

TAXATION IN SLOVENIA

2015

REPUBLIC OF SLOVENIA
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INTRODUCTION

This publication provides concise general information about the current Slovenian tax system with the most up-to-date information as of 1 September 2015. Its purpose is to answer some of the questions relating to taxes and to help readers gain a better and more thorough understanding of the Slovenian tax system. As such, it deals mainly with a general overview and not with specifics.

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

I. SUMMARY

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

The Financial Administration of the Republic of Slovenia collects all taxes, including customs duties, excise duties and value added tax on imports.

Table 1: Consolidated general government tax revenues in the period 2009–2014

- in thousands of EUR

	2009	2010	2011	2012	2013	2014
TOTAL TAX REVENUES (1.+2.)	12.955.413	12.848.422	13.209.222	13.118.309	12.648.354	13.192.808
1. TAXES	7.794.158	7.613.937	7.941.615	7.874.225	7.521.121	7.850.320
1.1. Taxes on income and profit	2.805.088	2.490.703	2.723.521	2.656.553	2.137.447	2.385.888
- Individual taxes on income and profit	2.092.860	2.039.298	2.054.312	2.077.112	1.868.045	173.675
- Corporate income tax	712.228	448.602	667.637	576.885	265.209	33.985
1.2. Taxes on payroll and workforce	28.490	28.076	29.243	25.623	23.411	20.200
1.3. Taxes on property	206.975	219.739	215.206	233.933	254.108	245.017
1.4. Domestic taxes on goods and services	4.660.212	4.780.711	4.856.170	4.876.126	5.027.389	5.191.263
- Value added tax	2.838.007	2.940.893	2.992.405	2.905.028	3.029.055	3.153.257
- Excises	1.415.000	1.439.187	1.462.406	1.560.274	1.490.698	1.491.281
- Other taxes on goods and services	407.205	400.631	401.359	410.824	507.636	546.725
1.5. Taxes on international trade and transactio	90.533	90.699	100.250	82.550	77.468	7.728
1.6. Other taxes	2.860	4.010	17.227	-559	1.298	224
2. SOCIAL SECURITY CONTRIBUTIONS	5.161.254	5.234.485	5.267.607	5.244.083	5.127.233	5.272.488
2.1. Employees contributions	2.743.212	2.770.803	2.774.034	2.701.319	2.640.418	2.784.872
2.2. Employers contributions	2.037.073	2.058.123	2.060.342	2.066.717	2.012.924	2.049.324
2.3. Self employed contributions	268.997	275.492	281.234	310.141	303.061	310.340
2.4. Other social security contributions	111.972	130.067	151.997	165.907	170.830	127.952

Source: Ministry of Finance: Bulletin of Government Finance, June 2015

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

- percent of GDP

	2009	2010	2011	2012	2013	2014
TOTAL TAX REVENUES (1.+2.)	36,7	36,2	35,8	36,4	35,0	35,4
1. TAXES	22,1	21,5	21,5	21,9	20,8	21,1
1.1. Taxes on income and profit	7,9	7,0	7,4	7,4	5,9	6,4
- Individual taxes on income and profit	5,9	5,7	5,6	5,8	5,2	0,5
- Corporate income tax	2,0	1,3	1,8	1,6	0,7	0,1
1.2. Taxes on payroll and workforce	0,1	0,1	0,1	0,1	0,1	0,1
1.3. Taxes on property	0,6	0,6	0,6	0,6	0,7	0,7
1.4. Domestic taxes on goods and services	13,2	13,5	13,2	13,5	13,9	13,9
- Value added tax	8,0	8,3	8,1	8,1	8,4	8,5
- Excises	4,0	4,1	4,0	4,3	4,1	4,0
- Other taxes on goods and services	1,2	1,1	1,1	1,1	1,4	1,5
1.5. Taxes on international trade and transactio	0,3	0,3	0,3	0,2	0,2	0,0
1.6. Other taxes	0,0	0,0	0,0	0,0	0,0	0,0
2. SOCIAL SECURITY CONTRIBUTIONS	14,6	14,8	14,3	14,6	14,2	14,2
2.1. Employees contributions	7,8	7,8	7,5	7,5	7,3	7,5
2.2. Employers contributions	5,8	5,8	5,6	5,7	5,6	5,5
2.3. Self employed contributions	0,8	0,8	0,8	0,9	0,8	0,8
2.4. Other social security contributions	0,3	0,4	0,4	0,5	0,5	0,3

Source: Ministry of Finance: Bulletin of Government Finance, June 2015

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

in % of Total tax revenues

	2009	2010	2011	2012	2013	2014
TOTAL TAX REVENUES (1.+2.)	100,0	100,0	100,0	100,0	96,4	100,0
1. TAXES	60,2	59,3	60,1	60,0	57,3	59,8
1.1. Taxes on income and profit	21,7	19,4	20,6	20,3	16,3	18,2
- Individual taxes on income and profit	16,2	15,9	15,6	15,8	14,2	1,3
- Corporate income tax	5,5	3,5	5,1	4,4	2,0	0,3
1.2. Taxes on payroll and workforce	0,2	0,2	0,2	0,2	0,2	0,2
1.3. Taxes on property	1,6	1,7	1,6	1,8	1,9	1,9
1.4. Domestic taxes on goods and services	36,0	37,2	36,8	37,2	38,3	39,6
- Value added tax	21,9	22,9	22,7	22,1	23,1	24,0
- Excises	10,9	11,2	11,1	11,9	11,4	11,4
- Other taxes on goods and services	3,1	3,1	3,0	3,1	3,9	4,2
1.5. Taxes on international trade and transactio	0,7	0,7	0,8	0,6	0,6	0,1
1.6. Other taxes	0,0	0,0	0,1	0,0	0,0	0,0
2. SOCIAL SECURITY CONTRIBUTIONS	39,8	40,7	39,9	40,0	39,1	40,2
2.1. Employees contributions	21,2	21,6	21,0	20,6	20,1	21,2
2.2. Employers contributions	15,7	16,0	15,6	15,8	15,3	15,6
2.3. Self employed contributions	2,1	2,1	2,1	2,4	2,3	2,4
2.4. Other social security contributions	0,9	1,0	1,2	1,3	1,3	1,0

Source: Ministry of Finance: Bulletin of Government Finance, June 2015

Corporate Income Tax

Corporate income tax is levied on the taxable profit of private companies at a rate of 17%. A special rate of 0% applies to investment funds, pension funds and insurance undertakings for pension plans, under certain conditions, as well as to venture capital companies which were set up by the Venture Capital Companies Act and prepare a separate tax statement just for that part of their activity. As of 1 January 2013 there is an optional flat-rate taxation regime. In accordance with this flat-rate regime, the tax base is determined on the basis of lump-sum costs accounting for 80% of income.

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

Dividends

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

There is no withholding tax on dividends paid to a non-resident who is a resident of the EU or EEA (excluding the Principality of Liechtenstein), if the recipient of the dividend is not able to set off the applicable Slovenian withholding tax in his/her country of residence. Similar applies to payments of

dividends and interest paid from Slovenia to EU and EEA (excluding the Principality of Liechtenstein) investment and pension funds.

The Directive on a common system of taxation applicable in the case of parent companies and subsidiaries of different Member States has been implemented. A participation exemption of revenues from profit participation has been introduced under certain conditions.

Tonnage Tax

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

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

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

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

Personal Income Tax

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

Dividends, interest, rental income and capital gains are taxed at a flat rate. The tax rate for dividends, interest and rental income is 25%. The tax rate for capital gains depends on the holding period: 25% for a holding period of up to 5 years, 15% for a holding period from 5 to 10 years, 10% for a holding period from 10 to 15 years, 5% for a holding period from 15 to 20 years and a tax exemption for a holding period greater than 20 years. Under certain conditions personal business income may be taxed on a schedular basis using a lump-sum deduction regime (the tax base is determined on the basis of lump-sum costs accounting for 80% of income). The tax rate is 20%. The tax is treated as a final tax for residents and non-residents alike.

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

The annual *active income* tax liability of a resident is computed in such a manner that the taxable bases of different sources of income earned in a calendar year are computed separately and then aggregated. The annual taxable base is computed after compulsory social security contributions and certain allowances are deducted. Net active income is taxed according to a progressive tax rate. There are three tax brackets in the annual tax schedule for active income. The progressive tax rates are: 16%, 27% and 41% (there is a fourth tax bracket with a tax rate of 50% for the years 2013, 2014 and 2015). Advance tax payments paid during the tax period are deductible from the final tax liability, and any

difference is collected upon receipt of an assessment from the tax authorities. When the total sum of advance payments exceeds the tax payable, a refund is provided.

Derivative Instruments Gains Tax

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

Contractual Work Tax

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

Social Security Contributions

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

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

Taxation of Winnings from Conventional Games of Chance

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

Gambling Tax and Concession Fee

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

Tax on Profits Due to Changes in Land Use

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

Inheritance and Gift Tax

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

Real Estate Tax

There are two types of duties on possession of real property. One is a duty, called “charge for the use of building land” and other is property tax. Charge is levied on vacant and constructed building land in possession of legal persons and individuals. Charge is set by local communities for vacant building land based on the area of the building land planned for building, and for constructed building land based on the useful area of the residential house or business premises thereon. Property tax is a tax on buildings in possession of individuals. The tax is levied at different progressive rates depending on the type and value of the premises.

Water Vessel Tax

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

From the 1st of July 2012 an additional water vessel tax is levied progressively according to the length and engine power of the vessel.

Circulation Tax

Circulation tax is defined as an annual fee on the use of motor vehicles and is imposed on vehicles registered in Slovenia. Tax is set in the amount depending of different categories of vehicles, and the outstanding amount is calculated in proportion to the duration of the registration period in a certain year.

Value Added Tax

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

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

Excise Duties

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

Insurance Contracts Tax

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

Tax on Transfer of Immovable Property

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

Motor Vehicle Tax

Motor vehicle tax is paid for passenger motor vehicles which are put into circulation in Slovenia for the first time (first registration in Slovenia). Import and acquisition of motor vehicles from other EU Member States are also taxed. Tax base is selling price excluding taxes. From the 1st of March 2010 the tax rates depend on the environmental criteria (CO₂ and Euro emission standards), and the rates are from 0.5% to 28% for petrol cars and from 1% to 31% for diesel cars. In the case of diesel motor vehicles particulate matter (PM) emissions are also considered. Tax rates for motorcycles and camper vans are set upon engine capacity in the range from 1.5% to 5% for motorcycles and 6% to 18% for camper vans. An additional tax on motor vehicles is paid from the 1st of July 2012. Tax rates depend on the engine capacity and are determined on a progressive scale at 8–16% for personal motor vehicles and caravans with classification numbers of a combined nomenclature 8703 21, 8703 22, 8703 23, 8703 24, 8703 31, 8703 32, 8703 33 and 8703 90 with an engine capacity over 2,500 ccm and 5% for motor vehicles with classification number 8711, quadricycles and tricycles with an engine capacity over 1000 cm³.

Financial Services Tax

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

Tax on Lottery Tickets

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

Customs Duties

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

II. THE TAX SYSTEM

1. DIRECT TAXES ON INCOME

1.1. Corporate Income Tax

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

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

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

The general corporate profit tax rate is 17%. There is also a special rate of 0% which applies to investment funds, pension funds and insurance undertakings for pension plans under certain conditions, as well as to venture capital companies which were set up by the Venture Capital Companies Act and prepare a separate tax statement just for that part of their activity.

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

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

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

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

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

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

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

In determining the taxable base and recognizing revenues and expenses, the creation of provisions is limited to 50% of their total amount. Recognized expenses for provisions are provisions given for warranties at the sale of products or services, provisions for reorganization, provisions for expected losses from delicate contracts, provisions for pensions, long-service bonuses and severance paid at retirement. Special provisions that banks create in accordance with the act regulating banks and technical insurance reserves that insurance undertakings create in accordance with the act regulating insurance are recognized as applicable.

Depreciation may not exceed the level arrived at using straight-line depreciation and the maximum annual depreciation rates shown in Table 4.

Table 4: Depreciation allowances

Depreciation category	Maximum annual depreciation rates (%)
1. Building projects, including investment property	3
2. Parts of building projects, including parts of investment property	6
3. Equipment, vehicles and machinery	20
4. Parts of equipment and equipment for research	33.3
5. Computers and computer equipment	50
6. Long-term plantations	10
7. Breeding and working herds	20
8. Other investments	10

The taxpayer may change the method of valuing inventories. Expenses from revaluation for impairment in goodwill are recognized up to the amount of 20% of the original value of the goodwill.

Loss is calculated as the surplus of expenses over revenues as defined by the Corporate Income Tax Act. Losses may be offset against 50% of taxable profits in the following years. Losses may be carried forward undefined, but the carry-back of losses is not permitted.

Capital gains from regular income are subject to tax.

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

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

There is also a tax incentive (deduction) from the tax base of 40% of the amount invested in equipment and intangibles, but only up to the amount of the taxable base. Equipment does not include furniture and office equipment and motor vehicles, except cars and buses on hybrid or electrical drive, and trucks or buses meeting the EURO VI emission requirements.

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

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

If a taxpayer under a teaching agreement employs an apprentice or student for performing practical work in professional education, the taxpayer may claim a reduction in the taxable base in the amount of the salary paid, but not exceeding 20% of the average monthly salary in Slovenia for each month of performing practical work and each individual person who takes part in such professional education.

Furthermore, there is tax relief for donations. A taxpayer may claim a reduction in the taxable base for amounts paid in cash and in kind for humanitarian, disabled, charitable, scientific, educational, medical, sports, cultural, ecological, religious purposes and other purposes in public interest, for payments made to residents of Slovenia or residents of Member States of the EU or EEA (excluding the Principality of Liechtenstein) who are established under special regulations for the performance of such activities and up to an amount equivalent to 0.3% of the taxpayer's taxable revenue in the current tax period. A taxpayer may also claim a reduction in the taxable base for amounts paid in cash and in kind to political parties up to an amount equivalent to three times the average monthly salary per employee of the taxpayer in the current tax period. The cumulative amount of relief granted may not exceed the amount of the taxable base. An additional reduction of 0.2% of the taxpayer's taxable revenue is granted for amounts paid in cash and in kind for cultural purposes and voluntary societies incorporated for protection from natural and other disasters who work in the public interest and are residents of Slovenia or residents of Member States of the EU or EEA (excluding the Principality of Liechtenstein) and are established under special regulations for the performance of such activities.

Relief for voluntary supplementary pension insurance up to 24% of the compulsory contributions for pension and disability insurance for an insured employee, but no more than EUR 2,683.26 annually per employee, may apply under certain conditions.

There are also certain tax incentives (state aid) for deprived regions Pomurje, Pokolpje, Maribor with its wider surroundings, municipalities Hrastnik, Radeče and Trbovlje. According to the Act Regulating Development Support to the Pomurje Region and Promotion of Balanced Regional Development Act this tax incentives grant:

Taxpayers under the Corporate Income Tax Act who generate an income from business activities and are established in the deprived regions may claim a reduction of the tax base of 70% of the costs incurred if, for at least 12 months, they employ a “deprived” worker in the deprived regions; however, only up to the amount of the tax base and not exceeding the maximum permissible amount in accordance with the state aid rules.

Taxpayers under the Corporate Income Tax Act who generate an income from business activities and are established in the deprived regions may claim a reduction of the tax base of 70% of the amount for new initial investments in certain types of equipment and intangible assets. However, this only applies to investments made in the deprived regions and up to the amount of the tax base, without exceeding the maximum permissible amount in accordance with the rules on state aid. Tax relief for investment is not compatible with tax relief for investment according to Article 55.a of CIT-2.

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

Tax payments must be made in advance (on a monthly or quarterly basis). If the limit of EUR 400 is exceeded, the taxpayer pays the instalment on a monthly basis; if the limit of EUR 400 is not exceeded, the instalment is paid on a quarterly basis. Tax returns must be submitted to the tax authorities by 31 March for the preceding calendar year if the calendar year is the same as the tax year. If the calendar year is not the same as the tax (business) year, tax returns must be submitted to the tax authorities within three months of the current business year for the preceding business year.

1.1.1. Dividends

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

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

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

- liable to pay tax by the Corporate Income Tax Act; or
- is a resident of an EU Member State for tax purposes in accordance with the law of such Member State and is not deemed a resident outside the EU in accordance with an international

treaty on the avoidance of double taxation concluded with a non-member state, and is a taxpayer subject to one of the taxes in connection with which the common system of taxation applying to parent companies and subsidiaries from different EU Member States, whereby a company that is exempt from tax or that has the possibility of a choice of taxation shall not be deemed to be a taxpayer; or

- liable to pay tax comparable to the tax according to Corporate Income Tax Act and is not a resident of a country or in the case of a business unit, not situated in a country – in which the general average nominal level of tax on corporate profits is less than 12.5%.

The aforementioned 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.

When a taxpayer makes a capital gain from expropriation in holdings in legal entities, he/she may claim an exemption in the amount of 50% of the realized capital gain from the taxable base if the taxpayer participated in stock or management in such way that he/she is the owner of shares, stock or voting rights in the amount of at least 8% and for at least six months, and has at least one person employed on a full-time basis. The loss of expropriation in holdings from the previous paragraph is not recognized in the amount of 50% of its loss.

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

The taxpayer (resident or non-resident who performs activity or business in or through a permanent establishment in Slovenia) is allowed to exclude all the profit from expropriation of capital holdings acquired by investing in a venture capital company if:

- the venture capital company has been set up in accordance with the Venture Capital Companies Act; and
- the status of the venture capital company did not change throughout the period of ownership of the aforementioned capital holdings.

The loss from the aforementioned expropriation is not recognized for tax purposes.

1.1.2. Interest and Royalties

Withholding tax at a rate of 15% applies to interest payments. In the case of interest on loans raised and securities issued by the government of Slovenia and interest paid by banks there is no withholding tax.

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

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

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

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

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

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

- the interest and payments for the use of property rights are paid to the legitimate owner, which is a company member of an EU country other than Slovenia, or a branch of a company which is an EU member and is situated in a different EU Member State;
- the payer and the eligible owner are linked in such way that:
 - the payer directly holds a share of at least 25% in the eligible owner's equity capital; or
 - the eligible 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 eligible owner;
- so long as exclusively companies of EU Member States are involved;
- the minimum share is held for at least 24 months; and
- the payer or eligible owner:
 - is a company that has one of the forms to which the common system of taxation in connection with interest payments and payments for the use of property rights applying to linked companies from different EU Member States applies;
 - is a resident of an EU Member State for tax purposes in accordance with the law of that country; and
 - is a taxpayer subject to one of the taxes in connection with which the common system of taxation regarding interest payments and payments for the use of property rights applying to linked companies from different EU Member States applies.

Eligibility under the aforementioned provisions is recognized on the basis of permission in advance from the tax authorities if the conditions from those provisions are fulfilled.

1.2. Tonnage Tax

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

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

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

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

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

- income from shipping earned in international shipping;
- income from towing of and assistance to ships at sea outside ports;
- income from the sale of ships that are included in the tonnage tax regime, provided that in five years after the sale such income is used for the purchase of one or several ships, or of shipping company in part or in full;

- profit or dividend from shipping companies (for this income the company is paying the corporate income tax that is payable under the Corporate Income Tax Act; the tax base is determined by the Tonnage Tax Act).

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

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

Table 5: **Tax base**

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

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

1.3. Personal Income Tax

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

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

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

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

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

- Interest: 25%;
- Dividends: 25%;
- Capital gains: 25% for a holding period of up to 5 years, 15% for a holding period from 5 to 10 years, 10% for a holding period from 10 to 15 years, 5% for a holding period from 15 to 20 years and tax exemption for a holding period greater than 20 years.

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

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

When the payer of income is a domestic legal person, a body of persons without legal personality, an individual who operates a business or a permanent establishment of a non-resident, the payer is bound to calculate and pay withholding tax for the taxpayer. Tax payments in all other cases (i.e. when there is no payer of income) are to be made by the taxpayer in due time, as determined by the Tax Procedure Act.

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

Table 6: **Tax schedule for the year 2015 (in EUR)**

Tax base		Tax rate
over	to	
	8,021.34	16 %
8,021.34	18,960.28	1,283.41 + 27% above 8,021.34
18,960.28	70,907.20	4,236.92 + 41% above 18,960.28
70,907.20		25,535.16 + 50% above 70,907.20

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

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

Notwithstanding previous paragraph, no annual tax return is generated for:

- taxpayers whose annual taxable base does not exceed the amount of the general allowance (EUR 3,302.70 in 2015); and
- taxpayers whose only income is a pension, who during the taxable year have not paid an advance tax and have not claimed an allowance for dependent family members, and whose additional income does not exceed EUR 80.

These taxpayers may opt, whether to file a tax return or not.

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

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

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

1.3.1. Taxable income

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

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

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

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

Taxpayers deriving business income may claim a deduction of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.3.2. Exemptions

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

1.3.3. Allowances

Allowances that reduce the aggregated taxable base (deductions) for a resident taxpayer on an annual level include (for the year 2015):

General allowance:

- EUR 6,519.82 for residents with active income up to EUR 10,866.37;
- EUR 4,418.64 for residents with active income between EUR 10,866.37 and EUR 12,570.89;
- EUR 3,302.70 for residents with active income more than EUR 12,570.89.

Personal allowances:

- Disabled person's allowance: EUR 17,658.84 if the resident is a disabled person;
- Independent artists, journalists and sportsmen: a special deduction of 15% of their revenues (up to EUR 25,000.00 of revenues);
- Student allowance: 75% of the basic yearly allowance (amount of EUR 2,477.03 for 2015) for income earned by pupils or students for temporary work done on the basis of a referral issued by a special organization dealing with job-matching services for pupils and students.

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

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

Special deduction for voluntary additional pension insurance payments:

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

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

Self-employed persons may claim additional allowances:

- allowance for investment;
- allowance for investment in research and development;

- allowance for employing disabled persons;
- allowance for donations.

An individual who is a resident of another EU Member State and derives income from employment, business income, income from agriculture, royalties or other income in Slovenia may claim a general allowance, seniority allowance, family allowance, disabled person allowance, independent artists, journalists and sportsmen allowance, student allowance and special deduction for voluntary additional pension insurance payments, if the individual can attest that the above-stated income derived in Slovenia amounts to at least 90% of his/her entire taxable income for the tax year, and that this income is not taxed in the country of his/her residence. A non-resident claiming such allowances is obliged to file the same annual *active income* tax return that applies to residents.

The Profit-Sharing Act was adopted in 2008. It regulates sharing of the profit of a company among employees and provides tax incentives with regard to corporate income tax, personal income tax and social security contributions. The Profit-Sharing Act determines two schemes of profit-sharing: one in the form of cash payments and the other in the form of number of shares in the company.

1.4. Derivative Instruments Gains Tax

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

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

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

1.5. Contractual Work Tax

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

The tax rate is 25%.

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

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

1.6. Social Security Contributions

Both employers and employees pay compulsory social security contributions. Employers withhold these contributions from wages or salaries and pay them together with their contributions every month

as part of payroll accounting. Self-employed individuals are obliged to remit social security contributions on their own.

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

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

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

Table 7: **Contribution rates**

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

1.7. Taxation of Winnings from Conventional Games of Chance

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

1.8. Gambling Tax and Concession Fee

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

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

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

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

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

1.9. Tax on Profits Due to Changes in Land Use

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

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

2. DIRECT TAXES ON PROPERTY

2.1. Inheritance and Gift Tax

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

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

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

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

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

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

Table 8: **Inheritance and gift tax rates**

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

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

2.2. Real Estate Tax

There are two types of duties on possession of real property. One is a duty, called “charge for the use of building land” and other is property tax.

2.2.1. Charge for the use of building land

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

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

2.2.2. Property Tax

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

Exemptions to the real property tax include:

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

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

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

2.3. Water Vessel Tax

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

Exemptions apply to: vessels used for carrying out business activities, used by the Police, Customs Administration, Army, Ministry of the Environment and Spatial Planning, and Navigation Administration; vessels with the status of museum specimen; vessels for sport activities; and vessels for the official needs of consular and diplomatic missions and international organizations according to international agreements.

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

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

2.4. Circulation Tax – Annual Fee on the Use of Motor Vehicles Act

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

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

Exempted from paying circulation tax are vehicles exclusively using electricity for power, tractors and tractor trailers, motorcycles, three-wheeled cycles with engine capacity up to 50 ccm and light four-wheeled cycles, light trailers with maximum permissible weight up to 750 kg, fire-fighting vehicles, ambulances, motor vehicles registered to the Slovenian Army, Civil Protection, Mountain Rescue Service, Ecological Laboratory with mobile unit, motor vehicles and trailers registered for diplomatic and consular missions, vehicles owned by certain international organizations, and vehicles used for the transport of disabled persons.

3. INDIRECT TAXES

3.1. Value Added Tax

3.1.1. General

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

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

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

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

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

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

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

3.1.2. Taxable persons

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

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

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

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

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

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

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

completed upon expiry of the periods to which such statements of account and payments relate; however, these periods shall not exceed one year.

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

In the case of importation, VAT is chargeable when the goods are imported.

3.1.3. Rates

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

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

- foodstuffs (including beverages, except alcoholic beverages) for human and animal consumption; live animals, seeds, plants and ingredients (usually) intended for preparation of food; products (normally) used as food additives or food substitutes; preparation of food;
- supply of water;
- supplies of medicines, including products used for contraception and sanitary protection;
- supplies of medical appliances for the personal use of disabled persons;
- transport of passengers and their personal luggage;
- supply, including on loan by libraries, of books on all physical means of support, newspapers and periodicals;
- admission to cultural and sporting events;
- royalties due to writers and composers and the services supplied by performing artists;
- import and supply of certain works of art, collectors' items or antiques;
- provision, construction, renovation and alteration of housing, as part of a social policy;
- renovation and repairing of private dwellings, excluding materials which account for a significant part of the value of the service supplied;
- window-cleaning and cleaning in private households;
- supplies of animals for fattening, seeds and seedlings, fertilizers, pesticide, biotic medicine for plant protection and services for use in agricultural production;
- accommodation provided in hotels and similar establishments, including the provision of holiday accommodation and the letting of places on camping or caravan sites;
- use of sporting facilities;
- supply of services by undertakers and cremation services and the supply of goods related thereto;
- public hygiene services;
- minor repairing of bicycles, shoes and leather goods, clothing and household linen (including mending and alternation);
- domestic care services such as home help and care of young, elderly, sick or disabled;
- hairdressing;
- supply of live plants and cut flowers.

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

3.1.4. VAT exemptions

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

– Exemption without credit for previously paid VAT (no credit may be claimed for VAT attributable to the transaction). The following supplies are VAT-exempt without deduction:

- Certain activities in the public interest (most activities in the field of health, welfare, education, sport and culture, if supplies are made by public bodies or other persons on the basis of a concession, universal postal service).
- Other exemptions (including insurance, letting and leasing of immovable property, financial transactions, supplies of stamps, betting, gambling and lotteries, certain supplies of immovable property, including plots, but not building plots of land).
- Exemptions on importation (travelers' allowances, all permanent importations of goods from outside the Community if their supply in Slovenia is in all cases exempted, re-importation, importation under diplomatic and consular arrangements, importation of goods by the European Union, EURATOM, ECB, EIB or bodies established by the European Union to which the Protocol on the privileges and immunities of the European Community of 8 April 1965 applies, importation of goods by international organizations, temporary importation, exempt intra-Community acquisitions, and temporary transfers to another EU Member State).
- The option to tax may apply for supplies of buildings, land and leasing or letting of immovable property. A taxable person engaging in exempt transactions may conclude an arrangement with the lessee or purchaser of immovable property (who shall be a taxable person having the right to full deduction of VAT) and shall submit a joint statement to the competent tax authority prior to the supply thereof. If the option is taken, the supply which would otherwise be exempt becomes liable to VAT.

– Exemption with credit for previously paid VAT (with credit or refund for VAT attributable to the supply). The following supplies of goods and services are VAT-exempt with the right to deduction:

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

3.1.5. VAT Declaration – Payment/ VAT return

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

3.1.6. Deduction of VAT/ VAT refund

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

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

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

- yachts and boats intended for sport and recreation, fuels, lubricants, spare parts and services which are closely linked thereto, other than vessels used for carrying out a transport activity for passengers and goods, renting, leasing and resale;
- aircrafts, fuels, lubricants, spare parts and services which are closely linked thereto, other than aircrafts used for carrying out a transport activity for passengers and goods, renting, leasing and resale;
- passenger cars and motorcycles, fuels, lubricants, spare parts and services which are closely linked thereto, other than vehicles used for carrying out a transport activity for passengers and goods, renting, leasing and resale, vehicles used in driving schools for the provision of driver's training program in accordance with the regulations in force, combined vehicles for carrying out an activity of a public line and special line transport and special vehicles adapted exclusively for the transport of the deceased;
- entertainment expenses (entertainment expenses shall include only the costs of entertainment during business and social contacts);
- costs of meals (including drinks) and accommodation expenses, other than costs, which have emerged at the taxable person at these supplies within carrying out his business activity.

VAT refunds to non established taxable persons

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

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

VAT refund to taxable persons established in another Member State

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

carry out transactions for which he has the right to deduct VAT in the Member State where he is established.

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

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

Minimum refund limits are as follows:

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

VAT refund to taxable persons established in third country

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

Minimum refund limits are as follows:

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

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

3.1.7. Special schemes

The Slovenian VAT Act provides the following special schemes:

- Special scheme for small taxable persons: Small enterprises whose turnover does not exceed EUR 50,000 are exempt from charging VAT and have consequently no right to recover input VAT.
- Special scheme for farmers: Exemption from charging VAT shall also apply to farmers (all members of an agriculture household) whose cadastral income does not exceed EUR 7,500. A farmer who applies a flat – rate scheme is entitled to a flat - rate compensation for VAT for the supply of agricultural and forest products as well as agricultural and forest services. Taxable persons who acquire agricultural and forest goods and services from a farmer who applies a flat – rate scheme, shall add the amount of the flat – rate compensation of 8 % of the buying – in price to the amount of payment for the effected supply.
- Special scheme for travel agents: A taxable person who supplies goods or services acquired for the purpose of a travel agent's business and supplied for the benefit of a traveler must use a

special scheme known as the travel agents' margin scheme and account for VAT on the margin, i.e. the difference between the purchase price and the selling price. No input tax on purchasing margin scheme supplies can be recovered.

- Special scheme for second-hand goods, works of art, collectors' items and antiques: If the goods are subject to this scheme, VAT is calculated on the margin, i.e. the amount by which the selling price exceeds the price which the seller paid for the goods. To use the margin scheme, the taxable person must be registered for VAT and all conditions of the scheme must be met. The conditions are many, the most important one being that the goods must have been obtained by way of supply on which no VAT was chargeable. Input tax cannot be recovered on items purchased for resale under the scheme. The margin scheme can be used for sales of goods made by taxable dealers under the conditions of the special scheme and by auctioneers acting in their own name.
- Special scheme for investment gold: The supply, intra-Community acquisition and importation of investment gold are exempt from VAT. A taxable person who produces investment gold or transforms gold into investment gold has the right to opt for taxation of supplies of investment gold to another taxable person. A taxable person has the right of deduction of VAT (paid or due) if his/her subsequent supply of the investment gold is exempt pursuant to this scheme.
- Special scheme for telecommunications services, broadcasting services or electronic services supplied by taxable persons not established within the Union: This special scheme may be used for telecommunications services, broadcasting services or electronic services which a taxable person referred to in Article 125 of the Slovenian VAT Act supplies to non-taxable persons who are established or have their permanent address or usually reside in any Member State. These taxable persons shall use this scheme for all telecommunications services, broadcasting services or electronic services he supplies within the Union.
- Special scheme for telecommunications, broadcasting or electronic services supplied by taxable persons established within the Union but not in the Member State of consumption: The taxable person not established in the Member State of consumption may indicate that he will use this special scheme if he is established in Slovenia or is not established within the Union and has a fixed establishment in Slovenia and supplies telecommunications, broadcasting or electronic services to non-taxable persons who are established or have their permanent address or usually reside in the Member State of consumption. These taxable persons shall use this special scheme for all telecommunications services, broadcasting services or electronic services that they supply within the Union. The taxable person who has indicated that he will use this special scheme and who is not established in Slovenia but has one or more fixed establishments in Slovenia or within the Union shall fulfil obligations from this special scheme for the current calendar year and for the two following calendar years.
- Special cash accounting scheme: Small businesses with a taxable turnover up to EUR 400,000 per year, exclusive of VAT, may opt for the cash accounting scheme, under which a taxable person may account for VAT on the basis of cash paid and received. Certain transactions are excluded from the scheme (i.e. exports, imports, intra-Community supplies, intra-Community acquisitions, etc.).
- Special scheme for the supply of occasional services of international carriage of passengers by road: Taxable persons that are not established in Slovenia or they don't have permanent establishment nor permanent or usual residence in Slovenia and on the territory of Slovenia exclusively perform services of occasional international road transport of passengers, at fulfilling of certain conditions may use thus special scheme for registration and they may settle and pay VAT according to this special scheme. This special scheme may apply only for

international occasional road transport of passengers and not for international regular scheduled road transport of passengers.

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

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

3.2. Excise Duties

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

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

Taxable persons calculate their liability on monthly returns, which they must lodge by the 25th day of the month following the tax period. They must pay excise duties within 30 days following the end of the tax period concerned. Excise duties on importation are payable as if they were customs duties (upon each importation).

The law defines tax rates and/or amounts of excise duties for each excisable product. They may be adjusted to take into account inflation and other changes in the market. Excise duties for gas oil and petrol change regularly, taking into account oil prices on the market.

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

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

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

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

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

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

The rates of excise duties (situation as at 1 January 2015) for alcohol and alcoholic beverages, energy products and electricity, and tobacco products are given in tables 9, 10 and 11.

Table 9: Duties on alcohol and alcoholic beverages

Description	per hectolitre (EUR)
<i>Still wine</i>	0.0
Sparkling wine	0.0
<i>Beer*</i>	12.10
Fermented beverages	0.0
Intermediate products	132.00
Ethyl alcohol*	13.20

* per % volume of alcohol

Table 10: Duties on mineral oils, gas, coal and coke, and electricity*

Description	per 1,000 litres unless specified (EUR)
Leaded petrol	421.61
Unleaded petrol	563.85
Gas oil used as/for:	
- propellant	460.10
- heating purposes	142.37
Liquid petroleum gas used as/for ¹ :	
- propellant	127.50
- heating purposes.	0.00
Methane used as/for ¹ :	
- propellant	134.37
- heating purposes	0.00
Kerosene used as/for:	
- propellant	330.00
- heating purposes	21.00
Heavy fuel oil ¹	15.02
Natural gas ²	0.0180
- propellant	0.092
- heating purposes	0.0184
Electricity used as/for ³ :	
- business	3.05
- non-business purposes	3.05
Coal and coke ⁴	0.29
Biofuel	0.00

¹ per 1,000 kilograms

² per m³

³ per MWh

⁴ per gigajoule

*According to the law certain persons liable to tax have right to refund a part of excise duty, namely for:

- energy products for which it can be proved that they are used as motor fuels for stationary working machines (and similar), motor rail track vehicles in railway transport and cable cars, are entitled to excise duty refund in the amount of 50% of excise duty prescribed for motor fuel;
- energy products used as motor fuels of agricultural and forestry mechanical equipment (inc. tractors), are entitled to excise duty refund in the amount of 70% of excise duty prescribed for motor fuel;
- Commercial use of gas oil used as a propellant, according to system described in the Energy Directive (Article 7).

Table 11: **Duties on tobacco products**

Description	
Cigarettes (per 1,000 pc)	EUR 106.00
Cigars, cigarillos (per rsp; 1,000 pc)	6% of retail selling price, but at least EUR 40 per 1,000 pc
Fine-cut tobacco (per kg)	35% of retail price and EUR 40 per kg, but at least EUR 88 per kg
Other smoking tobacco (per kg)	EUR 40

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

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

Paid excise duty for gas oil, used as a propellant for commercial purposes is refunded up to amount of 330€/1000 liters, which is EU minimum.

Electricity is exempt from payment of excise duty when it is used in chemical reduction, electrolytic and metallurgic processes, if it is produced in small hydroelectric stations, and if it represents more than 50% of the cost of production of the product.

Bio fuels that consist of 100% bio-renewable sources are included in the excise duty system, but excise duty is not payable (the amount of duty is zero).

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

3.3. Insurance Contracts Tax

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

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

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

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

The tax is not charged on:

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

3.4. Tax on Transfer of Immovable Property

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

The tax shall be payable at a rate of 2% of the tax base. The tax base shall be the selling price of the real property. If the selling price is lower than 80% of generalized market value (GMV) based on mass valuation, the tax base is 80% of GMV or the market value set by individual valuation. In establishing or transferring the right of superficies, the tax base shall be the realized payment equaling the market value of the right of superficies.

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

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

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

The tax is not charged on:

- transfer of property to diplomatic or consular missions accredited in Slovenia in case of reciprocity, and to international organizations if so stipulated by international treaties binding on Slovenia;
- transfer of property due to expropriation;
- transfer of property possessing the status of cultural monument;
- transfer of agricultural land in the frame of land consolidation and other agrarian operations under the regulations on agricultural land;
- transfer of property in compulsory collection proceedings of mandatory levies;
- transfer of property in the division of property between spouses and cohabiting partners on the termination or during marriage;
- transfer of property upon rescission of a property transfer contract;
- transfer of property in the division of real property between partners or shareholders in winding-up proceedings;
- transfer of property within the frame of financial transformations;
- transfer of property as a non-cash contribution upon the establishment of a legal entity or its capital increase.

3.5. Motor Vehicle Tax

In the Slovenian tax system, additional types of duties are applied to road motor vehicles. VAT is payable upon the transfer (e.g. sale) of motor vehicles, but there is also a motor vehicle tax (MVT).

The motor vehicle tax must be paid for passenger motor vehicles which are put into circulation in Slovenia for the first time; imports and acquisitions from other EU Member States are also taxed. Tax base is selling price excluding taxes. The tax rate is determined according to environmental criteria (CO₂, Euro emission standards) and the rates are determined from 0.5% to 28% for petrol cars and from 1% to 31% for diesel cars. For diesel cars particulate matter (MP) emissions are also considered. Tax rates for motorcycles and camper vans are set upon engine capacity in the range from 1.5% to 5% for motorcycles and 6% to 18% for camper vans.

In accordance with the law, in some cases the use of road motor vehicles may be exempted from payment of MVT, or the tax can be refunded: vehicles for transport of disabled persons, vehicles for families with three or more children, exported vehicles before first registration, intervention ambulances, old-timer vehicles, sports vehicles used only for racetracks, vehicles of diplomatic and consular missions in Slovenia and international organizations and transfer of vehicles in the case of rank transform of the owner of the vehicle.

An additional tax on motor vehicles was introduced in July 2012 with Public Finance Balance Act (ZUJF). It applies to:

- personal motor vehicles and caravans with classification numbers of a combined nomenclature 8703 21, 8703 22, 8703 23, 8703 24, 8703 31, 8703 32, 8703 33 and 8703 90 with an engine capacity over 2,500 ccm, and to
- motor vehicles with classification number 8711, quadricycles and tricycles with an engine capacity over 1000 cm³.

An additional tax on motor vehicles applies for vehicles acquired after 1 July 2012.

Depending on the engine capacity, the tax rate is determined on a progressive scale at 8–16% for vehicles under first bullet point and 5% for vehicles under second bullet point.

3.6. Financial Services Tax

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

Tax is levied on:

- granting and negotiation of credit or loans in monetary form and the management of credit or loans in monetary form by the person who is granting the credit or the person who is granting the loan;
- issuing of credit guarantees or any other security for money and management of credit guarantees by the person who is granting the credit;
- transactions, including negotiation, concerning deposit and current or transaction accounts, payments, transfers, debts, cheques and other negotiable instruments;
- transactions, including negotiation, concerning currency, bank notes and coins used as legal tender;
- services provided by insurance brokers and agents.

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

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

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

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

The tax is not charged on:

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

3.7. Tax on Lottery Tickets

Tax on Lottery Tickets is levied on lottery tickets which are used for participation in conventional games of chance.

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

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

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

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

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

3.8. Customs Duties

Slovenia, as an EU Member State, applies the common customs legislation of the Union. The Union, being a customs union and therefore an area without internal customs duties, collects uniform duties upon importation from third countries (i.e. countries outside the Union's customs area). Goods from third countries are cleared through customs, and import duties are levied at the place of importation into the Union. Consequently, goods from third countries destined for Slovenia may be cleared in any EU Member State and, vice versa, goods from third countries destined for another EU Member State may be cleared in Slovenia.

Uniform Union rules are applied for customs and tariff matters. Basic Union rules on customs matters are regulated in Council Regulation (EEC) No. 2913/92 establishing the Community Customs Code (OJ L 302, 19.10.1992, as amended) and in its implementing provisions contained in Commission Regulation (EEC) No. 2454/93 (OJ L 253, 11.10.1993, as amended). Rules on tariff matters are stipulated in Council Regulation (EEC) No. 2658/87 (OJ L 256, 7.9.1987, as amended).

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

4. TAX PROCEDURE RULES

The Tax Procedure Act is applicable from 1 January 2007. The Act introduced new procedure rules aimed to provide for transparent, unambiguous and simple system. Such system proves to be more effective as regards the collection of taxes, it facilitates simpler implementation of the legislation, ensures greater legal certainty for taxpayers, reduces costs for taxpayers and Financial Administration and generally contributes to increased tax compliance.

The Act introduced important novelties, e.g. an Advance Tax Ruling practice, as well as a procedural option, i.e. self-declaration of tax liabilities. Furthermore, resident individuals with previously reported income are, in general, not obliged to file an annual personal income tax return, as annual personal income tax is assessed by tax authority.

E-business has been promoted for some time in all fields of communication between taxpayers and the tax authority.

The Tax Procedure Act was amended several times since 2007 with the aim to further promote its basic objectives, as well as to improve international tax compliance. These amendments included e.g. transposition of Council Directive 2011/16/EU on administrative cooperation in the field of taxation, transposition of Council Directive 2010/24/EU concerning mutual assistance for the recovery of claims relating to taxes, duties and other measures, and rules for implementation of the Agreement between the Government of the Republic of Slovenia and the Government of the United States of

America to Improve International Tax Compliance and to Implement FATCA, which entered into force on July 1, 2014.

Currently, the National Assembly is discussing a law proposal for further amendments to the Tax Procedure Act. Among other changes, the law proposal includes:

- the introduction of an Advance Pricing Agreement practice;
- transposition of the Council Directive 2014/107/EU amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation;
- rules creating reporting and due diligence obligations for Slovenian financial institutions in line with the Standard for Automatic Exchange of Financial Information in Tax Matters (ie. Common Reporting Standard), following Slovenia's obligations under the Competent Authority Agreement, signed in October 2014.

III. DOUBLE TAXATION CONVENTIONS

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

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

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

Slovenia currently has DTCs in force with 58 countries. They generally cover income and property taxes. A number of new DTCs are in the process of being negotiated. A list of applicable conventions is available on the website of the Ministry of Finance:

http://www.mf.gov.si/en/areas_of_work/taxes_and_customs/documents/list_of_double_taxation_conventions/

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

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

In order to better facilitate the use of methods mentioned above, special tax forms for claiming verification of treaty entitlement or claiming tax refunds have been published. These are also available on the website of the Financial Administration of the Republic of Slovenia. According to the Act, the general limitation period for claiming a refund under second bullet is five years from the day the tax was paid or from the acquisition of a legal title establishing that there was no obligation to pay the tax.

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