

Tax Agenda Slovenia

October 2023



Building a better
working world

| No. | Fact | Action | | |
|-----|---|---|---|---|
| 1 | <p>Tax relief for investment in the digital and green transition</p> <p>New tax relief for investment in the digital and green transition has been introduced, effective from 1 January 2022. Tax relief amounts to 40% of the amount representing investments in the digital transformation and green transition. These investments include investments in cloud computing, artificial intelligence and big data, and investments in environmentally friendly technologies, such as cleaner, cheaper, healthier public and private transport. Green transition also refers to decarbonization of the energy sector, energy efficiency of buildings and the introduction of other climate neutrality standards.</p> <p>Tax authorities have issued additional guidance on this subject in March 2023 - more information.</p> | Review whether such tax relief could be used in the future and assess if the conditions are met. | ● | ● |
| 2 | <p>Limitations to tax base reduction</p> <p>A general limitation of tax base reduction after utilization of tax reliefs and tax losses carried forward applies in Slovenia. The maximum reduction of the tax base from tax allowances and the tax losses carried forward is limited to 63% of the tax base for a tax period, which results in an effective minimum corporate tax rate of 7%.</p> | Keep the limitation of the tax base in mind planning for various tax reliefs in the next years since not all of them can be carried forward and should be utilized in the year when they occur. | ● | ● |
| 3 | <p>Taxation of employee equity compensation schemes</p> <p>Tax authorities have increased their focus on employee equity compensation schemes, such as stock options or restricted stock awards from abroad in recent years. Due to specific reporting procedures of such income in Slovenia, and whether or how social security contributions and taxes were paid, this has become one of their main focuses.</p> | Review and verify if tax reporting of such awards is implemented correctly within your company. | ● | ● |

Use text boxes above the timeline to plan your actions for coming months

● Compliance ● Risk management ● Cash-flow and ETR impact

| No. | Fact | Action | | |
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| 4 | <p>Limitation on windfall profits aka windfall tax</p> <p>At the end of 2022, The National Assembly adopted the new Act on the Emergency Measures for the Treatment of High Energy Prices according to Council Regulation 2022/1854/EU. The new Act introduces limits on windfall profits from the sale of electricity produced and sold on the wholesale market at EUR 180 per MWh at portfolio level, for the delivery period from 1 December 2022 to 31 December 2023. The limitation on windfall profits shall apply to the sale of electricity produced from wind, sun, geothermal energy, water (excluding pumped storage hydropower plants), biomass (solid or gaseous biomass fuels, excluding biomethane), municipal solid waste, lignite, crude oil and other oil derivatives, peat and nuclear energy. For electricity produced from lignite, a special threshold of EUR 230 per MWh has been set. Any revenue above this price is considered as windfall profit and will be channeled into the budget of the Republic of Slovenia.</p> | Review the potential obligation of the company to levy any additional tax on windfall profits. | ● | ● |
| 5 | <p>New payroll REK-O form</p> <p>As of 1 January 2023, the new REK-O form for reporting on paid income came into use, which replaced all existing forms except the REK-1b form and simplified the correction of submitted data and self-disclosure process.</p> | Take those changes into account when reporting on paid income in 2023. | ● | |
| 6 | <p>Changes related to taxation of business performance bonuses</p> <p>As of 1 January 2023, remuneration for business performance (also known as annual bonus) will not be subject to taxation, if it is paid no more than twice in a calendar year, up to 100% of the average monthly salary of employees in the Republic of Slovenia, while the amount of individual employee's average monthly salary is no longer considered as possible criteria.</p> | Review and check if internal act for 2023 needs any amendments and take the new maximum amount into account when paying out annual bonuses for 2023. | ● | |
| 7 | <p>Expected tax inspections in 2023</p> <p>Tax authorities may pay particular attention to the following areas within their general tax controls and inspections: correct calculation of VAT in online sales, application of the investment relief, as well as the relief for investing in the digital and green transition, imports, the correctness of the customs value of imported goods and companies that received anti-covid state aid and whether they must return it.</p> | Check if you need any additional support related to any of the relevant areas. | | ● |
| 8 | <p>Transfer pricing inspections</p> <p>Amount of TP inspections keeps increasing over the years. Inspections usually relate to intragroup services, intercompany loans, business restructurings and long-term tax losses.</p> | Take a proactive approach to transfer pricing policy and documenting of related party transactions. Check if you need any additional support related to any of the relevant areas. | | ● |

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| 9 | Proposed changes of Companies act With the implementation of the EU Directive 2019/2121, i.e., Mobility Directive Slovenian government will supplement the existing provisions for cross-border mergers and implement new rules on cross-border divisions and cross-border restructurings of capital companies, which have not been regulated until now. | Review and take into account these changes in relation to any future cross-border restructuring. | ● |
| 10 | Increase of minimum wage As of 1 January 2023, the minimum wage increased to EUR 1,203.36 (gross). | Review if any employees of the company are impacted by the increase and assess accordingly. | ● |
| 11 | Changes to parental leave From 1 April 2023 onwards, each parent has the right to parental leave for a duration of 160 days, whereby both, mother and father, can transfer 100 days of parental leave to the father, while 60 days are non-transferable. Moreover, paternity leave will be reduced from 30 to 15 days. | Review whether the company's employees are subject to this change and assess its potential impact. | ● |
| 12 | Possible Double Tax Treaty suspension by Russia The Russian Ministry of Finance has proposed to President Putin to suspend all Double Tax Treaties with all countries that have imposed unilateral economic restrictive measures against Russia, aka "unfriendly countries". Slovenia falls in the group of „unfriendly countries“. | Review the use of DTT with Russia, if applicable and plan for possible suspension. | ● ● ● |
| 13 | Guidance on controlled foreign companies Tax authorities have issued additional guidance related to controlled foreign companies in June 2023. In that guidance they confirmed there should be a correlation between corporate income tax and recognition of the deduction of tax on foreign income and that they must be interpreted in conjunction. Furthermore, they concluded it is not the nominal rate of taxes calculated under foreign law that is key, but the amount of tax that was actually paid. Provision in question should be interpreted in such a way as to take into account the effective tax obligation, i.e., the tax that a foreign legal entity is obliged to pay after all adjustments to the accounting profit for tax purposes and after all tax deductions. For more information on this topic, click here . | Keep that guidance in mind when determining controlled foreign companies. | ● |

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| 14 | <p>Solidarity Tax and Solidarity Saturday</p> <p>There is a mandatory contribution to the Slovenian Reconstruction Fund, to which all social groups will contribute after the large-scale floods in Slovenia. The compulsory contribution for natural persons is 0.3% of the base, i.e., the sum of the gross income to be included in the annual tax base, while for legal persons it is 0.8% of the base, i.e., the income tax base, before reduction for losses and allowances. The contribution is also levied on the sum of the gross income of a natural person that is not included in the annual tax base under the Personal Income Tax Act, i.e. rents, interest, dividends, capital gains. Moreover, employer's contribution is not a tax-deductible expense.</p> <p>Natural persons whose total base for the calculation of the compulsory solidarity contribution does not exceed 35% of the average wage of employees in the Republic of Slovenia for 2023 and 2024 respectively are exempt from the compulsory solidarity contribution.</p> <p>As an alternative to the compulsory contribution, the law offers the possibility for the employer to designate one Saturday in 2023 and one Saturday in 2024 as a solidarity working Saturday, after consultation with the trade union, works council or works councilor, or, in the absence of the latter, with the workers of the employer. The amount of the wages paid to the worker during the solidarity Saturday, after taxes and compulsory social security contributions, shall be allocated to the reconstruction fund (i.e., the net income of the worker). In addition to employee's contribution, the employer will allocate the same amount to the Fund, whereby both contributions will be deducted from the mandatory solidarity contribution in the amount of 0.3% for natural persons and 0.8% for legal persons.</p> | <p>Review and take into account what are the possible obligations of the company and how employees are impacted.</p> |
| 15 | <p>Proposal of amendments to CIT Act transposing interest limitation rule from ATAD Directive into Slovenian legislation</p> <p>In July 2023, proposal of amendments to CIT Act has been published, implementing interest limitation rule from ATAD Directive.</p> <p>Based on proposed provision, financing costs (interest, other costs) would be tax deductible up to the amount of 30% of EBITDA or EUR 1mio, depending on which is higher.</p> <p>Proposed effective date is 1 January 2024.</p> | <p>Review related parties financing and assess potential impact of proposed interest limitation rule.</p> |
| 16 | <p>Proposal of Minimum Taxation Tax Act</p> <p>On 23 June 2023, the Ministry of Finance of Slovenia published a draft legislation to implement Pillar Two into domestic legislation. The draft legislation is generally in line with the EU Directive on Minimum Taxation.</p> <p>The draft legislation includes the Income Inclusion Rule (IIR) and a Qualified Domestic minimum Top-up Tax (QDMTT), both set to take effect from 31 December 2023. Additionally, the draft legislation includes an Undertaxed Profits Rule (UTPR) applicable from 31 December 2024.</p> | <p>Review and take into account a minimum tax according to OECD Pillar Two rules.</p> |

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