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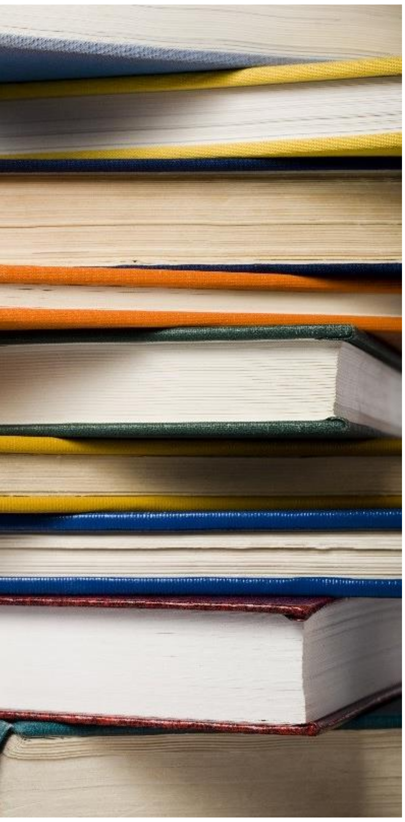
EY Slovenia

Tax Alert

Tax Alert - February

Overview of the Proposed Measures to Restructure Tax Burdens



On Tuesday, 26 February 2019, the Ministry of Finance of the Republic of Slovenia announced a proposal of tax changes in the area of Personal Income Tax and Corporate Income Tax. Most measures are expected to enter into force next year, while the changes in taxation of holiday allowance are expected to enter into force still this year, according to some sources. The proposed changes, which can still be amended while in Parliamentary procedure, are as follows:

- Total exemption from Social Security Contributions and Personal Income Tax for holiday allowance in the amount of up to average monthly gross salary.
- Increasing the limit for exemption from Personal Income Tax for bonus related to business performance.
- Increase of the thresholds of all tax brackets and reduction of certain tax rates.
- Increase of general and additional general tax relief.
- Increase of tax rates on income from capital and rental income.
- Increase of Corporate Income Tax rate.

Building a better working world

1. Holiday allowance

Current legislation only provides an exemption from compulsory Social Security Contributions for holiday allowance in the amount of up to 70 percent of the average monthly gross salary, while the payment of Personal Income Tax is mandatory. The proposal of the ministry provides an exemption from Social Security Contributions and Personal Income Tax up to the amount of the average monthly gross salary. This means that the gross amount of holiday allowance in the amount of up to the average monthly gross salary in Slovenia would be equal to the net amount.

2. Bonus related to business performance

The Ministry's proposal sets a higher limit for exemption from Personal Income Tax for the bonus related to business performance from current 100 percent of average monthly gross salary to 150 percent of average monthly gross salary.

3. Tax brackets and rates

The proposal includes increase of thresholds in all tax brackets and reduction of two tax rates, 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 %		8,500.00	16 %
8,021.34	20,400.00	1,283.41	+ 27 % over 8,021.34	8,500.00	25,000.00	+26 % over 8,500.00
20,400.00	48,000.00	4,625.65	+ 34 % over 20,400.00	25,000.00	50,000.00	+32 % over 25,000.00
48,000.00	70,907.20	14,009.65	+ 39 % over 48,000.00	50,000.00	80,000.00	+39 % over 50,000.00
70,907.20		22,943.46	+ 50 % over 70,907.20	80,000.00		+50 % over 80,000.00

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

- Individual with gross income in the amount of minimum gross salary would have higher net income for EUR 32 on annual basis.
- Individual with gross income in the amount of average gross salary would have higher net income for EUR 144 on annual basis.
- Individual with gross income in the amount of two average gross salaries would have higher net income for EUR 670 on annual basis

4. General tax relief

It is also proposed to raise the general tax relief from EUR 3,303 to EUR 3,500 and to increase the additional general tax relief from EUR 6,520 to EUR 6,717 per year.

5. Income from capital and rental income

The proposal of the ministry also predicts changes in taxation of capital gains, interest income, dividend income and rental income. Such income will continue to be subject to flat tax rate, which is expected to rise from the 25 percent to 30 percent.

The proposal also provides for a change in taxation of capital gains (e.g. disposal of shares) and decrease of tax rate based on the holding period. After ten years of ownership, the tax rate is expected to decrease from 30 percent to 15 percent and remain at that rate. The new proposal does not prescribe a zero tax rate that can be currently applied after 20 years of ownership.

6. Corporate income tax

Changes are also foreseen in the area of Corporate Income Tax, where the tax rate is expected to gradually increase over the next three years, namely to 20 percent in 2020, and depending on economic growth to 21 percent in 2021 and 22 percent in 2022. The proposal also introduces minimum tax rate of 5 percent, which means that the zero-tax base (e.g. after utilization of tax reliefs and tax losses carried forward) would no longer be possible.

Impact

The proposed changes to tax legislation have an impact on all individuals and legal entities, that are liable for the payment of Personal Income Tax or Corporate Income Tax in Slovenia. In general, it is expected that the tax burden on employment income will be reduced and tax burden on the income from capital will increase.

How can EY help?

EY helps you to follow the proposed changes and provides you with an overview of the areas affected by changes in tax legislation. We can assist you with preparation on the changes and identification of impact it may have on your business. EY can help you explore the opportunities for tax optimization in the area of Personal Income Tax and Corporate Income Tax, within the scope of the proposed new legal limits.

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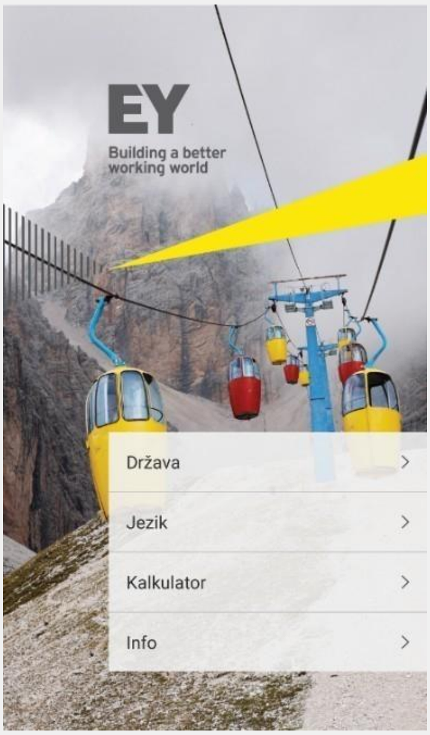

EY Salary Calculator

Calculate your net salary, gross salary and employer cost in BiH, Croatia, Slovenia and Serbia on your mobile device.

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