

How to start Business in Slovenia

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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 neighbors 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
- 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

After years of being among the most successful of the countries in transition from socialism to a market economy, Slovenia finds itself in a deep economic crisis. Slovenia was dragged into recession by the European financial crisis, the failed privatization of state owned companies and numerous unsuccessful management buyout attempts mostly financed by state owned banks. Consequently, previously healthy companies were forced to bail out their financially weak owners, often in violation of financial assistance regulations, in the end finding themselves in financial difficulties. In 2012 the non-financial corporations' indebtedness relative to equity stood at 144%.

Currently, political instability slows the reform process. The center-left government announced plans for tough austerity measures in spring 2013, sparking mass protests.

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 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, despite the current crisis, Slovenia's level of development is 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.),
- 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 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 of 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 % 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. with a standard form of Articles of Association 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, change data or delete the company from the Slovenian Business Register without a notary at the so called access points VEM, e.g. at the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES). Through the state portal companies may also apply for compulsory health insurance at the Health Insurance Institute of Slovenia and de-register employees from the health insurance by using digital certificates provided by one of the certification authorities in the Republic of 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 the following: 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 the following: 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 companies, 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

The ongoing economic crisis in Slovenia and the deteriorating business environment has led to a reduction of credit demand, in particular the demand for investment loans. Overall the banking system's income risk remained large as a result of the decline in lending and continuing deterioration of the portfolio in the year 2012.

There are 20 banks operating in Slovenia, in addition, 3 savings banks as well as 2 branches of Member state's credit institutions that have notified their operation in Slovenia perform their activities. While over 60 % of the banking sector (ownership structure in terms of equity) is solely Slovenian owned, almost 30 % are in majority foreign ownership.

The largest Slovenian bank is Nova Ljubljanska banka (NLB) which is owned by the Republic of Slovenia (majority shareholder). NLB has been deeply involved in the MBO business and needs new capital. A recapitalization is being prepared.

The second largest Slovenian bank is Nova Kreditna banka Maribor (NKBM). NKBM needs fresh capital and has been earmarked by the government to be sold.

The third largest Slovenian bank is with Abanka Vipava. NLB and NKBM have a combined market share of 37.6%.

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.

The Ljubljana Stock Exchange (LJSE) is 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. However, the importance of the LJSE is declining as several Slovenian blue chips have moved to Warsaw and others are reportedly planning on doing so.

3.3 Investment incentives

Besides tax incentives (tax relief on investments) the following incentives are currently in place:

Government FDI Cost-Sharing Grant Scheme 2013

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.

Beneficiaries/recipients have to be companies duly entered in the company register of the Republic of Slovenia in which a foreign investor directly has at least a 10 per cent equity holding, investment projects in manufacturing industries (at least 25 new jobs, minimum value of the investment project EUR 1 million); with investment projects in the sector whose services are internationally traded (a minimum of 10 new jobs, minimum value of the investment project EUR 0.5 million), with investment projects in the research and development activity (at least 5 new jobs, minimum value of the investment project eligible for the co-financing is EUR 0.5 million). The beneficiary/recipient of the co-financing must provide funding in the amount of at least 25 per cent of eligible costs of investments in property, plant and equipment and/or in intangible assets.

Eligible costs/expenses are costs of property, plant and equipment, costs of creating new employment, costs of feasibility studies and advising/consultancy (only in case of investments in small and medium-sized enterprises). Value-added tax (VAT), land use change compensation and other taxes shall not be deemed eligible for co-financing.

The tentative amount of co-financing is up to EUR 1.000.000, and additional up to 12 % of the value of eligible costs/expenses incurred under the investment project (tangible and intangible eligible costs/expenses). Where a foreign investor is about to invest in Slovenia for the first time, the value of co-financing increases to 50 %.

However, co-financing shall not exceed 30 % (for a large company), it shall not exceed 40 % (for a medium-sized company) and it shall not exceed 50 % (for a small company) of the value of eligible costs/expenses per investment project. In the case that the value of the eligible costs/expenses budgeted for the investment project of a small company is 2 million euros, the value of co-financing cannot exceed 1 million euros.

These investment projects and new jobs shall remain located in the Republic of Slovenia for no less than 5 years for large-sized companies and no less than 3 years for small- and medium-sized companies.

Financial incentives for hiring and (re)training people

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

- Public invitation to employers to carry out the programs/schemes for on-the job training – “Usposabljanje na delovnem mestu” – 2012/2013
- 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. EMPLOYMENT OF FOREIGNERS

4.1 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 de-registration 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.

4.2 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).

5. TAXATION

5.1 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 three 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 EUR 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 40 % of the purchase value of fixed assets investments in machines and equipment (not vehicles or office equipment) limited at a positive tax base can be deducted.

Furthermore, subject to the approval of the competent authorities, an additional investment tax credit for research and development purposes for the purchase of fixed assets for research and development may be claimed.

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 % (in some cases up to 0.5 %) 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 15 % and will enter into force in 2015, until then a transition period is in force. Thus, in 2013, the corporate income tax rate is 17 % and in 2014 it is 16 %. Tax Return shall be carried out by the taxable person. During the fiscal year, advance payments of taxes must

be made. However, in spring 2013, the government started a discussion of freezing the CIT rate at 17 % due to the financial crisis in Slovenia.

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 (up to 50 % of a positive tax basis), 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, licenses, 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.

5.2 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 25 % and for interest income 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 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 % (for the years 2013 and 2014 an additional 50 % tax rate has been introduced). 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.

5.3 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, including intra-Community acquisitions 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 EUR 25.000 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: as of 1 July 2013, the tax rates are 22 % for the standard rate and 9.5 % for the reduced rate.

The standard rate of 22 % applies to all supplies of goods and services not specified as being subject to the reduced rate or to exemptions.

The reduced rate of 9.5% 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.).

Before 1 July 2013, the standard rate was 20 % and the reduced rate 8.5 %.

5.4 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 contracts 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 employer's 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.

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