

How to start Business in Slovenia

ECOVIS CF ConFidas

August 2010

Contents

1. INTRODUCTION.....	3
1.1 Geography and population.....	3
1.2 Political system.....	3
1.3 Economy.....	3
2. BUSINESS ENTITIES AND ACCOUNTING.....	4
2.1 Companies.....	4
2.2 Limited liability company.....	5
2.3 Audit and Accounting Requirements.....	6
2.4 Filing Requirements.....	8
3. FINANCE AND INVESTMENT.....	9
3.1 Banking sector.....	9
3.2 Capital market.....	9
3.3 Investment incentives.....	10
4. COMPULSORY SETTLEMENT, BANKRUPTCY AND LIQUIDATION.....	12
5. EMPLOYMENT OF FOREIGNERS.....	13
5.1 Citizens of EU and EEA.....	13
5.2 Foreigners from non-members of the EU and EEA.....	13
6. TAXATION.....	14
6.1 Corporate Income Tax.....	14
6.2 Personal Income Tax.....	17
6.3 Value Added Tax.....	17
6.4 Other taxes and duties.....	18

1. INTRODUCTION

1.1 Geography and population

The Republic of Slovenia lies at the heart of Europe and is often called „Europe en miniature“. It contains Alpine and Mediterranean landscapes, the Pannonian plains and the mysterious Karst. It's neighbours are Austria, Hungary, Croatia and Italy.

Slovenia is a small country with 2 million inhabitants and a size of 20.000 km². The Slovene - Southern Slavonic - language has played a special role throughout Slovenia's history and is still considered as one of the foundations of national identity.

Key facts:

- Area: 20,273 km²
- Population: 1.997.590
- GDP per capita 2009: 17.657 EUR
- Capital city: Ljubljana
- Language: Slovene; in nationally mixed areas, also Italian and Hungarian
- Currency: Euro (EUR)

1.2 Political system

The Constitution stipulates Slovenia as a democratic republic and a social state governed by law. The state's authority is based on the principle of the separation of legislative, executive and judicial powers, with a parliamentary system of government.

Slovenia became an independent state in 1991 and a member of the EU on May 1, 2004.

1.3 Economy

Slovenia is among the most successful of the countries in transition from socialism to a market economy. It boasts a stable growth in GDP and is viewed as a safe country, ranked among the countries with the lowest degree of risk.

At the time of its independence in 1991, Slovenia was the wealthiest and most open Yugoslav Republic. Although Slovenes represented only 8% of the Yugoslav population, Slovenia exported almost one-third of all goods exported from Yugoslavia.

After gaining independence, Slovenia had to overcome the loss of the markets in the former Yugoslavia in a short period of time. Especially in this area Slovenia has been successful in opening towards the EU and the associated partners.

In the economic sphere, Slovenia's level of development is quickly catching up with that of the EU. Its major trade partners are Germany, Italy, Croatia, Austria and France.

2. BUSINESS ENTITIES AND ACCOUNTING

2.1 Companies

The establishing, managing and organization of companies is regulated by the Commercial Companies Act, which is harmonized with the EU Acquis Communautaire. The court registration of companies is regulated by the Court Register Act and the Decree on the entry of companies and other legal entities in the court register.

Organizational forms

The Companies Act provides for the following organization forms:

- General partnership (Družba z neomejeno odgovornostjo – d.n.o.)
- Limited partnership (Komanditna družba – k.d.)
- Dormant partnership (Tiha družba)
- Limited liability company (Družba z omejeno odgovornostjo – d.o.o.)
- Joint-stock company (Delniška družba – d.d.)
- Partnership limited by shares (Komanditna delniška družba – k.d.d.)

Since 2006 the establishment of a European company (SE) is possible in Slovenia.

Founders

All the forms of companies may be established by any domestic or foreign, legal or natural person. The law prescribes the minimum or maximum number of founders for an individual type of company.

Legal personality

Companies obtain the status of a legal person through court registration.

Registered name

The company must use its registered name in all operations. The mandatory elements of the registered name are the name of the company, an indication of the company's economic activity and a statement on its organizational form.

The registered name has to be in the Slovenian language. Any translation must only be used in conjunction with the Slovenian wording.

Registered office

The registered office of the company is the place entered in the court register as the registered office. This must be the place where the company performs the main part of its activities or the place where the bulk of its business is conducted.

Economic activity

The company enters the economic activities it plans to perform in the court register as the registered activities. Upon entry, the Standard Classification of Industries must be used. A company is only allowed to conduct businesses for which it has been registered ! The company is free to choose any activities it intends to perform, however certain activities can only be performed after obtaining a permission of the competent authority.

Representation

The company has to enter in the register at least one person who is authorized to represent the company and to sign company documents. There is no requirement that the director, any member or the majority of the management board must be Slovenian citizens or residents.

2.2 Limited liability company

The vast majority of direct foreign investments in Slovenia is done by establishing a limited liability company. However for certain activities the use joint stock companies (banks, insurance companies) is mandatory.

A limited liability company (družba z omejeno odgovornostjo – d.o.o.) is a company whose capital is made up of the business shares contributed by the founders. A limited liability company is liable with all its assets for its obligations, whereas the shareholders are - in general - not liable for the company's obligations. Limited liability companies are legal persons that obtain such status upon court registration.

A limited liability company may not have more than 50 partners (unless an approval of the minister for economic affairs has been obtained). Companies with only one founder are possible but subject to special regulations (book of decisions). No limitations apply regarding the nationality (domestic or foreign), or legal form (legal or natural persons) of founders.

The minimum founding capital is EUR 7,500. The minimum contribution of each shareholder is EUR 50. The value of the contributions may differ. Before registration at least 25 percent of each shareholder's cash contribution must be paid in. However, the sum of all paid contributions must be at least EUR 7,500. It is possible to contribute all the initial share capital in the form of a non-cash contribution or non-cash acquisition only.

On the basis of their contributions the partners acquire a business (equity) share that is expressed as a percentage of the company's capital. The shares are transferable, but the other shareholders have a pre-emptive right.

Management rights of shareholders are provided by the act of incorporation or - in the absence of such provisions in the act of incorporation - by the Commercial Companies Act.

A limited liability company has one or more managers (directors) appointed for a period that must not be shorter than two years. There are no restrictions regarding the residence or nationality of managers.

The limited liability company may have a supervisory board if the act of incorporation provides for one, but it is not obligatory. There are no restrictions regarding the residence or nationality of board members.

The main body of the limited liability company is the shareholder's meeting. Normally, each shareholder has one vote for each EUR 50 of their contribution, although the act of incorporation may provide otherwise.

Since February 2008 registration of a simple Ltd. may be done through the state portal for business called e-VEM (<http://evem.gov.si>), which enables founders to register in the Slovenian Business Register and forward information to the Tax Administration, apply for compulsory health insurance at the Health Insurance Institute of Slovenia, change data or delete company from the Slovenian Business Register. All of these services can be accessed by using digital certificates provided by one of the certification authorities in the Republic of Slovenia or in person at any one of the more than 200 VEM access points in Slovenia.

2.3 Audit and Accounting Requirements

The size of companies relevant for accounting, auditing and disclosure purposes is defined as:

Micro company (two of the following conditions must be fulfilled):

- less than 10 employees;
- an annual income of less than EUR 2,000,000;
- the value of assets is less than EUR 2,000,000;

Small company (two of the following conditions must be fulfilled):

- less than 50 employees;
- an annual income of less than EUR 8,800,000;
- the value of assets is less than EUR 4,400,000;

Medium-sized company (two of the following conditions must be fulfilled):

- less than 250 employees;
- an annual income of less than EUR 35,000,000;

- the value of assets is less than EUR 17,500,000;

Large company (two of the following conditions must be fulfilled):

- more than 250 employees;
- an annual income of more than EUR 35,000,000;
- the value of assets is more than EUR 17,500,000;

Banks, insurance companies and associated companies (subsidiaries, affiliated companies, trusts etc.) are de lege considered to be large companies.

Bookkeeping

Companies and entrepreneurs must keep business books, must close them annually in accordance with the Commercial Companies Act and the Slovene Accounting Standards (or the International Accounting Standards) and file their statutory accounts. Business books are kept on a double-entry bookkeeping basis (small entrepreneurs can use single-entry bookkeeping).

The Slovene Accounting Standards incorporate the EU-Directives 78/660/EEC and 83/349/EEC and must be in line with the International Accounting Standards.

Statutory Accounts and annual reports produced by large and medium-sized capital companies, dual companies and small companies whose shares are listed on the stock exchange must contain balance sheet; income statement; cash flow statements; statement on changes in equity; annexes with an explanation of the reports and supplementary reports as stipulated by law and business report.

Annual reports of small share capital companies whose shares are not listed on the stock exchange must as a minimum contain balance sheet, income statement and annexes with an explanation of the reports and supplementary reports as stipulated by law.

Annual reports of entrepreneurs and personal companies comprise at least the balance sheet and income statement.

Consolidated business report

Slovenia-based companies with one or more subsidiaries (in Slovenia or abroad) must produce consolidated annual reports. The Companies Act and the Slovenian Accounting Standards specify the criteria for establishing the parent/subsidiary relationship between companies. A consolidated annual report presents the financial position and business results of all consolidated companies.

Audit

Audits must be carried out within six months of the end of the business year. An audit is compulsory for large and medium-sized companies and small companies with securities traded on an organized market. All audit reports (including reports on the audit of foreign companies) must be prepared in the Slovenian language. For banks, insurance compa-

nies, brokerage companies, trusts and other financial organizations special provisions apply.

The law distinguishes between the subsidiaries of EU companies and those of third-country companies. A subsidiary of an EU company can submit the annual report of its parent company provided that it has been prepared in compliance with the legislation of an EU country. According to amendments to the Companies Act, a subsidiary of a third-country company can submit the annual report of its parent company only if the report has been prepared in compliance with EU Directives 76/660/EEC and 83/349/EEC. Otherwise, the subsidiary will have to produce and disclose its own annual report prepared in accordance with these requirements.

2.4 Filing Requirements

The statutory accounts must be filed with the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES) within three months of the end of the business year.

Consolidated annual reports must be compiled until the end of the fourth month of the end of the business year.

Annual reports along with the auditor's opinion must be submitted to AJPES within eight months of the end of the business year (within three months of the end of the business year for annual reports of entrepreneurs and small companies whose securities are not traded on an organized market).

3. FINANCE AND INVESTMENT

3.1 Banking sector

As of 31st December 2009 there were 20 banks operating in Slovenia, in addition, 3 savings banks as well as 3 branches of Member state's credit institutions that have notified their operation in Slovenia perform their activities.

The largest Slovenian bank is Nova Ljubljanska banka (NLB) which is owned by the Republic of Slovenia (majority shareholder) and the Belgian KBC (whose stake has been on the selling block for almost two years with the Spanish Santander bank being mentioned as a bidder for KBC's stake). NLB needs new capital so plans for its recapitalisation are being made.

The second largest Slovenian bank is Nova Kreditna banka Maribor (NKBM). NKBM has improved its capital adequacy ratio with a recent bond issue.

The third largest Slovenian bank is with Abanka Vipava on the 3rd place with a 9% market share. NLB and NKBM have a combined market share of 40.6% (31 September 2009).

NLB's share in total lending of 28.3% dwarfs a 9.3% share of NKBM (30 September 2009) and the picture remains the same when the banks' capacity to gather deposits is measured: 31.5% and 9.9% for NLB and NKBM respectively. With net profit of 49.3 million euro (30 September 2009), NLB accounted for a hefty third of the aggregate profit generated by the Slovenian banking sector.

3.2 Capital market

The regulation of the capital market is in accordance with the EU directives and meets the high standards of developed financial markets. Slovenia, as one of the first among the new Member States, adopted the Euro on January 2007, which will consequently simplify the investments of Euro zone investors into top Slovenian companies.

The Ljubljana Stock Exchange (LJSE) has recently become part of the emerging Central and East European regional market through integration with the Central and East European regional market as part of the Vienna Stock Exchange (VSE) Group represents further development of the Ljubljana Stock Exchange (LJSE) and the Slovenian capital market.

The Ljubljana Stock Exchange (LJSE) and the Securities Market Agency have entered into the agreement on granting the LJSE the authorisation to operate the officially appointed mechanism (OAM) for the central storage of regulated information (so-called CSI in Slovenian). OAM is an information system that enables the dissemination and storage of as well as access to all published regulated information, i.e. the information that LJSE-listed com-

panies are bound to publish pursuant to the Markets in Financial Instruments Act. OAM is anticipated to become operational in the spring of 2010, when it will enable on a special website the interested public to browse all regulated information published by LJSE-listed companies.

The Securities Market Agency in charge of supervising the market in financial instruments. Its mission is to maintain a safe, transparent and efficient market in financial instruments. By exercising control over the brokerage companies, banks engaged in investment transactions and services, management companies, investment funds, mutual pension funds, public companies, public-limited companies governed by the Takeovers Act and performing other regulatory tasks, it creates a level playing field for efficient operation of market in financial instruments.

The Agency keeps a list of issued licences to brokerage companies, a list of issued licences to stock exchanges, a list of issued licences to management companies and investment funds, a list of issued licences to clearing and depository houses and lists of issued licences to mutual pension funds and their managers.

3.3 Investment incentives

Besides tax incentives the following incentives are currently in place:

Government FDI Cost-Sharing Grant Scheme

Foreign companies making direct investments in Slovenia may apply for financial grants, if their investment will have a positive impact on new employment, knowledge and technology transfer, facilitation of balanced regional development, and will foster alliances between foreign investors and Slovenian companies.

Grants are available for investments in:

- manufacturing industry
- in the sector whose services are internationally traded
- in the research and development activity

The details for the Government FDI Cost-Sharing Grant Scheme for 2010-11 have been published in the Official Gazette of RS No. 25/2010, pp. 642-646, on the 26th of March 2010.

Financial incentives for hiring and (re)training people

Applicable are companies duly incorporated in Slovenia for at least one year:

- Public tender to increase hiring the unemployed
- Public invitation to employers to carry out the programmes/schemes for on-the-job training - Usposabljanje na delovnem mestu - 2009/2011

- Public tender Absolvent – get started and get a job (training undergraduates – candidates for graduation at a workplace and subsidy for employing a candidate for graduation)
- Public tender for employing researchers when they take up a position in a company (No. II)

In addition, tenders are open in various areas (co-financing the purchase of new technological equipment in SME, direct co-financing for joint development and investment projects) subject to the condition that they have to operate in Slovenia for at least one year.

Local Incentives

Municipalities may offer different forms of incentives, which are negotiated on a case-by-case basis. These incentives may include easy access to industrial sites, utility connections and holidays from local taxes.

Employment Incentives

The Employment Service of Slovenia carries out a series of measures for encouraging employment through which it advises and finally supports employers that employ new workers.

Employers who intend to hire unemployed persons may apply for free training and retraining provided by local employment offices throughout Slovenia.

4. COMPULSORY SETTLEMENT, BANKRUPTCY AND LIQUIDATION

The essential characteristic of bankruptcy proceedings is the possibility of the financial reorganization of a company in compulsory settlement proceedings. This provision enables the implementation of statutory reorganization, the rationalization of business activities, and the establishment of sound capital links with other companies.

Bankruptcy proceedings are initiated against those debtors with a long history of insolvency or of being heavily encumbered by debts. Bankruptcy proceedings cannot be initiated against debtors with only one creditor. The proposal for the commencement of bankruptcy proceedings may be filed by:

- creditors,
- the debtor himself or
- a personally liable shareholder.

Debtors are defined as sole traders, commercial companies, cooperatives, state-owned companies, and other legal and natural persons determined by special acts.

Insolvent debtors or debtors heavily encumbered by debts may suggest compulsory settlement to creditors before the initiation of bankruptcy proceedings. Once bankruptcy proceedings have been initiated, an insolvent estate is formed, comprising the whole of the debtor's property. In the case of partnership, this also includes the personal property of personally liable partners.

Bankruptcy proceedings cannot be initiated against debtors whose property value is not sufficient to cover the costs of the proceedings. Bankruptcy proceedings are heard by the competent court in the town in which the company in question is located.

After obtaining the opinions of the creditor's board and administrator, and on the basis of an expert opinion, the senate may proceed with the sale of the debtor as a legal person by public auction or a call for bids. The decision on sale must contain the following: the mode of sale, the price, the deadline for payment, the amount (not less than 10 per cent) and the methods of paying deposits, methods of transfer and payment guarantees (not longer than six months after the conclusion of the sales agreement).

All data concerning the initiation and termination of bankruptcy proceedings is entered in court register.

5. EMPLOYMENT OF FOREIGNERS

5.1 Citizens of EU and EEA

Citizens of EU, EEA member states and Switzerland do not require a work permit to work in Slovenia. Workers from those countries have a status equal to that of domestic workers when it comes to employment or searching for employment.

The only obligation employers have in connection with workers from those countries is that they have to register them with the Employment Service of Slovenia for record-keeping purposes. The employer must perform the registration within eight days of the commencement of employment using the TUJ/EU-zap form. In the event of the early termination of employment, the employer must perform the deregistration of the foreigner's employment relationship using the same form. EU citizens also do not require a residence permit; they must simply register their stay with the administrative unit.

5.2 Foreigners from non-members of the EU and EEA

Before employing workers from third countries a work permit must be obtained as well as a residence permit. The application to obtain a work permit for a foreigner is filed by the employer intending to employ the foreigner (the exception to this being foreigners who meet the conditions for obtaining a personal work permit and file the application themselves). Only after receiving their work permit can a foreigner obtain a provisional residence permit (or a permit for permanent residence if the foreigner fulfils the conditions for this).

6. TAXATION

6.1 Corporate Income Tax

All legal entities, both national and international, shall be subject to Corporate Income Tax Act (CITA). A legal person, whose seat or actual location of permanent performance of a business activity is on the territory of the Republic of Slovenia, shall be subject to unlimited tax liability.

Limited tax liability shall apply to legal entities, which are not subject to unlimited tax liability pursuant to the preceding paragraph, regarding income from a permanent establishment in Slovenia or other income in Slovenia.

A permanent establishment in terms of the law shall be a location, where the taxpayer entirely or partly performs its business activity in Slovenia.

Income originating in Slovenia includes income from real estate and rights in real property situated on Slovene territory, dividends paid by a resident of Slovenia, income from the sale of movables, located in Slovenia, income from the sale of securities and own shares in a company and all income gained in Slovenia.

In compliance with the law, all income of the taxable person shall be taxed during the tax assessment period corresponding to the calendar year. However, the taxpayer may choose a financial year (12 month!!), which differs from the calendar year. The taxpayer must inform its competent tax office within at least 45 days prior to the beginning of the accounting year about the change of the financial year and may not change the financial year for a period of five years.

The tax base for corporation income tax shall be derived from the annual profit and loss accounts, prepared on the basis of the Slovene Accounting Standards (SRS) or the International Accounting standards (IAS). Profit shall be the surplus of revenues as compared to expenses. Both revenues and expenses shall only be recognized in the year of their occurrence.

The term associated persons, which addresses the 'dealing at arm's length-principle' regarding relationships of the company with such associated persons is of essential importance. When establishing the assessment basis of related companies transfer prices are applied. The Act acknowledges the following methods of comparison: comparable uncontrolled price method, resale price method, cost plus method, profit split method and net margin method.

Reserves shall not be taken into account when assessing the tax basis (exceptions regarding amongst others banks and insurances). Dissolution or utilization of reserves shall be done in such manner that expenses and revenues are recognized in order to avoid

double taxation. This means that the dissolution of reserves, which were not recognized upon their formation, shall not have an effect on the profit.

In general, the rule shall apply that only expenses necessary to obtain the income taxed pursuant to law shall be recognized. Expenses, which are not a direct prerequisite for the performance of the activity or a consequence of the performance of the activity, are of private nature or do not comply with the usual business practice (i.e. based on previous experience and compared to other branches and circumstances, not usual for the business activity of the branch concerned - exception, e.g. natural disasters) shall be considered as unnecessary expenses.

Expenses, which are not recognized are investments, especially for the acquisition or improvement of real estate, fixed assets (increase in acquisition value), acquisition of tangible rights, shares and stocks in corporations as well as other financial assets, distribution of profits, especially for dividends and other expenses, revenue reserves or payments to the management or supervisory bodies of a company which correspond to participation in profits, expenses to cover losses from previous years, expenses related to the private life of the owners and associated persons as well as other persons (celebrations, recreation, sport, including value added tax) as well as payments in kind, expenses for compulsory execution of taxes and other duties, penalties imposed by competent authorities, interest for the late payment of taxes and duties as well as interest for loans granted by associated companies with their seat in a state with a more corporate income tax rate of less than 12.5%, excluding EU member states, bribes or other benefits granted to natural or legal persons and donations.

The expenses shall not be recognized if their private use is gratuitous. They shall, however, be recognized to the extent paid by the beneficiary.

Half of the entertainment expenses and the costs for a supervisory board shall not be recognized.

Write offs of receivables shall be recognized if the receivables were disclosed as revenue and all measures to be expected of a good manager to collect such receivables were taken.

The CITA includes a provision implementing a “thin capitalization” rule of 1 to 4.

As regards tangible fixed assets and intangible assets, pursuant to tax law, only straight-line depreciation shall be permitted; Article 33 of the CITA stipulates the maximum depreciation rates. Direct depreciation on low-value assets shall be permitted up to the amount of Euro 500. Regarding the acquisition of used fixed assets, which were already entirely written down by their previous owner, depreciation expenditures shall be non-deductible!

A tax investment credit in amount of 30% of the purchase value of fixed assets investments in machines and equipment (not vehicles or office equipment) limited at a sum of 30.000 EUR can be deducted.

Furthermore, subject to the approval of the competent authorities, an additional investment tax credit for research and development purposes in the amount of 20% of the purchase value of the fixed assets for research and development may be claimed. In structurally disadvantaged areas, the investment tax credit may even be increased to 60%.

Upon conclusion of an internal pension plan (in the sense of the provisions of the Pension and Disability Insurance Act) a tax concession in the amount of up to 24% of the employee's statutory pension and disability insurance contributions.

Donations for humanitarian, scientific, charitable, educational, sports, cultural, ecological and religious purposes shall decrease the tax assessment basis by a maximum amount of 0.3% of the taxpayer's taxable income.

Payments to political parties and trade unions shall be recognized as tax concessions totaling the threefold average monthly salary of the taxpayer's employees.

The general tax rate amounts to 20 %. Tax Return shall be carried out by the taxable person. During the fiscal year, advance payments of taxes must be made.

If the tax base is negative, the amount must be shown as loss in the tax declaration. During the subsequent years, the loss may be used to cover profits, however the oldest losses must be settled first. In case of direct or indirect changes in the ownership structure losses carried forward may be lost.

The tax deducted at source or withholding tax, whose origin (source) is in Slovenia, is computed, withheld and paid in the amount of 15% of the income of residents and non-residents.

Withholding tax is levied on: dividends and similar income, interest, payments for the utilization or the right to use copyrights, licences, patents, trademarks and other property rights as well as similar income and payments for rent or lease.

If international treaties on the avoidance of double taxation stipulate a tax rate other than 15%, the tax rate from the treaty applies.

The Parent-Subsidiary Directive is applicable in the case of parent companies and subsidiaries of different Member States. A participation exemption of revenues from profit participation has been introduced under certain conditions.

6.2 Personal Income Tax

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

Dividends, interest and capital gains are taxed at a flat rate. The tax rate for dividends is 20% and for interest income 20%. The tax rate for capital gains depends on the holding period: 20% 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 0% for a holding period greater than 20 years. The tax is treated as a final tax for residents and non-residents alike.

Income tax on other categories of income (income from employment, business income, income from basic agriculture and forestry, rental income, 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%. Advance tax payments paid during the tax period are deductible from the final tax liability, and any difference is collected on receipt of an assessment from the tax authorities. When the total sum of advance payments exceeds the tax payable, a refund is provided.

6.3 Value Added Tax

VAT is payable on all supplies of goods and services, effected by a taxable person.

Acting as such, for consideration within the territory of Slovenia, on intra-Community acquisition, including intra-Community acquisition of new means of transport and on importation of goods. It is also imposed on the transfer of ownership of buildings or parts thereof, if the transfer is made before first occupation or within a period of two years after first occupation.

Taxable persons are all persons performing independent economic activity. Such persons must register as taxable persons identified for VAT purposes if their annual turnover is

greater than 25.000 EUR or even if their turnover is lower, if they so wish. Taxable persons established abroad who perform taxable activity in Slovenia must also register with the tax authority.

VAT is charged when goods are delivered or when services are performed. It is considered that it occurs when a VAT invoice is issued. 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, the VAT applies to those payments as they are made. Continuing services are deemed to be supplied on the last day of the tax period to which the invoice or payment relates.

There are two VAT rates applicable in Slovenia: The standard rate of 20% applies to all supplies of goods and services not specified as being subject to the reduced rate or to exemptions.

The reduced rate of 8,5% applies to goods and services specifically defined by the VAT Act (for example: food, medicines, the supply of medical appliances for personal use of disabled persons, supply of water, supply of books and other printed materials, construction, renovation and supply of housing, tickets to cultural and sports events, etc.).

6.4 Other taxes and duties

Excise Duties

Excise duties are levied on alcohol and alcoholic beverages, oil, gas and tobacco products.

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.

Inheritance and Gift Tax

This tax is paid by the recipient, 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.

Property Tax

In the Slovenian system there are two types of duties on possession of real property. One is a duty, called "charge" for the use of building grounds and other property tax. Charge 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 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 possessed by individuals. The tax is levied at different rates depending on the type and value of the premises.

Tax on Vessels

Tax is levied on vessels longer than 5 meters, registered in Slovenia or registered in other countries but owned by Slovenian residents. The taxpayers are the owners. Tax is levied for the calendar year, based on the length of the vessel and engine capacity.

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 exempted.

This tax however is not to be understood as a personal income tax as it is to be paid in addition to personal income tax payments.

Taxes on Lottery Winnings

This tax is levied on individuals who win lottery prizes. The tax is withheld by the lottery organizer at a rate of 15%.

Tax on Gambling

This tax is levied on the net income of the organizer of gambling activities. Two tax rates on gambling of 5% and 18% apply, depending on the type of game.

Tax on Insurance Premiums

This tax is levied on insurance premiums and paid by insurance companies at a rate of 6.5%.

Immovable Property Transfer Tax

The tax is levied on the transfer of immovable property if VAT has not been charged on such property. It is applied to the market value of immovable property transferred, but in certain cases the tax administration may adjust the taxable base.

In general, the taxpayer is the seller of the immovable property. The rate is 2% of the market value of the transaction.

The following transfers of immovable property are exempted: transfer to diplomatic and consular missions and other international organizations according to international con-

tracts and conventions; transfers made under the privatization process; transfers of agricultural land; and transfers connected to enforcement of tax collection.

Contributions to Social Security Insurance

Besides personal income tax, individuals must pay compulsory social contributions. Both employer and employee must pay contributions, with the contributions being calculated, withheld and paid 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.

The contributions amount to 22,1 % of the gross salary for the employee and 16,1 % on the employers side.

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 (TARIC) and are applied in accordance with the common customs legislation of the EU.

CONTACT US

ECOVIS CF ConFidas d.o.o.

Parmova 53

SI-1000 Ljubljana

Tel.: +386 1 580 9800

Fax: +386 1 580 9809

Email: ljubljana@ecovis.com