EY Slovenia

Tax News January

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Tax News - January

In this edition of Tax news, we would like to inform you about adopted changes with regards to Minimum Wage Act and Decree on reimbursement of costs for travelling abroad on official mission, draft guidance on reportable cross-border arrangements, multilateral instrument and the new special reduced VAT rate came into force, as well as about proposed change to Motor Vehicle Tax Act.

Notice on payment of wages – rights and obligations

We would like to remind you about **the rights and obligations when determining and paying remuneration for work**, including a newly defined minimum wage, which are in force since 1 January 2020.

In 2020, the minimum wage amounts to EUR 940,58 (gross), by which all the allowances prescribed by legislation, regulations and collective agreements and bonuses for work performance and for business success as agreed with the collective agreement or employment contract, shall be excluded from the minimum wage. Thus, a new definition of the minimum wage came into force, a determination of basic wage and the basis for determining the amount of allowances remained unchanged.

Fines for violations of the Minimum Wage Act (ZMinP) remain unchanged, ranging from EUR 3,000 to EUR 20,000 for the employer - the legal entity committing the offense and EUR 1,000 to 2,000 for the responsible person of the legal entity.

Changes to reimbursement of costs for traveling abroad on business trips

On 1 January 2020 new **Decree on reimbursement of costs for travelling abroad on official missio**n entered into force (Decree).

Similar to the previous Decree, the new Decree will regulate reimbursement of expenses for missions abroad for civil servants and officials in state bodies, self-governing local communities, public agencies, public funds, public institutes, public commercial establishments and other bodies of public law that are indirect users of the state budget or the budget of the self-governing local community. However, since there is no specific Decree on the reimbursement of expenses for missions abroad for private sector, the Decree mentioned above will be used by private sector to determine reimbursement on business trips abroad as well as methodology to determine per diems for business trips abroad.

The main amendments to the Decree are the following:

- The amounts of daily allowances set for individual countries and certain cities will gradually return to the level before the Government of the Republic of Slovenia reduced these amounts (with a purpose of reducing expenditure budgets):
- from 1 January 2020 to 31 December 2020, the daily allowances referred to in Art. 21 of the Decree will apply;
- from 1 January 2021 onwards, the amounts set out in the Annex to the Decree will apply;
- the daily subsistence allowance for work abroad is re-determined if work lasts 6 to 8 hours (25% of daily allowance);
- the reimbursement provisions for the payment of health services are changed.

In case company's collective agreement or other general act that binds an individual employer to reimburse costs for travelling abroad on business trip, does not specify the method of calculating the daily allowance, this Decree's provisions and changes of the provisions should be applied. However, even if, for payment purposes, the amounts set with-in the collective agreement differ from the Decree, for the purposes of the non-taxable amounts, the amounts up to the amount set in the Decree should be applied.

Namely, if the collective agreement provides a higher amount than the Decree, the difference between the amounts set out in the collective agreement and the amounts laid down by the Decree will constitute taxable income.

Multilateral instrument

Since 1 January 2020 **the Multilateral instrument or MLI on the implementation**, of international tax agreements, related to measures to prevent the reduction of the tax base and the diversion of profits, has entered into force.

MLI is the result of an OECD project to address BEPS (Base Erosion and Profit Shifting), tax planning strategies that exploit loopholes and discrepancies in tax rules to artificially shift profits to low or zero tax locations where there is a little or no economic activity and result in reduced or zero common corporate tax payment. (Base Erosion and Profit Shifting).

The Multilateral instrument has a significant impact on the application of international treaties on the avoidance of double taxation and international tax practice. Taxpayers must comply with the new provisions in a timely manner and check the impact on their transactions.

4 Special reduced VAT rate 5%

On 1 January 2020, **special reduced VAT rate of 5** % was introduced in Slovenia. The reduced VAT rate is applicable for supply, including on loan by libraries, of books, newspapers and periodicals either on physical means of support or supplied electronically or both (including brochures, leaflets and similar printed matter, children’s picture, drawing or coloring books, music printed or in manuscript form, maps and hydrographic or similar charts), other than publications wholly or predominantly devoted to advertising and other than publications wholly or predominantly consisting of audible music or video content.

Special reduced VAT rate of 5% for the above listed supplies is already applicable for supplies made from 1 January 2020 inclusive. In the case where an advance payment was made in 2019 for the delivery to be made, that will be execute in 2020 and the payment obligation incurred on receipt of the advance payment, according to the Slovenian financial administration, the rate applicable is the time when incurrence of obligations appears, i.e. in 2019, when a higher (9.5%) rate was in force. The Financial Administration announced that it will first carry out preventive checks, which means that it will point out potential errors and then controls.

More detailed information regarding the application of the new lower VAT rate is published on the website of the Financial Administration of the Republic of Slovenia.

Draft guidance- International exchange/DAC6; reportable cross-border arrangements

On 11 December 2019, the Slovenian Financial Administration published draft guidance- International exchange/DAC6; reportable cross-border arrangements. It represents a more detailed description of the European Union (EU) Directive on the mandatory disclosure and exchange of cross-border tax arrangements (referred to as DAC6 or the Directive). The Slovenian draft guidance is fully aligned with the Directive, and serves for better comprehension of the Mandatory Disclosure Rules (MDR).

The draft provides the following, inter alia:

- Definition of "Cross-border arrangements", as well as, who is obliged to report this arrangement, and on what intermediaries (and relevant tax payers) need to be careful when they are reporting. Intermediaries (and relevant tax payers), should report the arrangement within a general deadline of 30 days, depending on the role of the person required to report and type of arrangement. As the draft explains, under certain conditions only lawyers can be exempt from this obligation under the legal professional privilege (LPP);
- explanation on penalties, that should be imposed if the intermediaries and tax payers fail to report, fail to report on time or they report false information and
- more information about the "Hallmarks" and their use in determining whether the arrangement is reportable.

Overall, we can conclude that the draft guidance serves for better understanding of the matter as a whole. We will keep you informed of the further content of the draft. It is important for taxpayers to keep under review the impact of new reporting requirements in cases of their cross-border transactions.

6 Proposed amendments to the Motor Vehicle Tax Act

On 14 January 2020 the Slovenian Ministry of Finance published the proposed amendments to the Motor Vehicle Tax Act.

The goal of proposed amendments to the Motor Vehicle Tax Act is to speed up and to automate the levying of Motor Vehicle Tax, to prevent a significant increase in the taxation of new motor vehicles from 1 January 2021, due to the transition to a new methodology for measuring CO2 emissions. Also, the goal is to eliminate the additional tax on motor vehicles (the so-called luxury tax), which was introduced with Fiscal Balance Act which regulates the balancing of public finances and was related to larger-capacity motor vehicles.

The amended law will introduce single tax on motor vehicles instead of a basic tax and an additional tax on motor vehicles.

We will keep you updated on any further changes to the tax on motor vehicles.

Amendments to the Corporate Income Tax Act

The amendments to the Corporate Income Tax Act, which we summarized in our October newsletter, are effective as of January 1, 2020. Please contact us if you need more information regarding the tax law changes.

How can EY help?

EY helps you to follow the adopted 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 of identification of impact it may have on your business. EY can help you explore the opportunities for tax optimization within the scope of the proposed new legal limits.

EY Slovenia – Tax Department

Matej Kovačič, Partner, Head of Tax
T: +386 1 583 17 62
E: matej.kovacic@si.ey.com

- Matej advises clients on **corporate tax, international tax and transfer pricing**.
- He has extensive experience in advising domestic and international clients on tax aspects of business restructurings, e.g. acquisitions, disposals, spin-offs, liquidations and mergers.

Lucijan Klemenčič, Senior Manager
T: +386 1 583 17 21
E: lucijan.klemencic@si.ey.com

- Lucijan assists clients in **transfer pricing documentation and taxation of permanent establishments**.
- He has experience advising domestic and foreign clients on tax aspects of corporate restructuring and tax audit procedures.

Mojca Lukač, Senior Manager
T: +386 1 583 17 31
E: mojca.lukac@si.ey.com

- Mojca advises clients on **personal income tax, social security, payroll and immigration**.
- She has experience in HR advisory and labor law.

Iris Bajec, Senior Manager
T: +386 1 583 17 12
E: iris.bajec@si.ey.com

- Iris specializes in **accounting, compliance and reporting**.
- She has extensive experience in transaction tax and in preparation and review of CIT returns and financial statements.

Dina Ćosić, Senior Manager
T: +386 1 583 18 78
E: dina.cosic@si.ey.com

- Dina has extensive experience in **accounting, reporting and payroll**.
- She advises local and international clients in various areas of accounting and tax compliance services.

Anka Pogačnik, Manager
T: +386 1 583 17 54
E: anka.pogacnik@si.ey.com

- Anka advises clients mainly on **VAT and other indirect taxes**.
- She has experience in advising clients on complex tax issues, due diligences and VAT optimisation projects.

Klemen Klemenčič, Manager
T: +386 1 583 17 55
E: klemen.klemencic@si.ey.com

- Klemen is specialized in **business tax advisory services, due diligences and personal income taxes**.
- He has advised many domestic and international clients on efficient international restructuring and tax matters of mergers, acquisitions, disposals and other investment projects.
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Ernst & Young Svetovanje d.o.o.
Dunajska cesta 111
1000 Ljubljana
Tel: +386 1 583 17 24
E-mail: info@si.ey.com

ey.com/si