

# Corporate income tax

## Tax rate

The general corporate tax rate in 2023 is 19%. The special tax rate of 0% is used for investment funds and pension funds if they meet the conditions defined by law.

## Taxable person

A taxable person is a legal entity according to national law and a legal entity according to foreign law. A taxable person is also an association of persons according to a foreign law that is without a legal entity and is not a taxable person according to the law that regulates personal income tax.

## Residents and non-residents

Residents (entities whose registered office or place of effective management in Slovenia) pay tax for all income that has its source in or outside Slovenia (taxation on worldwide income).

Non-residents pay tax on all income that has its source in Slovenia, meaning all income generated through activities within a business unit or via a business unit in Slovenia, as well as other income that might be generated in Slovenia.

## A business unit

A business unit is considered as being the place of business, i.e. the place in or through which the non-resident's activities and/or business in Slovenia are conducted in whole or in part. A business unit may be an office, subsidiary, factory, workshop, mine, quarry etc. or a construction site, assembly plant or other similar project lasting more than 12 months.

## Tax exemptions

A taxable person like an institution, association, foundation, religious community, chamber and representative trade union established according to a special act on performing non-profit activities is not liable to pay tax if it is actually performing its operations according to the purpose of its establishment and operation. If part of its activity is performed for profit, then tax is levied and paid on that part.

## Tax base

The tax base for corporate income is profit (excess of revenues over legally approved expenses in the annual profit and loss statement). The taxable profit is established according to the accounting standards.

Recognised expenses are those need to create revenues (like the costs of goods and services, labour costs etc.). Partially recognised expenses (in the amount of 50%) are entertainment costs and the costs of supervisory boards.

## Depreciation

Depreciation (the straight-line depreciation method is used).

Expenses linked to depreciation may not exceed the level arrived at using straight-line depreciation, with the maximum annual depreciation rates being:

- building projects including investment property 3%;
- parts of building projects including parts of investment property 6%;
- equipment, vehicles and machinery 20%;
- parts of equipment and equipment for research 33.3%;
- computers and computer equipment 50%;
- long-term plantations 10%;
- breeding and working herds 20%; and
- investments in other assets 10%.

## Losses

A loss may be carried forward for an unlimited period of time, although the reduction of the tax base due to tax losses from previous tax years is limited to 50% of the tax base of the tax period.

## Exempt dividends and (partly) capital gains

In general, dividends are exempt from the tax base in the hands of a corporate shareholder. Domestic dividends are exempt if a subsidiary is subject to CIT-2. Foreign-source dividends paid by an EU subsidiary company to its Slovenian parent company are exempt if the subsidiary is subject to a corporate income tax listed in the EU Parent-Subsidiary Directive (2011/96/EU). There is no minimum level of ownership or holding-period requirements. Dividends derived from outside the EU are also exempt unless they are distributed by a company that is resident in a non-EU state where the tax rate is lower than 12.5%.

There is no withholding tax on dividends paid to a non-resident from the EU or EEA (excluding the Principality of Liechtenstein) if the recipient of the dividend is unable to set off the applicable Slovenian withholding tax in its country of residence. No withholding tax applies to payments of dividends and interest paid from Slovenia to EU and EEA (excluding the Principality of Liechtenstein) investment and pension funds under certain conditions.

Capital gains are included in the tax base as ordinary income and taxed accordingly. Capital gains derived from the transfer of assets are exempt in certain conditions (branch of activity, valuation requirements, notification prior to transaction). In addition, 50% of capital gains derived by a taxpayer from the alienation of equity holdings are exempt from taxation in certain conditions (at least 8% participation, a 6-month holding period and employment of at least one person full-time continuously in that period, if the participation is not in a company that is a resident of a non-EU state where the general and/or average tax rate is lower than 12.5%, noting that such states are listed by the Ministry of Finance). As a consequence, only 50% of capital losses are tax deductible.

## **Tax relief**

### ***Tax relief for investments***

A taxable person can use the reduced tax base in the amount of 40% of the amount invested in equipment or intangible assets (including financial leases, but excluding goodwill and real property rights).

### ***Tax relief for investments in research and development***

A taxable person can use the reduced tax base in the amount of 100% of the amount invested in research and development.

### ***Tax relief for investment in the digital and green transition***

New relief for investing in digital transformation and the green transition was introduced in 2022. The relief is set at 40% of the amount representing investments in digital transformation and the green transition during this period.

### ***Tax relief for employment***

A taxable person employing person younger than 29 years or older than 55 years, or a person in a profession for which there is a shortage of job seekers in the market can reduce taxable base in the amount of 45% of the salary of that person. A relief for employing a person under the age of 25 who is employed for the first time is also available.

### ***Tax relief for employing disabled persons***

An employer that employs a disabled person can use tax relief of 50% of the disabled person's salary. By employing a disabled person with a 100% physical disability or a deaf person, the reduction of the tax base is 70% of the salary of the disabled person.

### ***Tax relief for carrying out practical training within professional training***

An employer taking on a trainee to perform practical work within professional education may decrease the tax base by the amount of their salary (up to 80% of the average monthly salary in Slovenia).

### ***Tax relief for voluntary supplementary pension insurance***

An employer financing a voluntary pension plan of collective insurance can reduce the tax base for premiums paid to the benefit of employees to an administrator of a pension plan with its registered seat in the Slovenia or any other EU member state.

### ***Tax relief for donations***

A taxable person can reduce their tax base for donations for generally beneficial, charitable, humanitarian, scientific, educational, sporting, cultural, health, ecological and religious purposes, disabled persons assistance as well as social assistance.

### ***Limitation of tax base reduction***

For all of the tax relief types described above, the following apply: The tax base reduction due to tax losses from previous tax years, together with the exercise of unused parts of tax relief from previous tax periods, is recognised at the maximum of 63% of the tax base.

## Withholding tax

Withholding tax is paid on the following resident and non-resident incomes which have their source in Slovenia:

- dividends and income similar to dividends (except for those distributed through a business unit of a non-resident that is located in Slovenia);
- interest (with some exceptions, such as interest paid by banks, interest on loans raised by the Republic of Slovenia);
- payments related to copyrights, patents, trademarks and other owners' rights and other similar incomes;
- payments for leases on real estate located in Slovenia;
- payments for certain services provided by performing artists or sportspeople if these payments belong to another person (for example, a society within which they perform the service); and
- payments for certain services where payments are made to people whose head office or place of actual management is located in countries outside the EU where the general (or average nominal) tax rate on profit is below 12.5%.

The tax is not paid if the income was paid:

- to a resident taxable person that has informed the income payer of its tax number;
- to a non-resident taxable person that is obliged to pay the tax on income generated through the business unit in Slovenia and who has informed the income payer of its tax number provided that the income was paid to that business unit;
- to the Republic of Slovenia, a self-governing local unit in Slovenia or the Bank of Slovenia.

There is no withholding tax on dividends paid to a non-resident from the EU or EEA if the recipient of a dividend is unable to set off the applicable Slovenian withholding tax in their country. The same applies to payments of dividends and interest paid from Slovenia to EU and EEA investment and pension funds.

No withholding tax is also paid on interest from debt securities issued by an entity established under Slovenian regulation if conditions are met.

The tax rate is 15% of the tax base that represents an individual income. The benefits provided by international agreements to prevent double taxation (a tax calculation according to a lower tax rate) can be used based on a decision of the tax authorities.

If the tax was paid despite the relief offered by an international agreement (where a higher amount of tax was then paid), it is possible to obtain a refund for the tax already paid.

## **Preventing the double taxation**

A resident taxable person can deduct from their tax liability the amount of foreign tax paid on income generated outside of Slovenia (foreign income) which is included in their tax base. The tax credit method is used. The tax credit must not exceed the amount of foreign tax on foreign income which was final and actually paid; or the amount of tax which would be payable on the foreign income if the tax credit were not possible (the lower of both).

If Slovenia has concluded a double taxation agreement with a third state, the foreign tax amount calculated at the rate laid down in that agreement is deemed to be the final foreign tax on the income from that state.

## **Flat-rate taxation**

A taxable person (a company and/or a foreign person that is comparable to a company – for its business unit in Slovenia) whose annual income does not exceed EUR 50,000 (EUR 100,000 if they employ at least one person full time for at least 5 months) can choose a simplified tax regime (flat-rate taxation).

Under this regime, the tax base is determined on the basis of lump-sum costs accounting for 80% of income; however, tax relief cannot be claimed or a tax loss declared. The corporate tax rate is 19%.

The lump-sum costs cannot exceed EUR 40,000 (or EUR 80,000) per year.

When a taxable person's average revenues for the last two consecutive years exceed EUR 150,000, they must exit the flat-rate taxation system.

## **Tonnage tax**

Tonnage tax is regulated by the Act on Tonnage Tax. A tonnage tax regime, as an alternative regime to corporate income tax, is available to resident shipping companies with respect to their income from the operation of ships in international traffic, provided that the ships referred to meet the prescribed conditions and are being strategically and commercially operated from Slovenia.

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