slovenia.

Certain exemptions are applicable to capital gains and interests under special conditions.

The tax on a non-resident's income is paid either through a final withholding tax, or through a tax return, depending on the type of income and on whether a payer of income is considered a taxpayer pursuant to the Tax Procedure Act.

Under certain conditions, citizens of an EU Member State who are non-residents within the meaning of the Slovenian tax law may also apply for treatment as a resident (»Schumacker doctrine«). To enjoy the basic tax relief, personal tax relief, special tax relief for dependent family members and the tax relief for voluntary additional pension insurance they have to file an annual tax return and prove that the income in Slovenia represents at least 90% of their whole worldwide taxable income and that the Slovenian income is not taxed in their state of residence.

4.2 NON-RESIDENT CORPORATIONS

A non-resident corporation (i.e. with neither place of management nor legal seat in Slovenia) is subject to limited corporate tax liability if it carries on a business in Slovenia through a PE (see also I.B.4.1). In this case, tax liability is limited to the income attributed to that permanent establishment. In addition, an income is deemed to have its source in Slovenia in the following cases:

- income from immovable property and from the rights pertaining to immovable property if the immovable property concerned is located in Slovenia;
- income from agricultural and forestry activities if the activity is performed on land located in Slovenia;
- income from exploitation or the right to exploitation of deposits of ores, wellsprings or other natural resources if these are located in Slovenia;
- profits from disposal and dividends, including income similar to dividends and income from holdings sourced in financial instruments and/or of all types of financial investments such as securities and ownership shares if issued by entities set up in accordance with the regulations of Slovenia, local authorities or the Bank of Slovenia, and/or from holdings in companies, cooperative societies and other types of organizations set up in accordance with the regulations of Slovenia;
- interest if borne by a resident or non-resident through his business unit in Slovenia;
- income from the use or the right to use copyrights, patents, brand names and other property rights, and income from other similar rights if borne by a resident or a non-resident through his business unit in Slovenia;
- profit from disposal of a resident's or non-resident's business unit in Slovenia;
- profit from disposal of immovable property located in Slovenia (including also the profit from disposal of equity holdings and the rights arising from equity holdings in a company, cooperative society or other type of organization if over one half of the value thereof arises directly or indirectly from immovable property and the rights pertaining to immovable property located in Slovenia);
- income from services provided by performing artists or athletes, belonging to another person if such services are provided in Slovenia;
- income from services if services are performed in Slovenia or borne by a resident or non-resident through his business unit in Slovenia.

The general tax rate is 19%. The tax on a non-resident's income is paid either through a final withholding tax, or through a tax return, depending on the type of income and on whether a payer of income is considered a taxpayer pursuant to the Tax Procedure Act.

C INTERNATIONAL BUSINESS-RELATED ISSUES

1 Tax treaties

Slovenia has 59 tax treaties in the area of personal and corporate income tax. In most of the treaties the credit method applies.The tax treaties usually follow the OECD Model Tax Convention. The reliefs from the tax treaties are granted on the basis of domestic tax legislation, in the form of credit.

2 Transfer pricing

The Slovenian Tax Procedure Act contains specific provisions on the documentation of transfer pricing in connection with the inter-company supply of goods and services. A taxpayer who fails to submit or fails to submit in the prescribed manner or within the prescribed deadlines, data and documentation on the formulation of transfer prices is committing an offence. For the above offence the following penalties are generally prescribed:

- between EUR 1,200 and EUR 15,000 may be imposed on a taxpayer (company) that is deemed a micro-company or small company according to the Companies Act; or
- between EUR 3,200 and EUR 30,000 may be imposed on a taxpayer (company) that is deemed a medium-sized or large company according to the Companies Act.

Moreover, a fine ranging from EUR 600 to EUR 4,000 may be imposed for the offences above on the responsible manager of the taxpayer deemed a micro-company or small company; or a fine ranging from EUR 800 to EUR 4,000 may be imposed for an offence on the responsible manager of the taxpayer (company) deemed a medium-sized or large company. In our experience, the Tax Authorities usually do not impose the documentation-related penalty if taxpayers comply in good faith, in a reasonable manner, and within a reasonable time, with standardized and consistent transfer pricing documentation requirements, and apply their documentation and methods properly to determine their arm's length transfer prices. Accordingly, such behavior is treated as mitigating circumstances and could result in a reminder instead of a fine.

Taxpayers have to prepare a master file, a country-specific file and under certain conditions a »country-by-country report« (CbCR).

The master file should include at least (i) a description of the taxpayer, (ii) a description of the organizational structure and types of relations between the subjects, (iii) the system chosen for determining transfer prices, (iv) a description of the business activity and business strategy, (v) a description of the competition.

In the country-specific file the taxpayer has to include (i) information regarding transactions between related persons, (ii) information on comparability analyses of transactions regarding features of assets and services, functional analysis conducted, contractual terms, economic conditions that influence transactions, business strategies, other conditions influencing transactions, information regarding the method applied for determining the transfer prices and other documentation about the comparability of transfer prices with comparable market prices.

Multinational enterprise (MNE) groups whose yearly consolidated income in the business year previous to the business year of reporting amounts to EUR 750 million or more are bound to CbCR. The CbCR is filed by the reporting entity of the MNE group. In principle, the reporting entity is the ultimate parent company that is tax resident in Slovenia. The deadline for the first report for the 2016 business year is 31 December 2017. In the CbCR the taxpayer must include (i) aggregate information relating to the amount of revenue, profit (loss) before tax, tax paid, tax accrued, stated capital, accumulated earnings, number of employees, and tangible assets other than cash or cash equivalents with regard to each jurisdiction in which the MNE group operates; (ii) an identification of each entity within the MNE group setting out the jurisdiction of its tax residence, and where different from such jurisdiction of tax residence, the jurisdiction under the laws of which the entity is incorporated, and the nature of its main business activity or activities. CbCRs will be automatically exchanged between financial authorities.

On 1 January 2017 the provisions relating to the »Advance Pricing Agreement« (APA) came into force. They enable all taxable persons to conclude an advance agreement with the financial administration regarding the transfer prices between related parties which are recognized for tax purposes.

An APA is an agreement which sets the methodology, critical assumptions and other appropriate criteria for determining transfer prices for certain transactions for a fixed period before the transactions are performed. The procedure is as follows:

1. Preparation: the taxable person files a written application for concluding an agreement and conducts an interview with the tax authorities, which serves as a guideline for the preparation of the relevant application.
2. Submission of a written application for the agreement. The tax authority has three months' time to decide whether the procedure will start or not. The costs of concluding the agreement are EUR 15,000.
3. Concluding and signing the agreement. The agreement may be concluded for a maximum period of five years with the possibility of an extension. The price of the prolongation of the agreement validity is EUR 7,500.
4. Monitoring and implementation of the agreement. Taxable persons are obliged to report annually to the tax authorities on the critical assumptions validity and adjustments (together with their submission of the corporate income tax return). If there are discrepancies in the critical assumptions, the taxable person should inform the tax authorities about them.

The APA may be amended if so agreed by both parties. It is terminated in three cases: the expiration of the term for which it was concluded, the non-implementation of the reporting obligations by the taxable person, and in the event of significant changes in critical assumptions of the agreement and the agreement as such does not change.

3 Controlled foreign corporations

The rules on controlled foreign corporations (CFC) are transposed in the CITA-2 with the new Chapter X.b, which contains three new articles (Article 67.h – 67.j), applicable as of 1 January 2019. The main purpose of the rule is the attribution of the subsidiary's passive income from jurisdictions with more favorable tax conditions to the parent company.

Definition of a CFC
A taxpayer shall treat an entity as a CFC where the following conditions are met:

- the taxpayer by itself, directly or indirectly, participates therein with more than 50% of the voting rights, or has, directly or indirectly, more than 50% of the capital or is entitled to more than 50% of that entity's profits; and
- corporate income tax on profits actually paid by such entity is lower than half of the corporate income tax that would be paid for this profit under the CITA-2 rules.

Income attribution and inclusion in the tax base of the parent company
Only the undistributed profits generated from so-called passive income of a CFC (interest, dividends, income from property rights, royalties, etc.), which are listed exhaustively in the new Article 67.i of the CITA-2, shall be attributed to the tax base of the parent company.

There are two exceptions in this regard. Namely, the attribution is not required if:

- it is clear from the facts and circumstances that a CFC carries out substantive economic activity supported by personnel, equipment, assets, and premises; or
- one third or less of the income accruing to the CFC falls within the categories under the first paragraph of Article 67.i.

Calculation of the attribution of profit
The profit to be included in the tax base of the parent company shall be calculated in accordance with the CITA-2 rules and shall be taken into account in proportion to the participation in a CFC. Profit shall be included in the tax base of the parent company in the tax period in which the tax period of a CFC ends.

Losses of a CFC are not included in the tax base of the parent company, but can be carried forward in accordance with CITA-2 rules and taken into account in subsequent tax periods. CITA-2 also provides for rules to eliminate possible double taxation.

4 Exit taxation

With the second partial implementation of the Council Directive (EU) 2016/1164 (»Anti-Tax Avoidance Directive«, henceforth ATAD) into CITA-2 (Articles 54.a and 54.b) and the Tax Procedure Act (Article 370.a), the Slovenian legislator has introduced, inter alia, the concept of exit taxation. Exit taxation is only applicable for taxpayers under the provisions of CITA-2 and not for taxpayers under Slovenia's Personal Income Tax Act.

Essentially, the Slovenian exit taxation is in line with the ATAD. Hence, exit taxation is applicable in the following four situations:

- the transfer of a taxpayer's assets to its permanent establishment in another country;
- the transfer of a taxpayer's assets from a Slovenian permanent establishment to either its own seat, place of effective management or to a permanent establishment in another country;
- the transfer of a taxpayer's tax residency (except for assets on which Slovenia does not lose its taxing rights); and
- the transfer of business carried out by its permanent establishment to another country.

If any of the aforementioned situations occurs, the amount of exit tax depends on the hidden reserves in the transferred assets. A hidden reserve is the difference between the actual market value of the transferred asset (at the time of the transfer) and the value for tax purposes (usually the book value of the asset). The hidden reserve increases the annual tax base of the taxpayer. The payable amount that arises from the exit tax may be paid by up to 5 equal yearly installments. However, interest at an annual rate of 2% is charged on the deferred payments. Note that payment in installments is only possible if a transfer takes place from Slovenia to an EU/EEA Member State. Assets that will be returned to Slovenia's tax jurisdiction within a period of 12 months are exempted to the extent that those assets are connected to financing securities; the assets are given as assurance of payment; the asset transfer takes place in order to meet prudential capital requirements or for the purpose of liquidity management.

5 Hybrid mismatches

As noted above, the concept of hybrid mismatches has been implemented into CITA-2 (Articles 67.k through 67.m) by way of implementation of the ATAD and its successor, Council Directive (EU) 2017/952 amending Directive (EU) 2016/1164 as regards hybrid mismatches with third countries (henceforth ATAD 2). The basic premise of the new rules is the neutralization of hybrid mismatches.

In general the hybrid mismatch rules only apply to hybrid mismatches arising between associated entities, in the course of structured arrangements or between participants in a hybrid transfer, of a financial instrument that causes the tax paid at source to be repeatedly included. CITA-2 stipulates that for two entities to be associated:

- a Slovenian taxpayer must have either a direct or an indirect participative stake in another entity, either by way of at least 50% of voting shares, 50% of capital investment, or is entitled to receive at least 50% of the profit; (or)
- a foregoing entity or individual has either a direct or an indirect participative stake in a Slovenian taxpayer, either by way of at least 50% of voting shares, 50% of capital investment, or is entitled to receive at least 50% of the profit.

It should be noted that if a controlling entity is associated in two separate entities, by way of control as described above, the two entities are also to be regarded as associated (i.e. horizontal association).

However, association by way of formal control is not the only factor in determining association since an individual or a person acting in conjunction with another individual or a person in connection with voting rights or ownership of third-party capital is treated as a participant in any voting rights or ownership of third-party capital held by another individual or person. It is also regarded that (in terms of consolidation) another person is understood to be controlled if the taxpayer has significant influence over management of another person (or vice versa).

Besides these criteria, an association also exists between a taxable entity and its permanent establishment (and between permanent establishments themselves).

Hybrid mismatch situations

Under CITA-2 there are two types of hybrid mismatches: (i) double deduction and (ii) deduction without inclusion. A specific form of a hybrid mismatch is a hybrid entity, which may present itself either as:

- a Slovenian taxpayer, another entity or an arrangement, which is subject to taxation under Slovenian law, while its income or expenditure is also treated as income or expenditure of one or more other persons or individuals under a foreign country's law;
- a foreign person or arrangement that is subject to tax of another state, while its income or expenditure is also treated as income or expenditure of one or more other persons or individuals under Slovenian law.

The occurrence and neutralization of hybrid mismatches arising from double deduction

A double deduction situation arises if payments, expenses and/or losses are deducted in:

¬ the country where the payments, expenses and/or losses have been made (the country of origin), and additionally
¬ in another country (the country of the investor).

In situations of hybrid entities (or permanent establishments), the payer country is where the hybrid entity (or the permanent establishment) has its seat, its place of effective management, or where it is located.

This hybrid mismatch is generally neutralized either by:

¬ not allowing the Slovenian taxpayer acting as an investor to deduct the payment, or
¬ not allowing the Slovenian taxpayer acting as a payer to deduct the payment, if the payment has already been deducted in the investor's jurisdiction.

The occurrence and neutralization of a hybrid mismatch arising from deduction without inclusion

A deduction without inclusion occurs if payments or deemed payments (payment between the head office and permanent establishment or between two or more permanent establishments) in any jurisdiction in which that payment or deemed payment is treated as made (payer jurisdiction) without a corresponding inclusion for tax purposes of that payment or deemed payment in the payee jurisdiction. The payee jurisdiction is any jurisdiction where that payment or deemed payment is received or is treated as being received under the laws of any other jurisdiction.

However, the hybrid mismatch rules for deduction without inclusion only apply to the following (close list) situations:

¬ a payment under a financial instrument gives rise to a deduction, such payment is not included within a reasonable period of time and the mismatch outcome is attributable to differences in the characterization of the instrument or the payment made under it. Payments made under a financial instrument shall be treated as included in income within a reasonable period of time if: the payment is included by the jurisdiction of the beneficiary (payee) in a tax period that commences within 12 months of the end of the payer's tax period; or it is reasonable to expect that the payment will be included by the jurisdiction of the payee in a future tax period and the terms of payment are those that would be expected to be agreed between independent enterprises;
¬ a payment to a hybrid entity gives rise to a deduction without inclusion and that mismatch outcome is the result of differences in the allocation of payments made to the hybrid entity under the laws of the jurisdiction where the hybrid entity is established or registered and the jurisdiction of any person with a participation in that hybrid entity;
¬ a payment to an entity with one or more permanent establishment gives rise to a deduction without inclusion and that mismatch outcome is the result of differences in the allocation of payments between the head office and permanent establishment or between two or more permanent establishments of the same entity under the laws of the jurisdictions where the entity operates;
¬ a payment gives rise to a deduction without inclusion as a result of a payment to a disregarded permanent establishment;
¬ a payment by a hybrid entity gives rise to a deduction without inclusion as a result of the fact that the payment is disregarded under the laws of the payee jurisdiction;
¬ a deemed payment between the head office and permanent establishment or between two or more permanent establishments gives rise to a deduction without inclusion as a result of the fact that the payment is disregarded under the laws of the payee jurisdiction.

If the Slovenian taxpayer acts as a payer in these situations, the payment is not tax deductible. If the Slovenian taxpayer acts as the payee and the payment is treated as tax deductible according to the law of the payer's jurisdiction, the Slovenian taxpayer will have to include the amount that would have had caused the mismatch.

6 DAC 6 reporting obligation

As of 2019, Slovenia has implemented into its Tax Procedure Act the Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements (henceforth DAC 6). The implemented rules are in line with DAC 6.

A cross-border arrangement means an arrangement concerning either more than one Member State or a Member State and a third country where at least one of the following conditions are met:

- not all of the participants of the arrangement are resident for tax purposes in the same jurisdiction;
- one or more of the participants in the arrangement is simultaneously resident for tax purposes in more than one jurisdiction;
- one or more of the participants in the arrangement carries on a business in another jurisdiction through a permanent establishment situated in that jurisdiction and the arrangement forms part or the whole of the business of that permanent establishment;
- one or more of the participants in the arrangement carries on an activity in another jurisdiction without being resident for tax purposes or creating a permanent establishment situated in that jurisdiction;
- such arrangement has a possible impact on the automatic exchange of information or the identification of beneficial ownership.

Moreover, the Tax Procedure Act directly refers to the relevant annex of DAC 6, for instance, Article 243.a(11) and (12) state: that a »reportable cross-border arrangement« means any cross-border arrangement that contains at least one of the hallmarks set out in Annex IV of DAC 6 and a »hallmark« means a characteristic or feature of a cross-border arrangement that presents an indication of a potential risk of tax avoidance, as listed in Annex IV of DAC 6.

The same direct implementation happens with respect to regarding the automatic exchange of cross-border arrangements (Article 248.c Tax Procedure Act) and rules regarding reporting of cross-border arrangements (Articles 255.m, 255.n, 255.o, 255.p, 255.r, 255.s, 255.š, 255.t, and 255.u Tax Procedure Act).

D VALUE ADDED TAX

1 Taxable persons

In general, taxable persons carrying out taxable transactions in Slovenia are subject to VAT liability. A taxable person for VAT purposes is a person who independently carries on any economic activity in any place, whatever the purpose or results of that activity are. Non-residents may also qualify as taxable persons subject to Slovenian VAT if they carry out taxable transactions in Slovenia (see I.D.9.). A taxable person is exempt from VAT if his taxable turnover in the last 12-month period did not exceed or is unlikely to exceed EUR 50,000; however, this threshold is not applicable to non-residents. If the turnover threshold is not exceeded, a voluntary registration for VAT purposes is possible; however, the taxable person must apply this option to VAT taxation for at least 60 months. Registration for a VAT group is not regulated and therefore not applicable.

2 Taxable transactions

Under the rules of the Slovenian Value Added Tax Act (VATA), the following transactions are taxable:

- the supply of goods and services within Slovenia for a consideration by taxable persons within the scope of their business;
- the withdrawal of goods and rendering of services for the taxable person himself (self-supply);
- the import of goods from a country outside the European Community; and
- intra-Community acquisitions.

2.1 SUPPLY OF GOODS AND SERVICES

A supply of goods is the transfer of the right to dispose of the tangible property as owner.

Supplies of services are all supplies that are not treated as a supply of goods. Services may consist in a positive action (e.g. the rendering of services) or in the granting of permission for actions by others (e.g. operating leasing of immovable property, use of rights and patents).

A supply is also the withdrawal of goods or the use of goods by a taxable person for his private use or for that of his staff if the goods form a part of the business of the taxable person.

The transfer of a single-purpose voucher is also considered a supply of goods or services.

2.2 WITHDRAWAL (SELF-SUPPLY)

Self-supply within the meaning of the VATA is:

- the use or withdrawal of goods belonging to the business by a taxable person for non-business purposes;
- the supply of services to the taxable person himself as well as to third parties if the supply is effected for non-business purposes; and
- non-deductible expenditures under the Personal Income Tax Act or Corporate Income Tax Act.

Self-supply is taxable only if the acquisition of the goods in question gave rise to an input VAT deduction.

2.3 IMPORT

The transfer of goods from a country outside the European Community to Slovenia is subject to import VAT.

2.4 INTRA-COMMUNITY ACQUISITIONS

An intra-Community acquisition is the acquisition of goods transported from one Member State to another Member State, provided both the supplier and the recipient are entrepreneurs for VAT purposes. On the one hand, the supplier carries out an exempt intra-Community supply; on the other hand, the recipient has to pay VAT and may deduct it if he is entitled to input VAT deduction.

A transfer of goods forming part of business assets by an entrepreneur from an EU Member State to Slovenia is also deemed to be an intra-Community acquisition in Slovenia, unless the goods are just used temporarily in Slovenia.

3 Place of supply

The supply of goods and services is taxed under the VATA only if the place of the taxable transaction is in Slovenia.

The place of supply is deemed to be the place where the goods are situated at the time the right to dispose of them as owner is transferred to the recipient. The place of the supply of goods dispatched or transported by the supplier or the recipient is deemed to be the place where the goods are at the time when the dispatch or transport starts. When goods are dispatched or transported from a country outside the European Community to a Member State, the supply of goods is regarded as having been carried out in Slovenia if the supplier pays import VAT. The rules on distance selling apply if goods are transported from another Member State to private customers in Slovenia, and the total value of supplies to those customers by the supplier exceeds EUR 35,000 in the current or previous calendar year. A supplier may opt for application of the distance-selling rule, even if the supplies to Slovenia do not exceed the threshold of EUR 35,000. Intra-Community acquisitions are, in general, taxable at the place where the dispatch or transport ends. Intra-Community acquisitions by threshold acquirers who do not exceed the threshold of EUR 10,000 are only taxed in the source state, except for new means of transport. Intra-Community acquisitions by private persons are only taxed in the source state, except for new means of transport.

In general, when supplying to a taxable person, the supply of services is taxable at the place where the recipient has established his business or has a fixed establishment. There are numerous exceptions to this general rule. When supplying to a non-taxable person, the supply of services is in general taxable where the supplier has established his business or has a fixed establishment from which the service is supplied. There are some exemptions to that rule.

4 Taxable amount

The taxable amount is the consideration that the customer has to pay to receive goods or services, excluding VAT itself. For withdrawals of goods and services, the taxable amount is the replacement value (purchase price or cost price); for imported goods, the tax base is the value for customs duty purposes.

As a rule, VAT is imposed on the basis of the consideration agreed between the parties. In case of cancellation or refusal of the supply, or if the price changes, the VAT can be adjusted if he informs the buyer in writing (credit note) of the amount of VAT for which the buyer is not entitled to deduct input VAT. If the taxable person ultimately does not receive the agreed consideration, the amount of VAT can also be adjusted, provided that certain preconditions are met.

Taxable persons engaged in transactions with related persons have to set the taxable amount according to the open market value of the goods or services if the supplier or recipient does not have a full right of deduction. The taxable amount can also be adjusted if the buyer is in insolvency proceedings, provided that all preconditions are met.

5 Tax rates

The following tax rates are provided for by the VATA:

Rate	Description
22%	standard VAT rate
9.5%	reduced VAT rate, which applies especially to foods and beverages, preparation of meals, agricultural products, books, plants, artists, transportation of persons, hospitals, acquisition of residential housing if part of the social policy, renovation and maintenance work for residential housing, when charged directly to the investor, admission for the theater, museums, movie theaters, sport and music events, etc, some personal services, renting of rooms in hotels, apartments, etc.
5%	special reduced VAT rate, which applies to the supply (including on loan by libraries) of books, newspapers, and periodicals supplied either physically or electronically or both (including brochures, leaflets, and similar printed matter; children's picture, drawing, or coloring books; music printed or in manuscript form; maps and hydrographic or similar charts), other than publications wholly or predominantly devoted to advertising and other than publications wholly or predominantly consisting of video content or audible music.

6 Exemptions

The numerous exemptions from VAT can be classified in two categories depending on whether or not they preclude the deduction of input VAT. The most important exemptions are listed below (the list is exemplary, not exhaustive).

6.1 ZERO-RATED SUPPLIES

The following supplies do not affect the right to deduct input VAT:

¬ export of goods (goods are transported outside the Community);
¬ intra-Community supply;
¬ cross-border transport of export goods;
¬ cross-border transport of persons by vessels and aircraft; and
¬ work on and the processing of goods to be exported outside the Community.

6.2 EXEMPT SUPPLIES

VAT exemptions, which preclude the deduction of input VAT, include, among others:

¬ banking and financial transactions as well as insurance transactions;
¬ the transfer of immovable property (including buildings, excluding new buildings within two years, and excluding building land) but the entrepreneur may opt for regular VAT treatment;
¬ leasing or letting of immovable property for residential or business purposes: The taxable person may, for business purposes, opt for regular VAT treatment if the lessee is entitled to input VAT deduction;
¬ services supplied by dentists, doctors or psychotherapists as well as services of hospitals and medical institutions; and
¬ small businesses: The exemption for small businesses applies if the annual turnover of the taxable person does not exceed EUR 50,000 but the taxable person may opt for regular VAT treatment.

7 Input VAT deduction

The taxable person is entitled to deduct VAT (invoiced by other taxable persons) paid on goods and services, imports and intra-Community acquisitions if the following conditions are fulfilled:

¬ the supply of goods or services is to be effected by another taxable person in Slovenia for the enterprise of the recipient;
¬ the recipient of the supply of goods or services has used or intends to use those goods or services for the purpose of performing activities that are subject to VAT; and
¬ an invoice or other document is to be received in accordance with the preconditions stated in the law.

Finally, the amount of VAT liability in a taxable period results from the VAT on the supply of goods and services carried out by the taxable person less input VAT paid in the same period. The taxable person must pay the balance due to or may claim a refund from the tax authorities.

8 VAT liability

In general, a taxable person carrying out a taxable transaction is liable for the payment of VAT. He is obliged to pay the invoiced VAT to the tax office. However, as regards supplies of services subject to reverse-charge as well as intra-Community acquisitions, the recipient is liable for VAT. The reverse-charge mechanism applies in the following cases:

- supply of services if they are taxed according to the general rule for the place of supply of services and if they are supplied to a Slovenian taxable person and carried out by a foreign taxable person (no seat or fixed establishment in Slovenia);
- supply of construction services, supply of staff engaged in construction activities, supply of rights to greenhouse gases until 30 June 2022, supply of immovable property where the supplier opted for taxation, as well as supply of recyclable waste, scrap and used material from iron and colored metal, if the supplier and the recipient are Slovenian taxable persons (domestic reverse-charge); a foreign taxable supplier must therefore register for VAT in order for the reverse charge to apply;
- if the foreign taxable person carrying out taxable transactions in Slovenia (e.g. construction services) did not register for VAT purposes in Slovenia. In such a case, the recipient is liable to pay VAT, and the foreign taxable person has no right to a VAT refund (see I.D.9.2); and
- payment of VAT upon importation of goods, if the importer is VAT registered in Slovenia. In case of VAT-registered importers who are not established in Slovenia, the reverse-charge scheme may be applied if they appoint a fiscal representative for this purpose who is then jointly and severally liable for the payment of import VAT. If the preconditions for the reverse charge are not met, the VAT on importation is paid as an import duty.

9 Tax assessment

9.1 RESIDENT TAXABLE PERSONS

Any person who starts business activities in Slovenia must register with the tax office. For VAT purposes, a taxable person who carries out taxable transactions has to file monthly or quarterly VAT returns (the latter option is only for resident taxable persons) electronically and make appropriate payments during the tax year. A taxable person must submit his tax return to the tax authority by the last business day of the month following the expiration of the tax period; a taxable person who carries out intra-Community transactions and is liable to submit a recapitulative statement must submit his VAT return by the 20th of the month following the expiration of the tax period. The monthly declaration is final and no annual return is required.

In addition, taxable persons carrying out intra-Community supplies of goods as well as supplies of services to taxable persons in other EU Member States that are subject to the reverse-charge mechanism, have to file recapitulative statements (EC Sales Lists) that show the VAT identification numbers of the recipients and the total value of the supplies made to them in a month. A taxable person must submit the recapitulative statement by the 20th of the month following the expiry of the month.

In cases where the supply of goods or services is subject to the domestic reverse-charge mechanism, a special report on that has to be submitted as well. The taxable person must submit such report by the last business day of the month following the end of the calendar month.

9.2 FOREIGN TAXABLE PERSONS

Foreign taxable persons carrying out taxable transactions in Slovenia have to register for VAT purposes at the competent tax office and electronically submit monthly VAT returns just like resident taxable persons. In the course of the VAT registration of a taxable person, the responsible person also acquires a Slovenian tax number for identification purposes. If foreign EU taxable persons do not have their seat in Slovenia, they may choose a fiscal representative in case they effect supplies subject to Slovenian VAT. In the case of a foreign non-EU taxable person, the appointment of a fiscal representative is obligatory.

Foreign non-EU taxable persons who act as importers in Slovenia according to the simplified Procedure 42 must register for VAT and appoint a representative, whereas taxable persons from the EU can either register or appoint a representative. Procedure 42 takes place when the goods are dispatched or transported from a third country into Slovenia, but the transportation ends in another EU Member State and the intra-Community rules for supply of goods according to Art. 138 VAT Directive apply.

Foreign taxable persons from the EU who do not carry out taxable transactions in Slovenia may claim a refund of input VAT by filing an electronic application at their home tax office.

Foreign taxable persons from third countries who do not carry out taxable transactions in Slovenia can also claim the VAT, but only through electronic application on the web portal of the Slovenian tax authorities. The following conditions must be fulfilled for a VAT refund:

- the taxable person has no residence, seat or fixed establishment in Slovenia;
- the taxable person has neither effected supplies of goods, services, self-supplies nor carried out intra-Community acquisitions;
- the taxable person has effected certain transport of goods and persons only;
- the taxable person has effected supplies subject only to the reverse-charge mechanism.

10 Quick Fixes

The Council Directive (EU) 2018/1910 regarding the so-called »quick fixes« was implemented into national legislation with the amended VAT Act. The relevant amendments came into force on 1 January 2020.

These quick fixes introduce new rules for specific types of transactions and supplement the existing rules in order to ensure greater legal certainty for taxable persons and to simplify their operations:

Call-off stock
The transfer of goods to a warehouse in another Member State is not considered a supply of goods. The supply is only deemed to be performed when the goods have actually been delivered to the recipient. The conditions for the application of this specific scheme are laid down more precisely and are uniformly implemented in all Member States. In Slovenia, however, the regulation has generally not changed, as it has already been in force since 2004.

Chain transactions
A uniform rule has been introduced to specify to which supply the transport of goods is ascribed if the transport is organized by the second or intermediate supplier in the chain. If the same goods are consecutively supplied directly from the first supplier in Slovenia to the last customer in the chain in another Member State (or vice versa), the transport shall generally be ascribed to the supply to the intermediate or second supplier. However, if the intermediate supplier communicates to his supplier his VAT number of the state where the transport starts, the transport is ascribed to the supply of goods performed by the intermediate supplier.

VAT identification number of the recipient
This is an additional substantive condition (not just formal) for exempting an intra-Community supply in case of the supply of goods to another Member State, and the supplier has to include the recipient's information in his recapitulative statement.

Proof of intra-Community transport
With regard to proving the transport of an intra-Community supply, Art 45a of the Implementing Regulation (EU) No. 2018/1912 must now be taken into account (no changes to the existing VAT Act were made). As regards applying the exemption of an intra-Community supply, it shall be presumed that the goods have been dispatched/transported from Slovenia to another Member State provided that the supplier is in possession of the documents listed in the Article 45a of the Implementing Regulation (EU) No. 2018/1912.

E OTHER BUSINESS-RELATED TAXES

1 Capital duty

There is no capital duty in Slovenia.

2 Stamp duties

Stamp duties are levied on numerous judicial (court) and administrative (municipality) procedures.

Judicial stamp duties are, inter alia, levied on civil procedures, non-litigation civil law procedures and land registry procedures, bankruptcy proceedings, registration proceedings and administrative disputes.

Administrative stamp duties are levied on the issue of documents and actions in administrative and other public law matters, such as applications, administrative decisions, permits, orders, consents, administrative actions.

The rate is determined on the basis of the number of points allocated by the court or authority to every action or procedure. The value of one point as well as the number of points assigned is defined in the Judicial Stamp Duties Act and in the Administrative Stamp Duties Act.

3 Customs duties

Slovenia, as an EU Member State, applies the common Community customs legislation. The Community is a Customs Union and therefore an area without internal customs duties, and it levies uniform duties on importation from third countries. Goods from third countries are cleared through customs and import duties are levied at the place of importation into the Community.

4 Other excise duties

Goods subject to excise duties are tobacco products, alcohol and alcoholic beverages and energy products. Normally, a producer, importer or trader has to pay excise duty but if the goods are not bound for final consumption in Slovenia, the suspension regime may be applied. In this case, the excisable goods remain under the supervision of the competent customs office and the excise duty is only due when the goods leave the suspension regime. Certain goods are exempt from payment of excise duty.

5 Environmental taxes

Slovenian law provides for various environmental taxes with regards to:

- CO_2 emissions;
- use of lubricating oils and liquids;
- used motor vehicles;
- used pneumatic tires;
- packaging waste;
- waste electrical and electronic equipment;
- volatile organic compounds;
- discharge of waste water;
- the landfill of waste.

The Slovenian legislation precisely defines different types of environmental taxes, the taxpayers, and the tax rates.

6 Advertising duty

Advertising duty on advertising on billboards and banners is governed by the legislation of the communes.

7 Digital services tax

N/A

8 Tax on financial services

All financial services performed in Slovenia are subject to the tax on financial services. Any person who performs financial services in Slovenia (e.g. granting credits, performing financial transactions, managing investment funds, etc) is a taxpayer. The taxable base is any payment or provision for rendering financial services. The tax rate is 8.5%.

9 Bank balance sheet tax

Bank balance sheet tax was abolished as per 1 January 2015.

10 Tax on insurance services

This tax is levied on insurance premiums and paid by insurance companies. The tax rate is 8.5%. The taxable person is an insurance company or other legal entity that performs insurance operations within the territory of the Republic of Slovenia. The base for charging the tax is the premium or contribution paid on the basis of a concluded insurance contract. Some exemptions are provided for particular types of insurance.

11 Fire fee

The fire fee is levied on insurance premiums for fire insurance and paid by insurance companies. The rate is 5% of the basis. The basis depends on type of insurance contract. The taxable person is an insurance company or other legal entity that performs insurance operations within the territory of the Republic of Slovenia.

II SPECIAL AREAS OF TAXATION OF BUSINESS-RELATED ACTIVITIES

A HOLDING STRUCTURES

1 Participation exemption

1.1 DOMESTIC PARTICIPATION EXEMPTION

Under the domestic participation exemption regime, dividends and income similar to dividends derived by a resident corporation from participation in another Slovenian corporation (except hidden reserves that were not taxed at the disburser level) are exempt from corporate income tax, regardless of the capital ownership percentage and the holding period. Expenses of an amount equal to 5% of the dividends received are not tax deductible, being deemed expenses incurred with respect to the exempt dividend income.

1.2 INTERNATIONAL PARTICIPATION EXEMPTION

When calculating the tax base, the taxpayer may exempt received dividends and other similar income, except hidden reserves, that were not taxed at the disburser level, if the dividend payer is:

- a resident of an EU Member State for tax purposes under the law of that Member State and is not deemed to be a resident outside the EU due to a tax treaty with a non-Member State; and
- liable to pay tax comparable to the Slovenian CIT and is not resident in or in the case of a business unit, not situated in a country in which the general, average nominal corporate tax rate is less than 12.5% and which is on the list published by the Ministry of Finance.

The above provisions also apply to a non-resident recipient if the recipient's participation in the equity capital 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. Expenses of an amount equal to 5% of the dividends received are not tax deductible, being deemed expenses incurred with respect to the exempt dividend income.

1.3 ANTI-AVOIDANCE AND ANTI-ABUSE RULES

The anti-avoidance and anti-abuse rule provides that under certain conditions dividends received or other shares in profit are not excluded from the tax base of the recipient.

The anti-abuse rule applies in case the dividend payer is resident or the PE is located in a state where the general or average nominal corporate tax rate is lower than 12.5% and if the state is mentioned on a list published by the Slovenian Ministry of Finance.

Based on an amendment to the EC Parent-Subsidiary Directive, the following two rules apply:

- an anti-avoidance rule which rules that the recipient cannot exclude dividends received or other shares in profit from the tax base to the extent to which they were considered under the payer's expenses and to which they reduced the payer's tax base (e.g. in case of hybrid loans); and
- an anti-abuse rule according to which a recipient is not allowed to exclude dividends and other similar income from the tax base in case of circumstances from Art. 74 of the Tax Procedure Act (e.g. fictitious transactions, invalid transactions, transactions different to their legal form or economic substance), or in case of a scheme or series of schemes whose main purpose or one of the main purposes is to obtain tax advantages, whereby the non-recognition of the exclusion from the tax base may apply only to one step or part of the scheme.

General Anti-Abuse Rule (GAAR)
In 2018 a new anti-abuse measure was introduced to prevent aggressive tax planning provided for by ATAD. The newly added Article 2.a of CITA-2 defines the general rule on the prevention of abuses in the field of corporate taxation (General Anti-Abuse Rule – GAAR). This new rule complements the principle of material truth in tax matters and the principle of taxation by economic content (substance-over-form principle) as defined in the Tax Procedure Act.

The GAAR concerns schemes or arrangements (or their parts) that are not genuine, but are set up with the main purpose or one of the main purposes of obtaining tax benefits or entitlements on the basis of which taxpayers reduce their corporate income tax liabilities.

In accordance with the GAAR, an arrangement or a series of arrangements which are not genuine shall be ignored for the purposes of calculating the corporate tax liability. This means that the tax liability is calculated in accordance with the law, as if no such arrangement existed. CITA-2 stipulates that a non-genuine arrangement is considered an arrangement that has not been implemented for commercial reasons which reflect the economic reality.

The GAAR has been in force since 1 January 2019, whereby it is not important whether the benefits derive from the arrangements before or after the entry into force of the CITA-2.

Investment fund legislation
The participation exemption for dividends derived from a foreign subsidiary applies also if the foreign subsidiary is classified as a foreign investment fund, provided that the conditions above are met.

2 Outbound dividends

2.1 DIVIDENDS PAID TO RESIDENT CORPORATE SHAREHOLDERS

In general, dividends and other profit distributions are subject to a withholding tax of 15%. However, the tax is not calculated, withheld or paid if dividends and other profit distributions are paid to a resident taxpayer or to the PE of a non-resident in Slovenia who has notified the dividend payer of his tax number.

2.2 DIVIDENDS PAID TO NON-RESIDENT CORPORATE SHAREHOLDERS

Domestic law
Relief from withholding tax on outbound dividends may be provided by domestic law if the recipient is a resident of an EU/EEA country and has no right to get a tax credit for the withholding tax paid in Slovenia. Additional conditions are that the purpose of the transaction is not tax avoidance and the efficient exchange of information is provided to the country of residence.

EC Parent-Subsidiary Directive
As the EC Parent-Subsidiary Directive has been implemented into Slovenian law, the Corporate Income Tax Act provides that tax is not withheld from payments of dividends and income similar to dividends, provided that (i) they are distributed to companies with a legal form listed in the Annex to the EC Parent-Subsidiary Directive and laid down by the Minister of Finance, (ii) the recipient holds at least 10% of the value, number of shares, holdings in the equity capital, share capital or voting rights of the person distributing the profits and (iii) the duration of the participation is at least 24 months. Furthermore, the recipient must:

¬ be resident in a Member State for tax purposes according to the tax law of that Member State; and
¬ not have the possibility of an option for exemption and must be subject to one of the taxes to which the EC Parent-Subsidiary Directive refers and which is laid down by the Minister of Finance.

Based on the EU Parent-Subsidiary Directive, the Slovenian CIT Act was supplemented in 2015 by an anti-abuse provision determining that this exemption cannot be applied in case of circumstances from Art. 74 of the Tax Procedure Act (e.g. fictitious transactions, invalid transactions, transactions different to their legal form or economic substance), or in case of a scheme or series of schemes whose main purpose or one of the main purposes is to obtain tax advantages, whereby the non-recognition of the exclusion from the tax base may apply only to one step or part of the scheme.

Tax treaties
Beyond the scope of the EC Parent-Subsidiary Directive, relief from withholding tax or a reduced tax rate on outbound dividends may be provided by the applicable tax treaties.

3 Interest deduction and thin capitalization

3.1 INTEREST DEDUCTION

Interest on the debt-financing of the acquisition of a participation in a (resident or non-resident) corporation is in general tax deductible regardless of the fact that the participation exemption provides for a tax exemption on income from the acquired participation. However, expenses relating to a participation are not recognized in an amount which is equal to 5% of the received dividends and capital gains in that tax period.

3.2 THIN CAPITALIZATION

Thin capitalization rules apply to loans from shareholders who hold, directly or indirectly, at least 25% of the capital or voting rights at any time during the tax period. The thin capitalization rule is also applicable to sister companies. The thin capitalization rule does not apply if the loan recipients are banks or insurance companies (e.g. leasing companies are not excluded from the thin capitalization rule).

According to the rules, the interest on loans from such shareholders may not be deducted if the loans exceed four times the value of the lender's share in the capital of the company (share capital). The term »share capital« includes all capital items according to the Companies Act and accounting standards, with the exception of net profit or loss of the current financial year. Therefore, according to the amendment, the new calculation shall also contain transferred business losses and revaluation reserves, which are part of the capital items. The average capital is calculated as the average of the state of the capital items at the beginning and at the end of the tax year. The thin capitalization rules do not apply if a taxpayer demonstrates that he could raise the surplus of loans from a lender who is a non-associated enterprise.

Thin capitalization rules apply to direct loans and loans granted indirectly through a bank or any other third party if the direct or indirect shareholder offers a guarantee for the loan. The new provision covers not only the debt financing of companies subject to unlimited tax liability in Slovenia, but also the financing of companies that are only subject to limited tax liability such as Slovenian permanent establishments of foreign companies.

Art. 4 of the Anti-Tax Avoidance Directive (ATAD) requires the Member States, including Slovenia, to introduce interest limitation rules. The interest limitation rules laid down in the ATAD are significantly different in comparison to the thin capitalization rules described above. Notwithstanding, the Commission considers the thin capitalization rules implemented by Slovenia to be »just as effective« as the interest limitation rules in the ATAD. Thus, Slovenia may continue to apply these rules in accordance with Article 11 of the ATAD at the latest until 1 January 2024. (Or alternatively, until the end of the first full fiscal year following the date of publication of the agreement between the OECD members on the official website on a minimum standard with regard to BEPS Action 4).

4 Non-resident shareholders

4.1 INTEREST AND ROYALTY PAYMENTS TO NON-RESIDENTS

Generally, a withholding tax rate of 15% applies to interest but there are exceptions for interest on inter-bank loans, on loans raised by Slovenia and securities issued by Slovenia whereby, these loans are raised and these debt instruments are issued by authorized institutions in accordance with the Act regulating the insurance and financing of international commercial transactions for which surety is provided by Slovenia under the above-mentioned act. A withholding tax rate of 15% applies to royalties.

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 is due on interest payments and royalty payments if at the time of payment:

¬ the interest and royalties are paid to the beneficial owner that is a company situated in another EU Member State or a PE of a company situated in a different EU Member State;
¬ the payer and the beneficial owner are associated in such a way that:
  ¬ the payer directly holds a share of at least 25% in the beneficial owner's equity capital;
  ¬ the beneficial owner directly holds a share of at least 25% in the payer's equity capital;
  ¬ the same company directly holds a share of at least 25% in the equity capital of both the payer and the beneficial owner;
  ¬ the above-mentioned payer and beneficial owner are participating companies of an EU Member State;
  ¬ the minimum share is held for at least 24 months;
¬ the payer or beneficial owner:
  ¬ is a company having a legal form listed in the Annex to the Interest and Royalty Directive;
  ¬ is a resident of an EU Member State for tax purposes in accordance with the law of that country;
  ¬ is a taxpayer subject to one of the taxes to which the Interest and Royalty Directive refers.

4.2 CAPITAL GAINS

Non-resident corporate shareholders deriving capital gains from expropriation holdings in legal entities in Slovenia are not liable to tax on capital gains in Slovenia. In establishing the tax base of a resident or non-resident with a PE in Slovenia that earns profits from the disposal of equity holdings in companies, cooperative societies, or other types of organizations, 50% of that profit shall be exempt from the tax base of the taxpayer, if the following conditions are met:

¬ the taxpayer who earns the profit has participated in capital and/or managing of another person in such a manner that he is the holder of holding shares or voting rights amounting to at least 8%;
¬ the participation is not in a company which is resident in a non-EU country or, in the case of a business unit, situated in a non-EU country in which the general, average nominal corporate tax rate is less than 12.5% and which is on the list published by the Ministry of Finance;
¬ the duration of this participation is at least six months; and
¬ he continuously employed at least one person during that period on a full-time basis.

Expenses equal to 5% of the capital gain are not tax deductible, being deemed expenses incurred with respect to the exempt income derived from capital gain. Upon liquidation or dissolution of a taxpayer within ten years of its establishment, the taxpayer shall increase the taxable base by part of capital gains excluded in the last five taxable periods.

5 Tax group

Slovenia no longer has a tax group regime.

B REAL ESTATE INVESTMENTS

The general principles of the taxation of Slovenian residents or non-resident individuals and corporate investors also apply to real estate investors.

1 Resident investors

An individual person is a tax resident in Slovenia for personal income tax purposes if he has a formal residential tie with Slovenia or has an actual residential tie with Slovenia (i.e. has a habitual abode or center of personal and economic interests or is present more than 183 days in a taxable year in Slovenia). For further details in that respect, see also I.B.1.1. Such a person is subject to Slovenian personal income tax on the worldwide income, including income from real estate.

A corporate investor having its statutory seat or place of effective management in Slovenia (see also I.B.2.1) is subject to unlimited corporate income tax liability on its income on a worldwide basis, including income from real estate (subject to the applicable tax treaties).

1.1 REAL ESTATE INVESTMENT INCOME

Income from real estate includes the following:

- income from rentals and leasing;
- short-term capital gains.

Income from rentals and leasing
Income from rentals and leasing of real property is not included in the annual taxable base of individuals and is taxed separately. The tax rate is 27.5%. This is the final tax. For determining the tax base, the rental income is reduced by lump-sum expenses at a fixed 15% of rental income. Instead of lump-sum expenses, an individual may claim the actual expenses related to real estate subject to rent/lease.

Short-term capital gains
Short-term capital gains are taxed at a tax rate of 27.5%, whereby the tax base is the difference between the sales price and acquisition costs. After expiry of a 5-year holding period the rate is reduced from 27.5% to 20%. After expiry of a 10-year holding period, the rate is reduced to 15% and after 15 years to 10%. After expiry of a 20-year holding period the capital gains are tax exempt.

Corporate investors
Rental and leasing payments and as well capital gains are taxed under the general corporate tax rate of 19%. Expenses relating to the rental and leasing activity, including 3% depreciation for buildings, and 6% for parts of buildings, may be deducted from the income. Land plots are not depreciable.

1.2 TAX RATES AND TAX PAYMENTS

As regards the personal income tax rate, see I.B.1.4 (27,5%), and regarding corporate income tax rate, see I.B.2.4 (19%).

2 Non-resident investors

2.1 INDIVIDUAL NON-RESIDENT INVESTORS

Individual non-resident investors are taxed on their real estate income regarding immovable property located in Slovenia the same way as tax residents.

2.2 CORPORATE NON-RESIDENT INVESTORS

A non-resident corporation is a corporation that has neither its legal seat nor place of effective management in Slovenia.

Income of non-resident corporations from rentals and the leasing of immovable property situated in Slovenia is taxable at the standard withholding tax rate of 15%. Capital gains are not taxed in Slovenia.

3 Real estate taxes

3.1 REAL ESTATE TRANSFER TAX

Transfer of real estate and comparable rights
The real estate transfer tax is levied on the transfer of immovable property if VAT has not been charged on such property. This tax shall be payable on real estate transactions and on the establishment and transfer or letting (hereinafter: transfer) of the right of superficies (building title) for consideration according to the act governing property relations. A taxable transaction shall mean any transfer of title to real estate for a consideration, such as, inter alia, real estate swap, financial lease and prescription of real estate. In general, the taxpayer is the seller of the real estate and the owner (lessor) of real estate who establishes the building title, or the transferor of the building title. The tax rate is 2% of the contractual price. If the contractual price is 20% lower than the general market value determined by a special law, the tax base is 80% of the market value.

The following transfers of immovable property are exempt: transfers to diplomatic and consular missions and to other international organizations according to international contracts and conventions, transfers made due to expropriation, transfers of real estate possessing the status of a cultural monument, transfers of agricultural land as part of land consolidation, transfers connected to the enforcement of tax collection, transfers of real estate in the division of property between spouses (and alike), partners, or shareholders in winding-up proceedings or as part of financial transformations according to the Companies Act, and transfers of real estate as a non-cash contribution on the establishment of a legal entity or its capital increase.

The taxpayer must submit details of the transfer to the local tax administration on a prescribed form within 15 days of the contract date. The tax office must issue a written bill for the tax within 30 days and the tax due is payable within 30 days.

Transfer of shares
Real estate transfer tax is not levied in the case of transfer of shares in companies owning Slovenian immovable property.

3.2 REAL ESTATE TAX

There is no general real estate tax. In 2013 the Government enacted the new real estate tax replacing all current taxes and duties related to real estate ownership however the Constitutional Court declared it as unconstitutional. Accordingly, the current taxes and duties related to real estate ownership will apply also in the future.

A land and building compensation duty is imposed on owners or users (renters, etc) of plots of land and buildings. The obligations as such and tax rates are set up by the municipalities. For individuals, the duty is deductible if the property is used as business property.

In addition, a property tax is levied on individuals who own premises (including plots of land and buildings that are also subject to the above duty). The tax base for premises is the value determined by law. In general, the first 160m² of an apartment are exempt from property tax if the owner or his family members live in the apartment. The tax rates are progressive and depend on the type of the premise and on its value. In general, the rates range from 0.1% to 1.5% of the value.

3.3 TAX ON IMMOVABLE PROPERTY OF A HIGHER VALUE

The tax on immovable property of a higher value does not apply from 2014 on since the mass valuation of real estate which was basis for tax assessment has been declared as unconstitutional by the Constitutional Court.

3.4 TAX ON PROFIT FROM LAND USE CHANGE

Tax on profit from land use change is levied on the profit from the sale of land whose use, since the time of the acquisition, has been altered to building use. Land which at the time of acquisition was already designated for building use is not subject to taxation.

The person liable for the tax is the person (individual or company) selling the land. The taxable amount is the difference between the value of the land upon the disposal and the value of the land upon the acquisition (taking into account certain expenses incurred upon acquisition/disposal). The taxable person can prove a different value by means of the acquisition document.

The tax rates depend on the duration from the change of use until the sale:

25%	less than one year
15%	from one to less than three years
5%	from three to ten years inclusive
0%	more than ten years

Taxable persons are obliged to submit a tax return to the tax authorities within 15 days after concluding the sales contract by means of the capital gains tax form.

Note that this tax was abolished as of 1 August 2019.

4 VAT on real estate

The leasing out of real estate for business purposes is, in general, VAT exempt. The parties may opt for VAT liability if the lessee has a 100% right for VAT deduction. In that case the lessee would pay VAT at a rate of 22% on the rent (domestic reverse charge; see I.D.8). On request of the tax authority, the parties are obliged to prove the existence of such a written agreement with which they opted to tax this transaction with VAT. The lessor is only entitled to input VAT deduction for services received that are related to the renting activity if he leases out with VAT.

The sale of buildings, parts of buildings and land on which the buildings are located is not VAT exempt:

- if the supply is effected before the buildings or parts of buildings are used for the first time; or
- if the supply is effected before two years from the start of the first use.

If input VAT was deducted for real estate and later this real estate is sold or leased out VAT exempt, a correction for the input VAT has to be made over a period of 20 years, starting with the year in which the input VAT was deducted. The same holds for other tangible assets whereby the correction period is only five years.

5 Real estate investment funds

Pursuant to the Alternative Investment Fund Managers Act, a real estate investment fund may generally be established:

1. as an investment company with legal personality; or
2. as a collective investment vehicle in a contractual form without legal personality.

A real estate fund set up as an investment company with legal personality shall be treated non-transparent for tax purposes. A real estate fund organized in a contractual form is not considered a legal person and is consequently

6 Structuring of real estate investments

A real estate investor may acquire Slovenian real estate in the way of an asset deal or a share deal (e.g. acquisition of a corporation owning real estate).

6.1 ASSET DEAL

Direct acquisition of real estate

A Slovenian corporation can directly acquire Slovenian real estate. Corporations and citizens from the EU Member States may acquire real estate property within the territory of the Republic of Slovenia on the grounds of all legal bases, on equal footing with citizens of the Republic of Slovenia. Corporations and citizens from countries other than the EU Member States may acquire real estate property within the territory of the Republic of Slovenia if certain conditions are met, e.g. reciprocity (the conditions vary between the countries).

Interest expenses for a debt financed acquisition may, in general, be deducted from the income from real estate if the real estate is rented out or used for the own business.

The acquisition of real estate is subject to real estate transfer tax of 2% of the contractual price unless VAT is applied.

6.2 SHARE DEAL

In general, there are no special provisions in the case of a share deal. The special rule applies only for individual investors. Disposal of business shares in Slovenian companies is re-qualified for tax purposes into the disposal of real estate if the majority of the company's assets consist of real estate. Consequently, this may result in the disposal having the same tax consequences in the field of income tax as an asset deal.

III EMPLOYEES AND BOARD MEMBERS

A EMPLOYEES

1 Resident employees

An employee is a tax resident in Slovenia if he has a formal residential tie with Slovenia or has an actual residential tie with Slovenia (i.e. has a habitual abode or center of personal and economic interests or is present more than 183 days in a taxable year in Slovenia). For further details in that respect, see also I.B.1.1.

1.1 EMPLOYMENT INCOME

Income received by a taxpayer from any activity performed in a dependent relationship (defined by law) is considered to be employment income. Employment income includes any payment or benefit related to employment. Employment income is further divided into two types of income:

- income from a work relationship; and
- income from another contractual relationship.

Income earned under a dependent relationship other than an employment contract during the fiscal year is not taxed at progressive tax rate as employment income. Instead, it is taxed separately and is subject to a 25% flat rate after deduction of a lump-sum amount and the actual costs.

Salary income includes all remuneration, in cash or kind, received by an employee with respect to current or former employment. Such income includes in particular salaries, annual leave compensation, jubilee awards, solidarity income, work-related compensation and participation in profits with respect to work relationships (subject to detailed rules). Tax on salary income reduced by social security contributions is levied by way of withholding on a monthly basis.

Compensation for work-related expenses, jubilee awards, solidarity income, and severance payments are tax exempt but the exemption is limited by law. However, benefits in kind are generally included in the taxable salary income. Benefits in kind include any advantage provided by an employer or any other person (e.g. a related party) to an employee or his family members. Minor privileges (not exceeding EUR 15 per month) are not considered benefits in kind unless provided regularly.

The part of salary for business performance or comparable foreign income is tax exempt up to the amount of 100% of the average salary in Slovenia. The following criteria must be met:

- the part of salary for business performance is paid out once per calendar year to all of the entitled employees at the same time; and
- the entitlement to payout of the part of salary for business performance is laid down by an employer's general act, and conditions for entitlement to it are provided equally for all employees. When a collective agreement determines the possibility of payout of the part of salary for business performance, the payout shall be made based on conditions laid down in the collective agreement or determined on the basis of that collective agreement.

The following items are, particularly, considered as benefits in kind:

- the use of a company car for private purposes;
- housing facilities;
- insurance premiums and similar payments;
- educational expenses not related to the employment;
- benefits from a loan at an interest rate lower than the market rate;
- discounts granted for goods or services; and
- the right to purchase shares or any other asset the price of which is lower than the market price (the fringe benefit is calculated on the day when a stock option is exercised or on the day when an employee acquires the shares or any other assets. If an employee disposes of a stock option, a fringe benefit is calculated on the day the stock option is disposed).

In general, the taxable value of a benefit in kind is its comparable market price less any amount paid by the recipient. If it is not possible to determine the comparable market price, the cost price is applied.

The part of the salary for business performance or comparable foreign income is tax exempt up to the amount of 100% of the average salary in Slovenia. The following criteria must be met:

- the part of the salary for business performance is paid out once per calendar year to all of the entitled employees at the same time; and
- the entitlement to payout of the part of salary for business performance is laid down by an employer's general act, and conditions for entitlement to it are provided equally for all employees. When a collective agreement determines the possibility of payout of the part of salary for business performance, the payout shall be made based on conditions laid down in the collective agreement or determined on the basis of that collective agreement.

The holiday payment is exempt up to 100% of the average salary in Slovenia from the obligatory social security contributions and taxes.

1.2 PRINCIPLES OF DETERMINATION OF THE TAX BASE

Income is in general calculated as the excess of taxable income over deductible social security contributions.

Income is computed as follows:

	1	Income from employment activities
+/–	2	Income from trade or business [1]
+/–	3	Income from agriculture and forestry
+/–	4	Income from intellectual property
+/–	5	Other income
–	**Total amount of income**	
–		Special allowances
		Social contributions
	Taxable income	
		Application of progressive tax rates
–	**Income tax**	
–		Wage tax paid in advance
		Tax prepayments
	Additional payment or refund	

1 Income from trade or business is not included in annual tax base in the case of a lump-sum deduction.

1.3 TAX RATE, ASSESSMENT AND SOCIAL SECURITY CONTRIBUTIONS

As regards the computation of the income tax rate, see I.B.1.4 (16-50% income tax rate). Employers are obliged to withhold wage tax from gross salaries paid to their employees and to transfer the wage tax to the competent tax office.

Moreover, the employer is obliged to withhold social security contributions from the gross salaries paid to the employees. Social security contributions are imposed to cover pension, health and unemployment insurance and maternity leave. For 2018 the general social security contribution rates for employed persons are:

CONTRIBUTION	RATE
employee's part of social security contributions	22.10%
employer's part of social security contributions	16.10%

In case of employment contracts concluded for a definite period of time, the employer's contribution for unemployment insurance is 0.3%, while in case of employment contracts for an indefinite period of time, the employer is exempt from this contribution for the first two years after the conclusion of the employment contract. This rule is applicable only for employment contracts concluded after 12 April 2013. For all employment contracts concluded before 12 April 2013, the rate of 0.06% applies.

The minimum base for the assessment of social security contributions depends on the basis on which an individual is included in compulsory insurance. There is no maximum assessment base, except for sole entrepreneurs.

For the employment of particular categories of employees (e.g. persons older than 65 years, unemployed persons, etc) or for employments in some regions within Slovenia, the employer's part of social security contributions may be reduced or exempt for a limited time period.

The employee's part of social security contribution of 22.10% is the sum of all contribution amounts to the following insurances:

CONTRIBUTION FOR	RATE
pension insurance	15.50%
health insurance	6.36%
unemployment insurance	0.14%
maternity leave	0.10%
total	22.10%

Contributions for health and disability insurance are also levied on contract workers. The rates and amounts of the social security contributions depend on the basis on which an individual is included in compulsory insurance.

2 Non-resident employees

Employment income earned by non-residents is taxed in Slovenia if the employment is exercised in Slovenia or if the employment costs are tax deductible for the employer for Slovenian corporate income tax purposes. Pensions paid to a non-resident are subject to tax as well. The tax base is the gross payment after deduction of the relevant contributions. In general, tax on employment income earned by non-residents is levied by way of withholding or assessment at a progressive rate.

B BOARD MEMBERS

1 Executives and non-executives

Any income received for managing or supervising a company is considered to be employment income and taxed as income from a work relationship, whether as a pure salary or as a remuneration, received on the basis of the management contract.

2 Non-resident board members

Non-resident executive directors are taxed only on income from employment activities performed or utilized in Slovenia.

C MUNICIPAL TAX

N/A

D SPECIFIC PROVISIONS FOR CROSS-BORDER EMPLOYMENTS

1 General provisions

1.1 TAX TREATY LAW

Foreign nationals carrying out their employment in Slovenia are basically subject to taxation in Slovenia unless a tax treaty assigns the taxation rights to the other contracting state.

In most cross-border employments Art. 15 OECD MC is the applicable assignment provision (most of the Slovenian tax treaties are concluded according to the OECD MC). Under Art. 15 OECD MC, basically the country in which the employment is performed (country of exercise) is assigned the taxation rights on the remuneration granted for this activity. However, the employment is taxable in the residence state if the following cumulative criteria are met: (i) the employee does not stay longer that 183 days during a calendar/tax year or twelve-month period in the country of exercise, (ii) the employer is not resident in the country of exercise and (iii) the employer does not maintain a permanent establishment in the country of exercise.

1.2 SOCIAL SECURITY LAW

Foreign nationals coming to Slovenia to perform their dependent activities in Slovenia are basically subject to the same social security scheme applicable to Slovenian employees. However, a different treatment may be claimed under EU Regulation 883/2004 and/or under a specific bilateral social security agreement that aims at preventing a person being subject to double social security schemes.

Persons resident in the EU, EEA, or Switzerland are subject to the provisions of EU Regulation 883/2004. It provides for the applicable social security regulation in the case of cross-border activities. Depending on a person's personal and professional circumstances, in many cases either the social security scheme of the home country or of the seconding country is applicable. The employer or the foreigner himself has to (prior to departure) inform the competent social security institution of the Member State as to which legislation is applicable. The competent authority is obliged to inform the competent authority of the other Member State.

If non-EU residents work in Slovenia or Slovenian nationals work in a third country, a bilateral social security agreement may provide for the applicable social security legislation.

2 Specific provisions

2.1 INWARD EXPATRIATES

Some specific provisions apply to expats. Their purpose is to enhance the cross-border mobility of employees in Slovenia.

2.1.1 Non-taxable reimbursement of the costs to expats

a) Individual health insurance premiums paid by the employer, under the following conditions:

- the insurance applies in all countries of the world;
- the conclusion of such an insurance policy is limited to performance of official duties on temporary posting abroad;
- the insurance is available to all employees in the company who are temporarily posted abroad; and
- the insurance covers only emergency assistance, transport, and services (insurance is concluded for the lowest risk/rights or minimum coverage level).

b) Reimbursement of the costs for the meals (daily allowances) for each working day at the time of posting, which lasts for a continuous period of up to 30 days, up to the amount determined by the government. Expatriates engaged as drivers in international traffic are entitled to receive a non-taxable reimbursement of daily allowances if the duration of the stay abroad is continuous up to a maximum of 90 days.

c) Reimbursement of transport costs, including the reimbursement of costs for the use of the employee's personal car for business purposes:

- for transport between place of residence at the time of posting and the place of work at the place of posting in accordance with the government regulation;
- for transport to the place of posting at the start of the posting and for transport from the place of posting at the end of the posting.

d) Reimbursement of accommodation costs during posting, which lasts up to a maximum of 90 days, with the additional condition that the employer will not pay the employee a non-taxable remuneration for a separate life.

2.1.2 Special tax base for expats

For expats, the amount of 20% of the salary or remuneration received by the expat is tax exempt, but not exceeding EUR 1,000 per month, if the following conditions are met:

- the employee is posted to work outside Slovenia or in Slovenia,
- the posting lasts for more than 30 days,
- the place of usual work before posting is more than 200 km away from the place of posting considering the shortest road connection,
- during the last 5 years prior to the commencement of the first posting, the employee was not a tax resident of Slovenia prior to the commencement of the posting to work into Slovenia; or a tax resident of the other country before posting to work outside Slovenia, and
- in the employment contract, a salary in the amount of at least 1.5 times the last known average annual salary of employees in Slovenia, calculated per month, is guaranteed for work during the posting.

For the purposes of ZDoh-2 (Personal Income Tax Act), we are talking about posting to work abroad or about cases where a special tax base can be claimed if the following circumstances are fulfilled:

- the employee is posted to work outside the country of the employer's seat,
- the posting abroad is carried out on the basis of a concluded employment contract under the law of the country from which the employee is sent to work,
- an employment contract is concluded between the employer established in the country from which the employee is sent to work, who actually carries on his activity also in the country of its seat, and the employee who normally works for the employer in the country of the employer's seat,
- the employment contract is concluded for performance of work in the framework of the employer's regular business activity in the country of the employer's seat, on behalf and for the account of the employer and on the basis of the employer's contract with the client; and
- the expat works during the whole posting according to the instructions and under the supervision of the employer, who posts him to work.

The following cases are, notwithstanding the above conditions, justified for the special tax base, irrespective of whether the posted employee remains in an employment relationship with his current employer or not:

- Research work of the researcher on the implementation of research programs of the research organization carried out as a public service in the field of research activities or on the implementation of research programs carried out in the framework of the international cooperation of Slovenia and (co-)financed from the state budget of Slovenia or from European programs and funds, if the work is carried out outside the country of residence of this researcher; and
- posting to work on the basis of the act of posting to work between affiliated companies (or company and PE) according to the Slovenian Companies Act (ZGD-1), except between affiliated companies with entrepreneurial contracts.

Regarding the enforcement of the special tax base, the ZDoh-2 prescribes certain additional restrictions, which must be checked in each specific case.

2.2 OUTWARD EXPATRIATES

The specific provisions for expatriates described under point 2.1 also apply to outward expatriates.

IV TAX ASPECTS FOR PRIVATE INVESTORS

A CAPITAL INVESTMENTS

1 Resident capital investors

An individual capital investor is a resident for tax purposes in Slovenia if he has a formal residential tie with Slovenia or has an actual residential tie with Slovenia (i.e. has a habitual abode or center of personal and economic interests or is present more than 183 days in a taxable year in Slovenia). For further details in that respect, see also I.B.1.1.

1.1 INVESTMENT INCOME

Investment income includes:

- interest;
- dividends; and
- income from the alienation of capital.

The concept of interest is very broad and includes discounts, bonuses and premiums, which are paid in the case of a debt arrangement. Expenses related to interest income and dividends are not deductible.

Dividends and other income or payments based on company shares that do not diminish the share in a company are considered to be dividends under the Personal Income Tax Act. The following are regarded as dividends, as well:

- hidden distributions of profit;
- profit from loan shares;
- profit from mutual funds;
- returns of subsequent payments if exceeding the paid amount or if the shareholder obtained the right to return of subsequent payment with the acquisition or the business share;
- the part of the purchase price for a business share which is dependent on the business result of the company; and
- payments to shareholders for acquisition of own (business) shares by the company.

Income from the alienation of capital includes income from:

- the alienation of real estate if sold within the holding period; and
- the alienation of shares or investment coupons within the holding period.

1.2 PRINCIPLES OF DETERMINATION OF THE TAX BASE

The tax base for the taxation of interest income (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) is, in general, equal to the interest derived.

Regarding dividends, the tax base (i.e. any income derived on the basis of shares owned in a company, cooperative or other organizational form, including income from other ownership investments in any type of organization with a predominantly equity nature) is the income received.

The taxable amount of the capital gains is determined as the difference between the sales price and the purchase price reduced by certain lump-sum costs incurred.

1.3 TAX RATES AND TAX PAYMENTS

The tax rate on interest income and dividends is 27.5% (previously it was 25%) and it is a final tax.

Capital gains are also taxed at a 27.5% final tax rate. After expiry of a 5-year holding period, the rate is reduced from 27.5% to 20%. After expiry of a 10-year holding period, the rate is reduced to 15%, and after 15 years to 10%. After expiry of a 20-year holding period, the capital gains are tax exempt.

Capital gains derived from the disposal of immovable property acquired before 1 January 2002 are not taxable. Gains on immovable property used as a permanent home for at least the three preceding years before disposal by the taxpayer are exempt. Gains on the disposal of venture capital are exempt.

Taxation of gains from derivative instruments
The Slovenian law defines derivative instruments, in general, as follows:

- futures based on securities, indices or interest rates, currency futures and similar instruments;
- interest rate and currency swaps; and
- options based on securities, indices or interest rates, currency options and similar instruments.

The tax rate depends on the period of ownership, namely:

up to 1 year	40%
from 1 to 5 years	25%
from 5 to 10 years	15%
from 10 to 15 years	10%
from 15 to 20 years	5%
longer than 20 years	tax-free

2 Non-resident capital investors

An individual capital investor is non-resident in Slovenia if he does not have a domicile or habitual place of abode in Slovenia. A corporate investor is non-resident in Slovenia if the place of management or legal seat is not situated in Slovenia.

2.1 LIMITED TAX LIABILITY

An individual non-resident capital investor is taxed in Slovenia only on income from:

- interest;
- dividends; and
- income from the alienation of capital, if an income has its source in Slovenia.

2.2 WITHHOLDING TAX OBLIGATIONS

Dividends and other profit distributions paid to non-resident individuals are subject to a 27.5% tax rate, levied by way of withholding.

Interest derived by non-residents is subject to tax at a rate of 27.5%, levied by way of withholding (if the payment is made by a resident company, permanent establishment or an individual engaged in a business) or assessment.

As of 1 January 2017, the withholding tax exemption under the domestic law implementing the EC Savings Directive (2003/48/EC) for interest paid to residents of EU Member States other than Slovenia no longer applies.

Capital gains are taxed at a 27.5% final tax rate. After expiry of a 5-year holding period, the rate is reduced from 27.5% to 20%. After expiry of a 10-year holding period, the rate is reduced to 15%, and after 15 years to 10%. After expiry of a 20-year holding period, the capital gains are tax exempt. Capital gains derived from the disposal of shares by non-residents representing less than 10% of the capital or voting rights are fully exempt from personal income tax in Slovenia.

Capital gains derived from the disposal of immovable property acquired before 1 January 2002 are not taxable. Gains on immovable property used as a permanent home for at least the three preceding years before disposal by the taxpayer are exempt. The same applies if the taxpayer, a citizen of an EU or EEA country other than Slovenia, had his temporary residence registered there for the same time period. Gains on the disposal of venture capital debt securities are exempt.

2.3 TAX TREATY PROTECTION FROM SLOVENIAN WITHHOLDING TAX

Tax treaties usually provide for reduced source tax rates for income from the capital investments of individuals. Thus, if the Slovenian withholding tax rate is higher than the source tax rate provided by a tax treaty, the latter is applicable if certain conditions are met.

3 Investment funds

Slovenian legislation, also in line with the EU legislation, establishes the legal ground for a variety of types and categories of investments funds also in line with the EU legislation. However, the tax legislation has not yet followed this development in the field of investment funds. Thus, it does not specifically regulate new forms of investment funds for tax purposes, in particular the alternative investment funds.

3.1 TYPES OF INVESTMENT FUNDS

The primary laws governing the investments funds in Slovenia are the Investment Funds and Management Companies Act (hereinafter: »ZISDU-3«), Alternative Investment Fund Managers Act (hereinafter: »ZUAIS«) and Venture Capital Companies Act (hereinafter: »ZDTK«). This legislation defines different types and categories of investment funds. As a general rule, an investment fund may be organized in one of the two forms: a legal entity (a company) or a trust (assets/undertaking without legal personality).

3.2 TAXATION OF AN INVESTMENT FUND

As a rule, investment funds organized as a legal entity (e.g. a company) are considered to be taxpayers for corporate income tax purposes (hereinafter: CIT), where the CIT rate amounts to 19%. On the other hand, investment funds not organized in the form of a legal entity (trusts) are not considered to be taxpayers for CIT purposes in Slovenia.

However, the above rule applies only to domestic investment funds. Foreign investment funds shall be treated as taxpayers for CIT purposes in Slovenia irrespective of their organizational form (being a legal entity or not) in the country of residency.

So, out of all the existing types and categories of investment funds, Slovenian tax legislation grants special tax treatment only to one type of an investment fund – APIF (i.e. alternative investment fund raising capital from the public) and only if this one is a domestic investment fund organized in a form of a legal entity (i.e. investment company). Such an APIF may apply a 0% CIT rate in a certain tax period, if:

- it is established in accordance with the Investment Funds and Management Companies Act (ZISDU-3) and
- it distributes at least 90% of the operating profit generated in the preceding tax period by 30 November of the tax period in question.

3.3 TAXATION OF INVESTORS IN AN INVESTMENT FUND

There are no special rules for investors in an investment fund.

B INHERITANCE AND DONATION TAX PLANNING

1 General

The inheritance and gift tax is laid down in the special Inheritance and Gift Tax Act (IGTA), applicable from 1 January 2007.

Taxpayers are individuals and legal persons under private law.

Inheritance and gift tax is levied on all transfers of property upon death or inter vivos in the territory of Slovenia.

Progressive tax rates apply, depending on the recipient's degree of relationship to the testator/donor and the value of the property transferred (reduced for debts, costs, and encumbrances related to the property on which this tax is to be paid). For example, for transfers to a spouse or a child there is no taxation. For transfers to parents, brothers, sisters and their children, the rates range from 5% to 14%; for transfers to grandparents, the rates vary between 8% and 17%, and for transfers to an unrelated person or company, the rates range from 12% to 39%, depending on the value of the property transferred.

The IGTA provides for several tax exemptions and credits.

Tax is not levied on the transfer of movables upon death or inter vivos worth in total EUR 5,000 or less. Also, if the value of the gifted or inherited movables is more than EUR 5,000, the tax base is reduced by EUR 5,000. Furthermore, tax is not levied on the transfer of property destined for religious, humanitarian, charitable, medical, social assistance, educational, research or cultural activity, or for the performance of protection and rescue activities, provided that the transferred property is intended to support the performance of such activity of the legal person. An exemption also applies to the transfer of agricultural land to a person with a formal status of a farmer and to the transfer of a cultural monument under certain conditions.

2 Notification of donations

N/A

3 Private foundations

N/A

LeitnerLeitner Consulting d.o.o.
SRB 11000 BEOGRAD, Knez Mihailova Street 1-3
t +381 11 655 51 05 f +381 11 655 51 06
e beograd.office@leitnerleitner.com

LeitnerLeitner Tax s.r.o.
SK 811 03 BRATISLAVA, UNIQ. Staromestská 3
t +421 2 591 018-00 f +421 2 591 018-50
e bratislava.office@leitnerleitner.sk

Leitner + Leitner Tax Kft
H 1027 BUDAPEST, Kapás utca 6-12
t +36 1 279 29-30 f +36 1 209 48-74
e budapest.office@leitnerleitner.com

LeitnerLeitner GmbH
Wirtschaftsprüfer und Steuerberater
A 8041 GRAZ, Liebenauer Tangente 6
t +43 316 426 100 f +43 316 426100-763
e graz.office@leitnerleitner.com

LeitnerLeitner Tirol GmbH
Wirtschaftsprüfer und Steuerberater
A 6020 INNSBRUCK, Sillgasse 12/2.Stock
t +43 512 55 77 55 f +43 512 55 77 55-806
e innsbruck.office@leitnerleitner.com

Leitner + Leitner Tax Kft
H 6000 KECSKEMÉT, Munkácsy Mihály u. 19
t +36 76 884 021
e kecskemet.office@leitnerleitner.com

LeitnerLeitner GmbH
Wirtschaftsprüfer und Steuerberater
A 4040 LINZ, Ottensheimer Straße 32
t +43 732 70 93-0 f +43 732 70 93-156
e linz.office@leitnerleitner.com

LeitnerLeitner d.o.o.
SI 1000 LJUBLJANA, Dunajska cesta 159
t +386 1 563 67-50 f +386 1 563 67-89
e ljubljana.office@leitnerleitner.com

LeitnerLeitner Tax s.r.o.
CZ 180 00 PRAHA 8, Voctářova 2449/5
t +420 228 883 921
e praha.office@leitnerleitner.com

LeitnerLeitner GmbH
Wirtschaftsprüfer und Steuerberater
A 4910 RIED/INNKREIS, Bahnhofstraße 14
t +43 7752 858 88 f +43 7752 858 88-807
e ried.office@leitnerleitner.com

LeitnerLeitner Salzburg GmbH
Wirtschaftsprüfer und Steuerberater
A 5020 SALZBURG, Hellbrunner Straße 7
t +43 662 847 093-0 f +43 662 847 093-825
e salzburg.office@leitnerleitner.com

Leitner + Leitner Revizija d.o.o.
BIH 71 000 SARAJEVO, ul. Hiseta 15
t +387 33 201-628 f +387 33 465-793
e sarajevo.office@leitnerleitner.com

LeitnerLeitner GmbH
Wirtschaftsprüfer und Steuerberater
A 1030 WIEN, Am Heumarkt 7
t +43 1 718 98 90 f +43 1 718 98 90-804
e wien.office@leitnerleitner.com

LeitnerLeitner Consulting d.o.o.
HR 10 000 ZAGREB, Heinzelova ulica 70
t +385 1 60 64-400 f +385 1 60 64-411
e zagreb.office@leitnerleitner.com

LeitnerLeitner Zürich AG
CH 8032 ZÜRICH, Zeltweg 7
t +41 44 226 36 10 f +41 44 226 36 19
e zuerich.office@leitnerleitner.com

cooperations and memberships

Tascheva & Partner
BG 1303 SOFIA, 4, Marko Balabanov Str.
t +359 2 939 89 60 f +359 2 981 75 93
e office@taschevapartner.com

Mai 2021; All rights reserved

www.leitnerleitner.com

leitnerleitner
tax audit advisory