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EY Slovenia

Tax News



Tax News - July

In July edition of Tax News we are sharing with you an overview of the last proposed measures to restructure tax burdens. In addition, we are presenting a proposal to introduce tax on digital services.

We hope that our publication will serve as a useful source of information.

The EY logo, consisting of the letters 'E' and 'Y' in a bold, sans-serif font.

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Overview of the Recently Proposed Changes of the Tax Law

On 18 June 2019, after consultation and coordination with various stakeholders, the Ministry of Finance proposed changes of the Tax Legislation. The purpose is to lower the tax burden on labour and strengthen competitiveness of the business environment while having in mind the balanced state budget.

Most of the proposed measures are expected to enter into force from 1 January 2020. The proposed changes are as follows:

- ▶ Increase of the limits of personal income tax brackets;
- ▶ Increase of the general personal income tax relief;
- ▶ Increase of the general personal income tax rate on income from capital;
- ▶ Change in personal income tax rates on income from capital based on holding period;
- ▶ Increase of personal income tax rate on rental income;
- ▶ Introduction of minimum taxation for corporate income tax purposes;
- ▶ Increase of the corporate income tax rate.

1. Personal income tax bracket and rates

The proposal includes increase of thresholds in all tax brackets and reduction of tax rates in two tax brackets. Reduction of tax rates applies for 2nd bracket (from 27 % to 26 %) and for 3rd bracket (from 34 % to 32 %), as shown in the table below.

Currently applicable scale for 2019				Proposal			
Net annual tax base (in EUR)		Personal income tax (in EUR)		Net annual tax base (in EUR)		Personal income tax (in EUR)	
over	to			over	to		
	8,021.34		16 %		8,500		16 %
8,021.34	20,400.00	1,283.41	+ 27 % over 8,021.34	8,500	25,000		+26 % over 8,500
20,400.00	48,000.00	4,625.65	+ 34 % over 20,400.00	25,000	50,000		+32 % over 25,000
48,000.00	70,907.20	14,009.65	+ 39 % over 48,000.00	50,000	80,000		+39 % over 50,000
70,907.20		22,943.46	+ 50 % over 70,907.20	80,000			+50 % over 80,000



According to the calculation prepared by the Ministry of Finance, proposed changes to tax brackets and rates are expected to have the following impact on net income of individuals:

- ▶ Individuals with gross income in the amount of minimal gross salary (annually, approx. EUR 10,640) would have higher net income for EUR 32 on annual basis.
- ▶ Individuals with gross income in the amount of average gross salary (annually, approx. EUR 21,200) would have higher net income for EUR 144 on annual basis.
- ▶ Individuals with gross income in the amount of two average gross salaries (annually, approx. EUR 42,400) would have higher net income for EUR 670 on annual basis.

2. General tax relief

The general tax relief which reduces the tax basis would increase from EUR 3,303 to EUR 3,500. Linear decrease of the additional general tax relief will be granted for income amounting up to EUR 13,316.83 and based on the amount of total income earned.

3. Income from capital and rental income

After consultation and coordination, the Ministry proposes an increase of the tax rate from 25% to 27,5% on income from capital gains, interest, dividend and rent.

With regards to rental income, an increase of the standardized costs will apply. These are granted when determining the taxable base and will increase from the current 10% to 15%.

The proposal also provides for a decrease of tax rates based on the holding period for taxation of capital gains (e.g. from disposal of shares or immovable property). The proposed tax rates are as follows:

- ▶ Holding period Up to 5 years 27.5 %
- ▶ From 5 to 10 years 20 %
- ▶ From 10 to 15 years 15 %
- ▶ From 15 to 20 years 10 %
- ▶ From 20 years 0 %

4. Corporate Income Tax

Changes will also apply in the area of corporate income taxation, where the tax rate will increase from the current 19% to 20 % in 2020.

The proposal also introduces minimum corporate income tax rate. The initial proposal was 5 % however, the Ministry increased it to 7 %, which means that effectively all taxpayers will need to pay at least a minimum corporate tax even in case of significant available tax losses or tax reliefs.



Impact

The proposed changes to tax legislation have an impact on all individuals and legal entities, whose income is taxed in Slovenia. In general, it is expected that the tax burden on personal income will be reduced and tax burden on the income from capital and on corporate income will increase.

How can EY help?

EY can help you track the proposed changes and provide you with an overview of the areas affected by changes in tax legislation. We can assist you with preparation for the changes and help you identify impact points on your business. EY can help you explore the opportunities for tax optimization in Personal Income Tax and Corporate Income Tax, within the scope of the proposed new legal limits.

Measures for Digital Services Tax

The Finance Committee of the Slovenian Parliament issued a proposal to introduce tax on digital services. Based on the proposal, the Ministry of Finance will commence needed procedures for the preparation of regulations to implement digital services taxation. The Slovenian Government should prepare and present the legislative proposal until 1 April 2020 and it is expected to be adopted by 1 September 2020.

More information about the digital services tax system and measures will be communicated in due course and we will keep you updated about developments.

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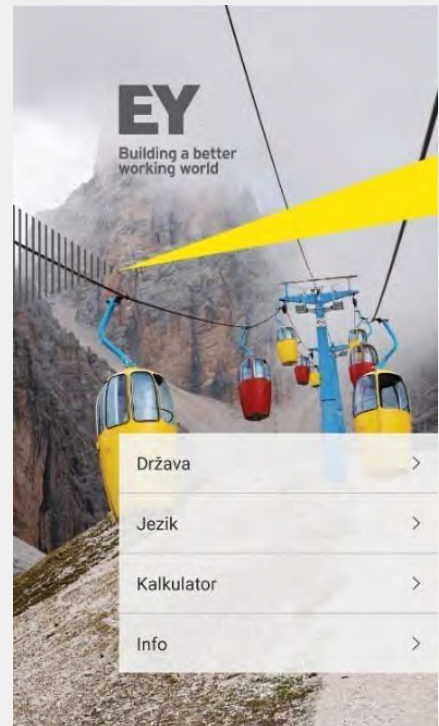
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