

# Country Guide

## Slovenia

Prepared by



ŠELIH &  
PARTNERJI



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## I. Slovenia at a Glance

### ***Location and area***

Slovenia, officially the Republic of Slovenia (*Republika Slovenija*), is located in the southern part of the Central Europe. Due to its geographic, historic and cultural characteristics it is commonly considered as the bridge between the Central Europe and the Balkans. The country has a surface of 20, 273 square kilometres and spreads from the Alps in the north to the Adriatic Sea in the southwest. Slovenia borders Italy to the west, Austria to the north, Hungary to the northeast, Croatia to the south and east and the Adriatic Sea to the southwest.

The capital of Slovenia is Ljubljana. Slovenia has 212 municipalities (constitutionally established form of self-government); among which 11 have a status of urban municipality (city).

Slovenian climate varies between continental in the central and the eastern part of the country, a sub-Mediterranean climate along the seaside (in the south-western part of the country), and an Alpine climate in the north-western part of the country.

Slovenia is situated in the Central European Time Zone (CET).

### ***Population and language***

Slovenia has app. 2 million inhabitants (2011). The official language in Slovenia is Slovene, while Hungarian and Italian language are also the official languages in the ethnically mixed regions along the Hungarian and Italian border, respectively. English is widely spoken in touristic, business and, academic circles. Also, many people speak German or Italian (predominantly in the south-western part of Slovenia).

There is no cultural or religious influences or prohibitions on the way business is conducted in Slovenia. Prohibition of discrimination on any grounds including, but not limited to, religion, culture, are set out at the highest legal level.

### ***Currency***

The official currency in Slovenia is Euro.

### ***Membership in international organizations***

Since 2004, Slovenia is a member of the European Union ("EU"). Slovenia is also member of the UN, OECD, NATO and many other international organizations.

### ***Infrastructure***

Road and rail transport are the most important ways of freight and passenger transport in Slovenia. Road network in Slovenia consists of over 39,000 km of roads. Slovenia has, compared to the EU average, a very high motorway density. The most important part of the motorway network is the so-called Slovenian Motorway Cross which comprises the motorway route heading from east to west (in line with the Pan-European Transport Corridor V linking Venice and Kiev) and the motorway route heading in the north-south direction (in line with the Pan-European Transport Corridor X from Salzburg to Thessalonica). Since 1 June 2008 motorway and express ways users in Slovenia have been required to buy a toll sticker (*vinjeta*).

The railway network in Slovenia has the length of app. 1,200 km of standard gauge tracks and 331 km as double track. With the Pan-European Transport Corridors V and X intersecting in Ljubljana, Slovenian rail network is and will play an important role in the Slovenian and European rail transport. Due to the above and the rail transport regaining its importance, modernization of railway infrastructure is one of national priorities.

Maritime transport and harbour traffic are on the rise in Slovenia. The Port of Koper, the largest Slovenian port, is due to its location the southern gateway to international commercial links between Europe and overseas. It lies on the shortest transport route linking commercial centres in Central and Eastern Europe with Mediterranean countries and countries along the Suez Canal. The Port of Koper has 12 specialized terminals (among others Container and Ro-Ro Terminal, Car Terminal, General Cargo Terminal, Fruit Terminal, etc.) and covers cargo handling and warehousing services for all types of goods.

While air traffic is of lesser importance due primarily to the country's small size, Slovenia can also be reached using one of 3 available international airports: Jože Pučnik Airport in Ljubljana (Brnik), Edvard Rusjan Airport in Maribor (Orehova vas) and Portorož Airport in Portorož.

Public transport is well organized in Slovenia. Bus connections are frequent and available to all of Slovenia's cities as well as to distant locations throughout the country. Beside local connection, international coaches and buses from a number of European countries (Italy, Austria, Germany, Serbia, Poland, Croatia, Bosnia-Herzegovina, etc.) are also available. Most international coaches stop in Ljubljana. Train travel is mostly on local trains, and on some routes there are also Eurocity and Intercity (ICS) trains. Connections between larger cities and towns are regular and quite frequent. The main train station in Ljubljana is located near the city centre and is directly connected with cities in Austria, Croatia, Italy, Hungary, Switzerland, Germany and Serbia.

Communication system in Slovenia is modern and well developed. Traditional fixed telephony is increasingly being replaced by IP telephony, and the use of mobile phones and internet is widely spread. Universal postal services are provided in Slovenia by a fully state-owned company Pošta Slovenije d.d. It has app. 150 offices serving customer all over the country. Additionally, there are also various courier service providers operating in Slovenia.

Electricity and natural gas markets are opened for competition in Slovenia and there are a number of electricity and natural gas providers in Slovenia. To the contrary, water is in Slovenia supplied by public water supply companies which are controlled by the municipalities. It is worth noting that in the past years Slovenia has been active in the process of economic liberalization in the energy, gas and transportation sectors with a view of enhancing competition and the quality of service. The Government continues to hold shares in companies in the energy and transportation sectors.

## II. General Considerations

### A. Political System

Since 1991 Slovenia is a parliamentary democratic republic. Supreme power is vested in the people of Slovenia who exercise this power directly and through elections, consistent with the principle of the separation of legislative, executive and judicial powers.

The President of the Republic is entrusted with limited powers. The President is the Commander-in-Chief of the Slovenian Armed Forces, but he/she cannot adopt any regulations governing the life and work of the Slovenian citizens. The President of the Republic is elected by direct elections for a maximum of two five-year terms.

Legislative power is vested in the National Assembly (*Državni zbor*) and in minor part in the National Council (*Državni svet*). The National Assembly is a representative and legislative body composed of 90 deputies; 88 deputies are elected by proportional representation and 2 deputies are elected by ethnic minorities. Members of the National Assembly are elected for a four-year term. The National Council<sup>1</sup> is the representative of social, economic, professional and local interest groups in Slovenia. The council itself does not pass any laws, but has (among others) the power to require the National Assembly to decide again on a given law prior to its promulgation (suspensive veto).

The Government of the Republic of Slovenia (*Vlada Republike Slovenije*) exercises executive authority in Slovenia. The Government is comprised of the Prime Minister who heads the Government and the Ministers. The Government and the Ministers are independent within the framework of their jurisdiction, and responsible to the National Assembly

The judiciary in Slovenia is administered by independent and impartial courts. All courts in the Slovenia are regular courts, and act in accordance with the principles of constitutionality, independence and the rule of law. The Constitutional Court of the Republic of Slovenia is an independent judicial body that protects the constitutionality and decides on the conformity of laws with the Constitution. The Constitutional Court is composed of nine judges – legal experts – who are appointed by the National Assembly. They are elected for a term of nine years.

### B. Investment Policies

Slovenia is focusing its efforts on building a strong business-friendly environment as a precondition to attract new investments. The main focus of these changes is to raise competitiveness of Slovenian business regardless of whether they are based on foreign or domestic capital. In order to encourage foreign direct investment, Slovenian Government has minimized restrictions on foreign investments, making them practically non-existent. As a result, Slovenian markets have become accessible and non-discriminatory for foreign direct investments. One can say that Slovenia does not have a dominant favourable investment factor, but from an overall perspective offers potential foreign investors an interesting mixture of environment observing international business and technical standards, skilled workforce and the strategic location of the country.

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<sup>1</sup> The National Council has 40 members: 22 representatives of local interests, 6 representatives of non-commercial activities, 4 representatives of employers, 4 of employees and 4 representatives of farmers, crafts, trades and independent professionals.



Slovenia has also been leading an active policy of promoting foreign direct investments, in particular by:

- Allocating financial incentives for foreign direct investments;
- Providing information, consulting and other services to foreign investors;
- Actively promoting and marketing Slovenia and its regions as locations attractive for foreign direct investments; and
- Analyzing the competitive position of Slovenia as a location for foreign direct investments and adopting systemic measures for attracting foreign direct investments.

The Government of Slovenia has also established public agency SPIRIT Slovenia<sup>2</sup> which is development-oriented implementing institution facilitating growth and development of the Slovenian economy through its activities in the fields of entrepreneurship, technology, innovation, foreign direct investment, internationalization and promotion of the Slovenian economy and Slovenia. More information on current investment and business opportunities in Slovenia is available on [www.investslovenia.org/](http://www.investslovenia.org/).

For investors seeking to buy into state-owned enterprises, timing is perfect as the Government of Slovenia is preparing to dispose of its stakes in companies from various industries.

#### **Main Economic Indicators**

<b>Indicators</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016 forecast</b>
<b>GDP (real growth rates, in %)</b>	-2.7	-1.1	3.0	2.9	1.7
<b>GDP in EUR million</b>	35,988	35,907	37,303	38,543	39,598
<b>GDP per capita (PPS)</b>	21,500	21,500	22,600	-	-
<b>GDP per capita, in EUR</b>	17,498	17,435	18,093	18,680	19,179
<b>Trade balance, as % of GDP</b>	2.6	5.6	7.0	7.3	7.5
<b>Gross external debt, in EUR million</b>	42,872	41,658	46,314	44,723	44,541
<b>Gross external debt, as % of GDP</b>	119.1	116.0	124.2	116.0	-
<b>Standardized rate of unemployment (ILO)</b>	8.9	10.1	9.7	9.0	8.6
<b>Labour productivity, as % of GDP per employee)</b>	-1.8	0.3	2.5	1.4	0.8
<b>Inflation, year average</b>	2.6	1.8	0.2	-0.5	-0.3

<sup>2</sup> Full name of the agency is Public Agency for Entrepreneurship, Internationalization, Foreign Investments and Technology (*Javna agencija Republike Slovenije za spodbujanje podjetništva, internacionalizacije, tujih investicij in tehnologije*).

Indicators	2012	2013	2014	2015	2016 forecast
Average exchange rate USD/EUR	1.286	1.328	1.329	1.110	1.111

Source: Institute of Macroeconomic Analysis and Development, 2016

### C. Diplomatic Relations

Slovenia has diplomatic relations with almost all countries in the world and many countries are represented in Ljubljana either by having an embassy or by having a consulate. The addresses and contact information of embassies and consulates of foreign countries in Slovenia are available at [www.mzz.gov.si/en/representations\\_abroad/](http://www.mzz.gov.si/en/representations_abroad/).

With regard to economic diplomacy, all 52 diplomatic missions and consular post with 22 economic counsellors are actively involved in promoting Slovenia as a location attractive foreign direct investments and organizing meetings and business conferences to boost economic cooperation.

### D. Government

Slovenia's multi-party system means that the Government of Slovenia is not dominated by a single political party; rather it consists of numerous political parties that must work together to form coalition.

Following the parliamentary elections, the President of the Republic designates a candidate for the Prime Minister to whom the task of forming of a new Government is assigned. A new (future) Government must be approved by the National Assembly. The current Slovenian Government, comprised of the Party of Modern Centre (SMC), the Democratic Party of Pensioners of Slovenia (DeSUS) and Social Democrats (SD), was approved on 18 September 2014 and is led by the Prime Minister Dr. Miro Cerar.

In the past decade, Slovenia has had both centre-left and centre-right oriented governments. At the parliamentary elections in 2004, the Slovenian Democratic Party (SDS) formed a centre-right government with the New Slovenia (NSi - Christian Democrats), the Slovenian People's Party (SLS), and the Democratic Party of Pensioners of Slovenia (DeSUS) as coalition partners. In 2007, Slovenia joined the Eurozone. At the 2008 parliamentary elections the Social Democrats (SD) formed a centre-left government, headed by then leader of the Social Democrats Mr. Borut Pahor who is currently the President of the Republic. The first early parliamentary elections in the history of Slovenia were held in 2011. Although the winner of 2011 parliamentary election was left-oriented political party Positive Slovenia (PS), they could not form a coalition. Thus, second placed Slovenian Democratic Party (SDS) formed a centre-right government with political parties Civil List (DL), the New Slovenia (NSi - Christian Democrats), the Slovenian People's Party (SLS), and the Democratic Party of Pensioners of Slovenia (DeSUS) as coalition partners. Following the collapse of this government in February 2013, Positive Slovenia (PS), the Social Democrats (SD), the Civil List (DL), and the Democratic Party of Pensioners of Slovenia (DeSUS) formed centre-left oriented government. The last parliamentary elections in Slovenia were held on 13 July 2014; the winning Party of Miro Cerar (SMC, now Modern Centre Party) formed centre-left oriented government with the Social Democrats (SD) and the Democratic Party of Pensioners of Slovenia (DeSUS) as coalition partners.

## E. Judicial System

In Slovenia, the judiciary is – in accordance with the principle of the separation of branches of authority – independent from the legislative authority and the executive authority. The judges are appointed by the National Assembly and enjoy a permanent mandate. All courts are regular courts; however, the unified system of courts consists of courts with general and specialized jurisdiction. Courts with general jurisdiction include 44 district, 11 regional, and 4 higher courts, and the Supreme Court. Specialized courts comprise 4 labour courts and a social court (they rule on labour-related and social insurance disputes) and the Administrative Court which provides legal protection in administrative affairs and has the status of a higher court. As an independent state authority, but also part of the executive branch of power, the State Prosecution holds a special place in the judicial system. The State Prosecutor General is appointed by the National Assembly. There are no different legal systems within Slovenia.

The impartiality of Slovenian judicial system is guaranteed by the Constitution of the Republic of Slovenia. The Slovenian Constitution sets out the judges' obligation to be bound by the Constitution and laws, and further provides that judicial office is not compatible with office in other state authorities, in local self-government authorities, and in bodies of political parties, and with other offices and activities as provided by law.

A lot has been done in the past years to reduce court backlogs in Slovenia. As a result, in 2014 the average duration of significant court proceedings before a district court and a regional court was 7.5 months and 12.4 months, respectively. The average duration of court proceedings before specialized labour and social courts is longer, app. 14 months. The situation is even better at second instance; higher courts of general jurisdiction in average decide on the appeal in less than 3 months. The Higher Labour and Social Court and the Administrative Court decide on an appeal within 4 months and in less than 6 months, respectively.

A judicial decision given in an EU Member State or in a contracting party to the Lugano Convention on Jurisdiction and the Recognition and Enforcement of Judgments (Lugano Convention) will be enforceable in Slovenia as provided by the Council Regulation No. 1215/2012 on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters, Lugano Convention and in cases of enforcement of uncontested claim also the Regulation EC No. 805/2004 of the European Parliament. As regards enforcement of judicial decision given in a non-EU Member State or in a state that is not a contracting party to the Lugano Convention, reciprocity<sup>3</sup> is a prerequisite for the recognition (and consequently enforcement) of such foreign judicial decision in Slovenia. Reciprocity with some countries outside the EU is ensured by bilateral treaties on recognition and enforcement of judicial decisions. The aforementioned legal regime applies *mutatis mutandis* also to enforcement of judicial decisions of Slovenian courts outside Slovenia.

Alternative methods of dispute resolution are permitted in Slovenia and are considered to be faster in comparison with the court proceedings.

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<sup>3</sup> The term "reciprocity" refers to reciprocity *de facto* (i.e. the fact that Slovenian decisions are actually entitled to recognition in the state in question).

## **F. Legislative Procedure**

The National Assembly, the holder of legislative power in Slovenia, is the sole body in Slovenia which can adopt laws. Draft law may be proposed by:

- The Government;
- Any deputy;
- The National Council; or
- At least 5,000 voters.

A draft law in the National Assembly undergoes three stages in the legislative procedure.

Stage one (first reading) is not obligatory and takes place only if requested by at least 10 out of 90 deputies of the National Assembly. If occurs, this stage includes a general discussion on the reasons for the adoption of the law and on the principles, goals and basic solutions of the draft law. During this debate the National Assembly also decides whether the draft law is appropriate for further reading or not.

Stage two (second reading) is first held within the working body of the National Assembly responsible for the given act. At this stage, individual articles of the draft law are discussed and amendments may be proposed. Amendments to a draft law may be proposed by deputies, a deputy group, and certain working bodies and by the Government (only if it is not the proposer of the draft law). Following the discussion on the proposed amendments, a supplemented draft law including all adopted amendments is drawn up. Such amended draft law is then discussed by the National Assembly. In this stage, an amendment may be proposed only to those articles of the draft law to which amendments were adopted by the working body responsible. Amendments may be proposed by a deputy group, at least 10 deputies, or the Government (only if it is not the proposer of the draft law). If amendments to less than a tenth of the articles of the supplemented draft law have been adopted during the second reading, the National Assembly may decide that it will continue with the third reading of the law at this same session.

During stage three (third reading) the National Assembly discusses and votes on the draft law in its entirety. Amendments may be proposed only to those articles to which amendments have been adopted in the second reading. Amendments may be proposed by the proposer of the law or a deputy group or the Government only if it is not the proposer of the draft law). After the debate and vote on amendments, the National Assembly votes on the draft law. As a general rule, the National Assembly decides by a majority of votes cast by those deputies present (simple majority), except where a different majority is provided by the Constitution or the law<sup>4</sup>. It should be noted that the National Council may within seven days of the passing of a law and prior to its promulgation require the National Assembly to decide again on such law. In deciding again, a majority of all deputies must vote for such law to be passed unless the Constitution envisages a higher majority for the passing of the law under consideration. Such new decision by the National Assembly is final.

The Rules of Procedure of the National Assembly also allows for a shortened and urgent procedure for the adoption of a law. The discussion of draft laws by shortened procedure is only possible in the event of:

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<sup>4</sup> Decisions may require a majority of votes of all deputies (absolute majority), a two-thirds majority of the deputies present (qualified majority), or a two-thirds majority of all deputies (supermajority).

- Minor amendments to a law;
- The cessation of the validity of an individual law or individual provisions thereof;
- Less demanding harmonization of the law with other laws or with the EU law;
- Amendments to laws related to proceedings before or decisions of the Constitutional Court.

The discussion of draft laws by urgent procedure is only possible in the event of:

- The interests of the security or defence of the state;
- Elimination of the consequences of natural disasters;
- Prevention of the consequences regarding the functioning of the state that would be difficult to remedy.

When a law is adopted, it must – in order to come into force – be promulgated by the President of the Republic (no later than eight days after it has been passed) and published in the Official Gazette of the Republic in Slovenia.

## **G. Environmental Considerations**

Slovenian environmental law is harmonized with the EU environmental law, and the relevant EU directives are transposed into Slovenian national law. Slovenia is also a party to a large number of international treaties concerning the environment.

The public and government attitude towards environmental regulation is favourable as clean environment and preservation thereof are gaining importance.

It is worth noting that depending on the type and scope of activities one intends to perform, an environmental consent or an environmental permit might be required. As a rule, an environmental consent is required for any use (facility) that shall materially affect the environment. An environmental permit is required for (i) operation of the facility in which an activity that might cause large-scale environmental pollution will be carried out and (ii) any substantial change in the operation of that facility (e.g. any change in the operation of a facility, which is related to the operation or extension of the facility and may have an influence on the environment). Both environmental consent and environmental permit are issued by the Slovenian Ministry of Agriculture and the Environment.

Apart from the obligation to obtain environmental consent or an environmental permit, Slovenian legislation also contains extensive regulations covering various sectors of environment, e.g. nature and landscape, air, water, soil, waste, etc.<sup>5</sup>.

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<sup>5</sup> Regulated in, among others, the Nature Conservation Act, the Cave Protection Act, the Environmental Protection Act, the Waters Act, the Management of Genetically Modified Organisms Act, the Ionising Radiation Protection and Nuclear Safety Act, the Meteorological Activities Act, the Conditions of the Concession for Exploitation of the Energy Potential of the Lower Sava River Act and the Natural Disaster Recovery Act.

## H. Intellectual Property

Slovenian intellectual property laws distinguish between copyright and related rights that receive legal protection upon creation of the work, and industrial property rights that must be duly registered in order to enjoy legal protection to its holder.

### **Copyright**

Copyright and related rights (i.e. rights of performing artists, phonogram producers, film producers, broadcasting organizations, publishers and makers of databases) are regulated by the Copyright and Related Rights Act<sup>6</sup> ("**Copyright Act**"). The respective act also regulates individual and collective management and enforcement of copyright and related rights.

The subject matter of copyright is an individual creation in the domain of literature, science and art, which are expressed in any mode. Regardless of the above, ideas, principles, discoveries, official texts, such as legislative or judicial texts, and folk literary and artistic creations are not protected by the Slovenian Copyright Act.

Copyright belongs to the author by the mere creation of a work; no formalities are required for the work to be copyright protected.

Copyright includes exclusive personal rights (i.e. right of first disclosure, right to recognition of authorship, right to integrity of the work, right to withdrawal) and exclusive proprietary rights granting the author monopoly over the exploitation of his/her work (e.g. the right to use the work and the right to give consent for any use of the work such as copying, public distribution, performance or transmission of the work). A copyright lasts for the life of the author and for a period of 70 years following the death of the author.

The Copyright Act also determines the purposes for which the use of a work without the permission of the owner (free use) is allowed, among others:

- To provide access to information of public nature;
- For public performance of disclosed work when used in teaching;
- Private and other internal reproduction;
- Quotations;
- Use in official proceedings.

### **Trademarks**

In Slovenia, trademarks are governed by the Industrial Property Act<sup>7</sup> ("**IP Act**").

A trademark is a sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of another undertaking, and capable of being graphically represented. In particular words, including personal names, letters, numerals, figurative elements, three dimensional images, including the shape of goods or of their packaging, combinations of colours as well as any combination of such signs.

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<sup>6</sup> Official Gazette of the Republic of Slovenia, no. 16/07, as amended

<sup>7</sup> Official Gazette of the Republic of Slovenia, no. 51/06, as amended

A registered trademark gives its holder the exclusive right to prevent third parties not having the holder's consent the use of sign which is identical or misleadingly similar to the holder's sign for identical or similar goods or services. The registered trademark shall not exclude one's right to register the same or similar sign for other types of goods or services (except in the case of well-known trademarks).

The trademark registration is valid for 10 years from the date of filing of the registration application. The protection period can be repeatedly renewed for a new 10 year period, subject to payment of renewal fee.

An application for trademark registration can be filled with the Slovenian Intellectual Property Office ("**SIPO**") by a natural or a legal person. Foreign applicants do not need Slovenian residency to register for trademark protection in Slovenia, but are – for the purpose of trademark registration before the SIPO – required to appoint a representative. Content-wise, the (national) trademark registration process before the SIPO includes a formal and a substantial examination. The most important part of such examination is the descriptiveness of the trademark and the classification of the goods/services for which the holder seek trademark protection. It is worth noting that during such examination the SIPO does not check whether registration of a given trademark infringes any third party trademark others.

Slovenia has signed the Madrid Agreement and is a member state of the EU which enables one to obtain a trademark protection in Slovenia also by filling (i) an international application requesting trademark protection in Slovenia in more than 90 member states of the Madrid Agreement or (ii) the Community Trademark (CTM) application in any EU Member State.

### ***Patents***

In Slovenia, patents are granted for inventions complying with the legal provision of the IP Act.

Patents are granted for any inventions, in all fields of technology, which are new, involve an inventive step and are susceptible of industrial application. Apart from excluding discoveries, scientific theories, mathematical methods, and other rules, schemes, methods and processes for performing mental acts as such, protection can also be denied for inventions, the exploitation of which would be contrary to public order or morality; and inventions of surgical or diagnostic methods or methods of treatment practiced directly on the living human or animal body (except for inventions relating to products, in particular substances or compositions for use in any of these methods).

A patent shall confer on its holder exclusive rights:

- If the subject of a patent is a product: to prevent third parties not having the holder's consent from making, using, offering for sale, selling the product or importing the product for these purposes;
- If the subject of a patent is a process: to prevent third parties not having the holder's consent from using the process and from offering for sale, selling or importing for these purposes the product that was obtained directly by that process.

It also confers the right to take legal action against any person exploiting the patented invention without the holder's consent, and the right to claim damages for any such infringement.

Patent granting procedure is carried out before the SIPO on the basis of submitted patent application. Foreign natural and legal persons having neither residence nor real and effective industrial or



commercial establishment in Slovenia should appoint a representative, a registered patent agent<sup>8</sup>, for dealing with the SIPO. A patent application may be filled in any foreign language, provided that it includes at least the indication of the right requested and the indication allowing the applicant to be contacted by the SIPO, in the Slovenian, English, French or German language. The SIPO then invites the applicant to submit, within three months, the translation of the application into Slovenian language<sup>9</sup>. The application is examined only as to formal requirements and the excludability examination is made before its publication. Patents are granted without a substantive (novelty) examination 18 months after the application filing date or the date of the claimed priority.

A patent granted in Slovenia is valid for 20 years following the filing date of the application. During this time one is required to pay fees for maintenance of the patent's validity.

An application for a patent in Slovenia can also be filed under one of two international agreements which Slovenia is party to, namely under the Patent Cooperation Treaty, or under the European Patent Convention.

The Slovenian IP Act also provides for a specific type of protection called a short-term patent which basically corresponds to utility model protection as known for example in Germany. A short-term patent may be granted for inventions which are new, susceptible of industrial application and are the result of a creative effort. A short-term patent is valid for 10 years from the following the filing date of the application and only applies in Slovenia.

### ***Industrial designs***

Pursuant to the IP Act an industrial design means the outward appearance of a product or its part, resulting from the features of, in particular, the lines, contours, colours, shape, texture and/or materials of the product itself and/or its decoration. Like other industrial property rights, industrial design becomes legally protected with its registration in the Register of Industrial Design kept by the SIPO.

However, not every industrial design can be protected; an industrial design is qualified for protection if it is new, and of an individual character. An industrial design is considered new if no identical design has been made available to the public before the first date of filing of the application (designs are identical also if their features differ only in immaterial details). An industrial design is considered to have individual character if the overall impression that it invokes in a well-informed user (not a design expert) distinguishes it from the overall impression invoked in the same user by any other design.

Industrial design granting procedure is carried out before the SIPO on the basis of submitted industrial design registration application. Foreign natural and legal persons having neither residence nor real and effective industrial or commercial establishment in Slovenia should appoint a representative, a registered industrial design agent<sup>10</sup>, for dealing with the SIPO. An industrial design application may be

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<sup>8</sup> However, foreign applicants may file applications, perform acts relating to the establishment of the filing date, pay fees, file copies of first applications when claiming the right of priority and receive notifications by SIPO relating to those proceedings, without a representative, provided that they communicate to SIPO an address for correspondence which is in the territory of Slovenia.

<sup>9</sup> Source: <http://www.uil-sipo.si/sipo/activities/patents/>

<sup>10</sup> However, foreign applicants may file applications, perform acts relating to the establishment of the filing date, pay fees, file copies of first applications when claiming the right of priority and receive notifications by SIPO relat-



filled in any foreign language, provided that it includes at least the indication of the right requested and the indication allowing the applicant to be contacted by the SIPO, in the Slovenian, English, French or German language<sup>11</sup>.

The acquired protection confers on its owner the exclusive right to use the industrial design and the right to prevent any third party from using it without the owner's approval. Such use of industrial design, in particular, covers the production and placement of a product in which the protected industrial design is embodied or to which is applied on the market.

The protection period of registered industrial design is 5 years following the filling date of the application. Subject to payment of applicable fees, the protection can be repeatedly renewed every subsequent 5 year, up to a total term of 25 years.

### ***Geographical indications***

Geographical indications eligible for registration under the IP Act are indications which identify a product as originating in a territory, or a region or a locality in that territory, where a given quality, reputation or other characteristic of the product is essentially attributable to its geographical origin.

A registered geographical indication is a collective right and may be used as such in the course of trade only by those who produce or market the goods protected by the geographical indication. The term of a registered geographical indication is unlimited.

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ing to those proceedings, without a representative, provided that they communicate to SIPO an address for correspondence which is in the territory of Slovenia.

<sup>11</sup> The SIPO then invites the applicant to submit, within 3 months, the translation of the application in the Slovenian language.

### III. INVESTMENT INCENTIVES

Slovenia offers various investment incentives for companies considering direct investment in Slovenia, such as financial support for creation of new jobs and for training of employees, discounts on income tax.

#### A. Export Incentives

Companies registered in Slovenia are eligible for facilities for export promotion and protection provided by the Slovenian Export and Development Bank (SID - Slovenska izvozna in razvojna banka, d.d., Ljubljana, "SID Bank"). These include financial services related to export insurance, financing and guarantee issuing. SID Bank insures export credit against commercial as well as non-commercial risks and provides insurance against non-commercial risks in the case of Slovenian outward foreign direct investment. More information is available at [www.sid.si](http://www.sid.si).

#### B. Grants, Subsidies or Funds Offered to Foreign Investors

Slovenia has been leading an active policy of promoting FDI which comprises the following activities:

- Allocation of financial incentives for foreign direct investments;
- Free provision of information, consulting and other services to foreign investors;
- The promotion and marketing of Slovenia and its regions as locations for FDI;
- Analysis of the competitive position of the Republic of Slovenia as a location for foreign direct investments and recommendation of systemic measures for its improvement;
- Performance of other tasks that contribute to enhancing the competitiveness of the Republic of Slovenia as an investment location.

Non residents making direct investments in a new or existing company in Slovenia for the first time may apply for financial grant under the Government FDI Cost-Sharing Grant Scheme. Beneficiaries of such grant are foreign owned companies duly registered in the Slovenian Court Register. Grants are available for the following investment projects:

- In the manufacturing sector, if they exceed EUR 1 million and create at least 25 new jobs;
- In a sector whose service are internationally traded (such as customer care centres, logistics and distribution), if they exceed EUR 0.5 million and create at least 10 new jobs; and
- In research and development, if they exceed EUR 0.5 million and create at least 5 new jobs.

These investment projects and new jobs should remain located in Slovenia for no less than 5 years for large-sized companies and no less than 3 years for small- and medium-sized companies. Grants are not available for large investment projects with the value of EUR 50 million.

Costs eligible for financing are costs of property, plant and equipment, costs of intangibles assets. Value-added tax (VAT) is eligible for co-financing. Co-financing is granted for eligible costs only, up to the maximum share permitted under the EU state aid rules. The amount of financial incentives cannot exceed 25 % of eligible costs for large companies, 35 % of eligible costs for medium-sized companies; and 45 % of eligible costs for small-sized companies. The maximum amount of financial incentives for investment projects in west and central Slovenia is 10 % lower of the aforesaid.

The co-financing of eligible projects is approved by SPIRIT Slovenia on the basis of an application that must be filed prior to the commencement of the investment. The above-mentioned incentives are granted through public tender.

Furthermore, the Government of Slovenia may – upon the proposal of the Minister of Economy – under a direct contract grant financial incentives for an investment that will substantially contribute to the development of the Slovenian economy, provided that the value of such investment exceeds EUR 12 million, or that the investment will create at least 10 new jobs in research and development, 20 new jobs in a sector whose service are internationally traded, or new 50 jobs in the manufacturing sector.

Various incentives in the form of bank loan guarantees, grants for start-up companies and equity financing instruments are available to micro-, small- and medium-sized companies registered in Slovenia (including companies fully owned by foreigners) through public tenders of the Slovenian Enterprise Fund.

### **C. Fiscal Incentives**

The general corporate income tax rate in 2016 is 17 %<sup>12</sup>, but is likely to increase to 19 % in 2017<sup>13</sup>. However, Slovenian corporate income tax legislation allows for the following tax reliefs relevant for investments in Slovenia:

- (General) tax relief for investments;  
A taxpayer may use the reduced tax base in the amount of 40 %<sup>14</sup> of the amount invested in equipment (excluding furniture, office equipment and motor vehicles) or intangible assets and up to the amount of the tax base.
- Tax relief for investments in research and development;  
A taxpayer may use the reduced tax base in the amount of 100 % of the amount invested (but only up to the tax base) in research and development. These investments include (i) internal research and development activities of the taxpayer (including the purchase of research and development equipment which is exclusively and permanently used of R&D activities of the taxpayer) and (ii) the purchase of research and development services performed by other persons.

### **D. Local Incentives**

Municipalities may offer different forms of incentives, provided in various regulations. These incentives may include easy access to industrial sites, utility connections and tax incentives.

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<sup>12</sup> Special tax rate of 0 % is used for investment funds, pension funds and venture capital companies if they fulfil the conditions set forth by the law.

<sup>13</sup> Following a suspensive veto of the Slovenian National Council, the Slovenian National Assembly will have to revote on the Act amending the Corporate Income Tax which determines the increase of the corporate income tax to 19 %.

<sup>14</sup> Taxpayers who generate income from business activities and are established in deprived regions of Pomurje and Pokopje, the broader Maribor area and the municipalities Hrastnik, Trbovlje and Radeče may claim reduction of the tax base of 70 % of the amount for new initial investment in certain types of equipment and intangible assets.

## IV. Financial Facilities

In Slovenia, financial services are provided by numerous financial institutions. Particularly, banks, brokerage companies, insurance and reinsurance companies, pension fund and investment funds.

### A. Banking Sector

Banking is regulated by the Banking Act<sup>15</sup> which among others regulate the establishment and dissolution of banks and branches of foreign banks in Slovenia, the granting and revocation of banking licenses, (Slovenian part of) EU single license system, management and control systems of banks, operational and capital requirements, banking supervision and banking secrecy.

Banking services may only be performed by the following entities in Slovenia:

- A bank that obtained authorization from the Bank of Slovenia;
- A bank established in an EU Member State through its branch office in Slovenia or directly on a cross-border basis (i.e. with a passport), and
- A bank established in a third (non-EU) country through its branch office in Slovenia.

The Bank of Slovenia (*Banka Slovenije*) is the central bank and the supervisory authority of the banking sector in Slovenia. The Bank of Slovenia also adopts rules safeguarding the stability of Slovenian banking sector, supervises and, where appropriate, issues sanctions for non-compliance with these rules. Following the introduction of Euro as the national currency in 2007, the Bank of Slovenia became a member of the European Central Bank and as such follows the guidelines and directives of the European Central Bank.

There are currently 13 banks, 3 savings banks and 3 branches of foreign banks operating in Slovenia (not including banks operating in Slovenia on the basis of the single license principle). Major commercial banks in Slovenia are:

- Nova Ljubljanska banka d.d. (NLB);
- ABANKA d.d.;
- Nova Kreditna Banka Maribor d.d. (NKBM);
- SKB Banka D.D. Ljubljana; in
- UniCredit Banka Slovenija d.d.

Although integrated in the financial system of the EU, the banking system remains dominated by the state-owned banks; Slovenian largest two banks, both owned by the state, account for more than 50 % of market share.

All Slovenian banks, large state-owned banks in particular, have suffered losses and have shrunk their balance sheets since the beginning of the recent financial crises. To stabilize the banking sector six Slovenian banks have received capital amounting to EUR 3.6 billion. In 2013, the Slovenian Government also established a Bank Asset Management Company (BAMC) which took over non-performing assets with the total value of app. EUR 5 billion from a state-owned banks (NLB, NKBM, ABANKA and Banka Celje) and 2 smaller bank in wind-down (Probanka and Factor banka).

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<sup>15</sup> Official Gazette of the Republic of Slovenia, no. 25/15, as amended

## **B. Bank Accounts**

There is no general requirement for an investor to open and maintain a bank account in Slovenia. It may, however be practical to have a bank account in Slovenia. The requirements for opening a bank account are different for Slovenian, EU and non-EU companies and slightly differ from bank to bank. As a rule, a Slovenian company wishing to open a bank account should provide the bank with the following documentation:

- Extract from the court/business register
- Identification documents of the company's legal representatives.

Foreign companies may be required to submit additional documentation in order to satisfy the bank's "know your customer" and other anti-money laundering procedures (e.g. disclose documentation evidencing the ultimate beneficial owner of the company).

Slovenian laws do not impose any specific restriction on the use of one bank account; certain restrictions may be imposed by the bank with which the bank account is opened.

## **C. Insurance**

Insurance activities may be performed in Slovenia upon fulfilment of conditions set forth in the Insurance Act<sup>16</sup> The Insurance Act regulates in detail the establishment and dissolution of insurance companies and branches of foreign insurance companies in Slovenia, the granting and revocation of banking licenses, (Slovenian part of) EU single license system, as well as the status, position and activity of insurance agents and brokers.

Insurance services may only be performed by the following entities in Slovenia:

- An insurance company that obtained authorization from the Insurance Supervision Agency;
- An insurance company established in an EU Member State through its branch office in Slovenia or directly on a cross-border basis (i.e. with a passport), and
- An insurance company established in a third (non-EU) country through its branch office in Slovenia.

Currently, there are 15 insurance companies headquartered and operating in Slovenia (not including insurance companies operating in Slovenia on the basis of the single license principle).

Supervision of the insurance industry is performed by the Insurance Supervision Agency (*Agencija za zavarovalni nadzor*), which is entrusted to exercise control over the insurance business and activities of insurance agents and brokers. Given the fact that also Slovenian banks are engaged in insurance brokerage, the Bank of Slovenia has certain powers in this area as well. The Insurance Supervision Agency is authorized to issue the implementing regulations, which regulate in detail the individual issues.

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<sup>16</sup> Official Gazette of the Republic of Slovenia, no. 93/15

## D. Stock Exchange

In Slovenia there is currently one organized securities market, namely the Ljubljana Stock Exchange (Ljubljanska borza d.d., "LJSE"). The LJSE is a joint-stock company the activities of which are primarily regulated by the Financial Instruments Market Act<sup>17</sup> and the Rules of the LJSE.

<b>LJSE - General Information</b>	
<b>Name</b>	Ljubljanska borza d.d., in English: Ljubljana Stock Exchange
<b>Owner</b>	The only shareholder of the LJSE is Zagrebačka burza d.d. (Zagreb Stock Exchange).
<b>Market segmentation</b>	Equity market (Prime market, Standard market and Entry market) Bond market (Bonds, T-bills, Commercial papers) Standard products market (Close-end funds shares, Fund market, Certificates, Warrants)
<b>Trading system</b>	Continuous trading method Auction trading method
<b>Settlement</b>	T+2, via Central Securities Clearing Corporation ( <i>KDD</i> )
<b>Capital market supervisory authority</b>	Securities Market Agency ( <i>Agencija za trg vrednostnih papirjev</i> )

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<sup>17</sup> Official Gazette of the Republic of Slovenia, no. 67/07, as amended

## V. Exchange Controls

### A. Business Transactions with Nationals, Residents or Non-Residents

Nationality is not a decisive factor for the purpose of Slovenian foreign exchange controls. Slovenian legislation does not distinguish between foreign and domestic investors, but between residents and non-residents.

The Foreign Exchange Act<sup>18</sup> which regulates currency exchange defines residents as:

- Companies and other legal persons with their seat registered in Slovenia that pursue profit-making activities, with the exception of their branch offices in other countries;
- Branches of foreign companies registered in Slovenia that pursue profit-making;
- Individual entrepreneurs and natural persons who run their own business and have their seat or permanent residence in Slovenia;
- Natural persons with a permanent residence in Slovenia;
- Natural persons with a temporary residence in Slovenia based on a residence permit valid for a minimum of 6 months, with the exception of foreign national employed in diplomatic and consular missions and members of their families;
- Slovenian diplomatic, consular and other representatives abroad financed from the national budget, Slovenian citizens employed at such representations and their family members.

All other persons are considered to be non-residents.

#### ***National treatment principle***

The treatment of foreign companies and entrepreneurs in Slovenia is governed by the Companies Act<sup>19</sup>. The Companies Act determines that with regard to its rights, obligations and responsibilities, a foreign company is equated with a company/ individual entrepreneur having its registered seat in Slovenia.

#### ***Bank accounts***

Generally, a non-resident may open bank accounts in banks and other payment institutions in Slovenia. When opening a bank account, the banks as well as other payment institutions are, due to the regulations aimed at preventing money laundering, obliged to establish and verify the customer's identity. Residents may open payment accounts abroad without restrictions.

#### ***Loan operations***

Save for the consumer lending services, the Slovenian legislation does, in general, not prohibit or determine any additional requirements with respect to lending services. Therefore, residents (natural and legal persons) are generally free to take loans abroad or extend loans to non-residents<sup>20</sup>.

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<sup>18</sup> Official Gazette of the Republic of Slovenia, No. 16/08, as amended

<sup>19</sup> Official Gazette of the Republic of Slovenia, No. 42/06, as amended

<sup>20</sup> It should however be noted that various legal requirements apply to banks, payment institutions, investment firms and entities providing loans to Slovenian consumers wishing to render lending activities.

## **B. Investment Controls**

Slovenia has a liberal foreign investment regime. Investors from the EU and EEA may freely invest in Slovenian companies. Certain investment controls however apply to investors from non-EEA countries. Restrictions on investments by non-EEA investors apply (i) to the operation of games of chance<sup>21</sup>, maritime transport<sup>22</sup> and air transport<sup>23</sup>, (ii) establishment of branch offices for the purpose of providing depositary services to resident collective investment funds, and (ii) in the area of cross-border trade in services, namely in insurance services, most banking and other financial services. Some restrictions are also applied to foreign investment in the field of military supply; direct investments made by non-residents in companies or other entities that are engaged in the production of, or trade in, weaponry and military equipment are allowed only if specifically authorized by the Government of the Republic of Slovenia.

In the field of real-estate investments, the following rules apply for non-residents:

- EU and EEA: citizens and companies from the EU and EEA have the same purchase rights and rights of use of land as Slovenian citizens and legal entities;
- OECD: since July 2010, when Slovenia became a member of the OECD, the same regime as for citizens and legal entities of EU Member States applies to citizens and legal entities of non-EU OECD countries;
- EU candidate states: citizens and legal entities of EU candidate states that are not OECD members may acquire real estate in Slovenia according to the principle of reciprocity;
- Other third countries: citizens and legal entities from all other countries may only own real estate if they have both inherited it and if the principle of reciprocity is observed; and
- Slovenians without Slovenian citizenship: they may acquire real estate on the same conditions as Slovenian citizens.

If a foreign citizen or legal person decides to establish (or purchase) a company in Slovenia, this company is considered a Slovenian legal person and as such can buy, own and sell real estate.

## **C. Money Transfer**

The foreign exchange regime in Slovenia is fully liberalized. It is regulated by the Foreign Exchange Act and the relevant implementing regulations. Residents (except banks) and non-residents may only purchase and sell foreign currency at authorized banks or at currency exchange operators.

### ***Cash payments***

Cash payments between residents and non-residents are unrestricted. However, the regulations aimed at preventing money laundering, including those requiring reporting of transactions exceeding EUR 30,000, must be observed.

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<sup>21</sup> The law determines a 20 percent cap on foreign ownership.

<sup>22</sup> The law forbids majority ownership by non-EU residents of a Slovenian flag maritime vessel unless the operator is a Slovenian or other EU national.

<sup>23</sup> Registration of an aircraft is only possible for aircraft owned by Slovenian or EU nationals or companies controlled by them. Companies controlled by Slovenian nationals or carriers complying with the EU regulations on ownership and control are the only entities eligible for Air Operator's Certificates (AOC) for performing airline services.



Persons pursuing the activity of selling goods or performing services in Slovenia may not accept cash payments amounting to EUR 5,000 or more from their customers or third persons.

Residents (legal persons and individual entrepreneurs) may receive a cash payment from non-residents in line with the measures that apply to domestic cash transactions.

### ***Cross-border cash transfers***

Save for the below, Slovenian legislation does not impose any restrictions on cross-border cash transfers. However, the regulations aimed at preventing money laundering must be observed.

When crossing Slovenian border, both residents and non-residents must report to the customs authority every transfer (in and out of the country) of cash or securities when the amount of foreign currency or securities is equal or exceeds the amount specified in Regulation (EC) No. 1889/2005 on Controls of Cash Entering or Leaving the Community (currently EUR 10,000).

### ***Repatriation of capital***

Foreign investors are allowed to freely repatriate their capital and transfer their profits, provided that they meet their tax obligations.

## VI. Import / Export Regulations

### A. Customs Regulations

Slovenia, as an EU Member State, is part of the EU internal market that is based on the free movement of goods. Consequently, among EU Member States there is no importing or exporting of goods; trade between Slovenia and other EU Member States is free and there is no customs control or payment of customs duties.

The free movement of goods among EU Member States only relates to the so-called Union goods; that is:

- Goods wholly obtained in the customs territory of the EU and not incorporating goods imported from countries or territories outside the customs territory of the Union;
- Goods brought into the customs territory of the EU from countries or territories outside that territory and released for free circulation;
- Goods obtained or produced in the customs territory of the EU, either solely from goods referred to in the preceding point or from goods referred to in both preceding point.

All other goods are considered non-Union goods.

When exporting and importing goods to and from non-EU Member States the EU's foreign trade regime and customs regulations are applied. The EU has common external customs tariffs. To secure uniform application of EU customs tariff and give one a clear view of all measures to be undertaken when importing or exporting goods from the EU, the EU set up the TARIC, (the integrated Tariff of the European Union). TARIC is a multilingual electronic database in which are integrated all measures relating to EU customs tariff, commercial and agricultural legislation.

However, EU Member States are authorized to regulate certain areas of customs legislation that are not covered by the EU customs regulation in their national legislation (e.g. define operational points of the customs procedures, determine the competent authorities and administrative penalties). To this end, Slovenia adopted the Act Implementing the Customs Legislation of the European Union<sup>24</sup>.

Slovenia is a member of GATT and as an EU Member State, also a party to a various bilateral agreements entered into between the EU and third countries, e.g. agreements on free trade, customs union, economic integration.

### B. Exports

To export the Union goods (see above for details) to a third country (or to a territory which is not part of the EU customs territory), the export procedure has to be carried out.

The export declaration has to be lodged at the customs office responsible for supervising the place where the exporter is established (locally competent office) or where the goods are packed or loaded for export. The exporter is a person on whose behalf the customs declaration is lodged and who is the owner of the goods or has a similar right of disposal over goods at the time when the export

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<sup>24</sup>Official Gazette of the Republic of Slovenia, no. 32/16

declaration is lodged. The export declaration should be lodged with the following supporting documentation: invoices, transport documents, an export license for agricultural goods, etc. In certain cases, the export declaration can also be made orally. Oral declarations are allowed in case of goods of non-commercial nature contained in travellers' personal luggage, goods of a commercial nature with the value of up to EUR 1,000 and for other goods of negligible economic importance.

The export procedure is a two-phase procedure. It starts with the lodging of a customs declaration at the customs office of export where the goods are cleared. The procedure at the customs office of export ends with the release of goods for export. In a second phase, the goods are dispatched to the customs office of exit where the export procedure ends at the moment when the exit of goods from the EU is confirmed.

Goods exported from the EU are exempt from the VAT provided they left the EU customs territory which the exporter must prove by furnishing relevant proof regarding the exit of goods.

### **C. Imports**

Import of goods is the entry of goods from a non-EU Member State (third country) or from a third territory which is not part of the EU customs territory, to the EU customs territory (including Slovenia). Goods brought into the EU customs territory are, from the time of their entry, subject to the customs supervision and may be subject to any customs control.

A person wishing to import goods to Slovenia must prior to the entry of the goods to the EU customs territory (e.g. Slovenia) submit an entry summary declaration for the respective goods with the customs authorities. At border, the customs declaration for one of the below customs procedure selected by the importer should be lodged:

- Release for free circulation;
- Transit;
- Customs warehousing;
- Inward processing;
- Processing under customs control; and
- Temporary importation of goods.

Customs clearance procedure can be carried out at a border customs office, or the goods can be placed in the transit procedure<sup>25</sup> and transported to the customs authority where the customs procedure begins. It is worth noting that in Slovenia:

- A direct entry of goods from a non-EU Member State (third country) or from a third territory which is not part of the EU customs territory is only possible through the Port of Koper, through the Airport Jože Pučnik or through the postal service;
- Transport of goods subject to veterinary, phytosanitary or other prescribed control is allowed only through those border crossings which are designated for transport of such goods.

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<sup>25</sup> The transit procedure is a customs procedure which allows goods to be transported between two points in the EU customs territory or between the countries involved in the transit procedure, without the need for goods to pay import duties.

The customs declaration is lodged electronically. Documents required for the selected customs procedure (e.g. invoice, certificate of origin, etc.) have to be attached and, for certain types of goods also evidence that the prescribed veterinary, phyto-sanitary or other control has been carried out.

Goods are released provided that all import duties have been paid or secured. The amount of import duties levied on imports of goods depends on the tariff classification, the origin, the customs value and the quantity of goods.

#### **D. Origin of Goods**

Along with the customs value and classification of goods under the correct tariff code the origin of goods is one of three basic elements affecting the customs treatment and customs duties applicable to non-Union goods (third country goods) imported into the EU through Slovenia.

Based on their origin, goods imported into the EU from third countries are divided into 2 groups, as follows:

- Goods of preferential origin, for which more favourable customs rates are applied or which are exempt from customs duties based on (i) concluded preferential agreements between the EU and a third country, or (ii) an unilateral decision of the EU. Preferential origin is granted to those goods which, when purchased or produced, meet the requirements of the provisions for rules of origin specified in each bilateral or multilateral agreement;
- Goods of non-preferential origin are goods to which conventional customs rates and other measures of the EU's trade policy are applied (e.g. anti-dumping customs duties, etc.)

#### **E. Product Labelling**

Product labelling is set in the Slovenian Consumer Protection Act<sup>26</sup>. Generally, all products have to be labelled with the necessary information on the characteristics, sales conditions and the intended use of the product. If the nature of the product requires, instruction for use which contain information how to assemble and use the product must also be attached. Furthermore, the company must use its full name and business address in any written communication with the consumer.

The aforementioned information should be written on the product (or its packaging), or alternatively generally comprehensible symbols and pictures may be used.

Special product labelling regulations apply to labelling of food, cosmetic products, medicines, etc.

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<sup>26</sup> Official Gazette of the Republic of Slovenia, No. 98/04, as amended

## VII. Principle Structures for Doing Business

Foreign investors may perform business activities in Slovenia either via their subsidiary established in one of the legal form described below, or through their branch office in Slovenia.

The Slovenian Companies Act regulates the following types of companies:

- Joint-stock company (*delniška družba – d.d.*);
- Limited liability company (*družba z omejeno odgovornostjo – d.o.o.*);
- General partnership (*družba z neomejeno odgovornostjo – d.n.o.*);
- Limited partnership (*komanditna družba – k.d.*);
- Partnership limited by shares (*komanditna delniška družba – k.d.d.*)
- European public company (*Societas Europaea – SE*).

Individuals may conduct business activities also as sole traders (*samostojni podjetnik – s.p.*). The establishment of economic interest group is also possible.

Investors' liability for the company's obligations depends on the corporate structure of the company; in a general partnership and a limited partnership, the investor shall be liable for the company's obligations with all its assets, whereas in a limited liability company and a joint stock company, the investor is only liable for the company's obligations to the amount of its share in the company.

When establishing a company in Slovenia, foreign investors most commonly establish a limited liability company as it is relatively simple to establish and have simple corporate governance rules. Alternatively, foreign investors also often decide to establish a branch office in Slovenia. The branch office is not a separate legal entity, but acts in the name and on behalf of the parent company.

### A. Governmental Participation

In Slovenia, the Government does not seek to participate in the ownership of newly established companies.

Slovenia never underwent mass privatization, with the result that the percentage of companies owned or controlled either directly or indirectly by the state in key sectors, such as energy, transport, banking, telecommunication and insurance is among the highest in Europe. However, the Government of Slovenia has recently become more open to privatization. In 2013, the National Assembly approved a list of 15 state-owned companies to be privatized; the telecommunications, banking and insurance sectors are the first targets of privatization, with additional investment opportunities in the energy and transportation sectors. In 2015, the Slovenian Government initiated a process to prepare an asset management strategy for state-owned companies among others classifying state-owned assets into: Strategic assets in which the State will maintain or obtain at least a 50 % share + 1 share;

- Important assets in which the State will maintain a controlling share (25 % equity stake + 1 share); and
- Portfolio assets in which Slovenia is not mandatory to keep the controlling share.

### B. Joint Ventures

Joint ventures are not specially regulated in Slovenian legislation. Therefore, the incorporation procedure and liability of investors depend on the type of entity involved.

However, when competitors form joint ventures the EU competition laws and the Slovenian competition laws should be observed. For example, the creation of a joint venture by two or more independent companies that on a lasting basis perform all the functions as an autonomous economic entity would constitute a concentration with the meaning of the Slovenian Prevention of Restriction of Competition Act.

### **C. Limited Liability Company**

A limited liability company (*družba z omejeno odgovornostjo – d.o.o.*) is the most commonly used business form in Slovenia.

A limited liability company is a company whose capital is made up of contributions contributed by the founders of the company. A limited liability company is liable for its obligations with all its assets, whereas the shareholders are - in general - not liable for the company's obligations.

A limited liability company may be established by one<sup>27</sup> or up to 50 (domestic or foreign) natural or legal persons that sign the act of foundation (articles of association). It is incorporated with its registration in the Slovenian court register when the company obtains a status of legal person. Registration with the court register does not require payment of any court fees; however, notary fees and translation costs (in case of foreign investor) incur in the registration process. Since 2008, registration of a limited liability company with standard form articles of association may be done through business portal e-VEM or at the local VEM point. The registration procedure at the VEM points and via e-VEM is free of charge.

The minimum share capital is EUR 7,500 and the minimum contribution of each shareholder is EUR 50. The share capital can be paid in cash or contributed in-kind. Based on its contributions, a shareholder acquires a business share expressed as a percentage of the limited liability company's share capital held by the respective shareholder. The business shares are transferrable, but other shareholders have a pre-emptive right.

Management rights of shareholders are determined in the company's articles of association; in the absence of such provisions in the articles of association, the provisions of the Companies Act apply. The shareholders of a limited liability company exercise their voting rights at the shareholders' meeting where they decide on the company's most important corporate matters. Unless determined otherwise in the articles of association, each shareholder has one vote for each EUR 50 of its contribution.

A limited liability company may have one or more managers (directors) that are appointed for a period not shorter than two years. There are no requirements regarding a nationality of managers and no Slovene national needs to be in the company's management.

If determined so in the articles of association, a limited liability company may also have a supervisory board (but this is not obligatory). There are no restrictions regarding residency/nationality of the supervisory board members.

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<sup>27</sup> Limited liability companies with one shareholder are subject to special regulations; they are required to keep the Book of Resolution of the Sole Shareholder in which the sole shareholder has to write (affix) all its resolutions in order for the resolutions to be valid.

## **D. Joint-Stock Company**

A joint-stock company (*delniška družba - d.d.*) is a company in which the share capital is divided into shares. This type of corporate form is most commonly used in Slovenia for operations of business involving larger investments; it is a mandatory corporate form for banks, insurance companies, brokerage companies, etc.

A joint-stock company is fully liable for its obligations with all its assets; however the shareholders are not personally liable company's obligations.

A joint-stock company may be established by one or more (domestic or foreign) natural or legal persons. A joint-stock company becomes a legal person upon its registration in the Slovenian court register.

The minimum share capital is EUR 25,000 and can be paid in cash or contributed in-kind. At least one third of the company's share capital must be contributed in cash, whereby at least 25 % of the nominal value of shares payable in cash must be paid in before registration of the company. All in kind contributions must also be made before registration of the company.

Shares may be issued as bearer shares or registered shares. As regards rights, shares may be ordinary (common) shares or preference shares. Ordinary shares give their owner (i) the right to vote, (ii) the right to (part of the) profit (dividends) and (iii) the right to the corresponding part of the company after the company's liquidation or bankruptcy. Preference shares give their owner, in addition to the rights referred above, priorities such as a fixed dividend, priority in payment upon liquidation, etc.).

The shareholders may choose between one-tier or two-tier management system. In a one-tier system, the company is managed and supervised by the board of directors that is comprised of at least three members. The board of directors may appoint one or more executive directors. The tasks and powers of executive and non-executive members of the board are regulated in the company's articles of association. In a two-tier system, the management and the supervisory function are separated. The company is managed by the management board and supervised by the supervisory board. The executive power lies solely with the management board and the supervisory board does not have the powers to interfere with regular business activities of the company.

The shareholders exercise their rights in respect of matters concerning the company at the general meeting. A general meeting inter alia decides on the following matters:

- The adoption of the annual report;
- The use of profit;
- The appointment and recall of the members of the supervisory board/board of directors;
- Amendments to the articles of association;
- The dissolution of the company and its restructuring;
- Appointment of an auditor;
- Other matters where so provided by the articles of association in accordance with the law or other matters determined by law.

## **E. General Partnership**

A general partnership (*družba z neomejeno odgovornostjo – d.n.o.*) is a partnership of two or more (domestic or foreign) persons. All partners are liable for the obligations of the partnership to the full extent of their assets. Such partners' liability cannot be contractually limited or excluded; the liability

however arises only after a creditor's unsuccessful claim against the general partnership itself. General partnerships are legal persons that obtain such status by court registration.

A general partnership is not obliged to have a minimum capital and no contributions are required to be paid in upon establishment of a general partnership. Contributions may be in cash, in kind, or in rights or services; if non-cash contributions are made, the partners evaluate such contributions in cash. Unless otherwise agreed, the partners contribute equal contributions.

Legal relationships between partners are determined in the company's articles of association. Unless determined otherwise in the articles of association, all partners are authorized to represent the partnership and manage the company. Partners cannot dispose of their respective shares without the consent of the other partners.

#### **F. Limited Partnership**

A limited partnership (*komanditna družba – k.d.*) is a company of two or more persons where at least one shareholder is liable for the obligations of the company with all its assets (general partner, *komplementar*) and at least one shareholder is not liable for the company's obligations (limited partner, *komanditist*). Provisions of the Companies Act on general partnership apply, unless otherwise stipulated by the law. In this respect, the Companies Act determines that a limited partner is not authorized to represent the company; a limited partner who contravenes this restriction becomes liable as the general partner.

#### **G. Branch Office of a Foreign Company**

Under Slovenian law, a foreign company is a natural or a legal person engaging in a profit-making activity and having a seat outside Slovenia in another EU Member State or in a non-EU country. Foreign companies may carry out business activities in Slovenia by establishing a branch office in Slovenia; a branch office is entitled to engage in any business activity within the scope of business activities of its founder.

A branch office is not a separate legal entity, but performs its business activities in the name and on behalf of the foreign company. Therefore, all rights and obligations arising from the business activity of a branch office in Slovenia are rights and obligations of the foreign company (founder) itself, and not of the branch office.

A branch office of a foreign company is required to have one or more representatives, who represent the foreign company, but they are not required to be Slovenian residents.

A branch office is established with its registration in the court register; the application for registration of a branch office is filled through the notary public.



## VIII. Requirements for the Establishment of a Business

### A. Foreign Entities

A foreign company conducting business in Slovenia is in general equal to domestic companies. It enjoys the same rights and bears the same responsibilities as a company having its registered seat in Slovenia.

When establishing a company in Slovenia, foreign investors most commonly establish a limited liability company. Therefore, below please find an outline of the establishment procedure for a limited liability company.

Establishment of a limited liability company is a two-step procedure. First, the shareholder(s) sign the articles of association (in the form of a notarial deed, or on a special form on which the shareholders' signatures must be notarized). Before filing the application for registration of the company in the court register:

- Non-residents (natural persons and legal entities) have to obtain a Slovenian tax number from the Financial Administration of the Republic of Slovenia (only required for identification purposes); and
- Open a temporary bank account with one of the Slovenian commercial banks and pay the founding share capital.

A limited liability company may be then registered at the following start-up points:

- At any VEM access points (one-stop shops): possible only if a prescribed Articles of Association form has been used and the share capital of the company is fully paid in cash;
- Online via e-VEM business portal: possible only for sole shareholder limited liability companies, provided that a prescribed Articles of Association form has been used and the share capital of the company is fully paid in cash and the founder of the company has a digital certificate and a Slovenian tax number;
- At a notary public: mandatory where the conditions for establishment through VEM points are not fulfilled.

If all the statutory requirements are fulfilled, the court register will issue a resolution on registration of the company; the company is incorporated as of the date of its registration in the court register. Simultaneously, when registered in the court register, the company is automatically registered in the Slovenian Business Register.

In Slovenia, performance of certain business activities also requires a company to obtain a special permit or ensure that the respective activities are carried out by a qualified person. A list of regulated activities/professions is available in the Records of Regulated Professions or Professional Activities in the Republic of Slovenia<sup>28</sup>. It is worth noting that for performance of business activities, such as banking, insurance, etc., obtaining a license of the competent supervisory authority is a pre-condition for incorporation of the company that will perform such activities.

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<sup>28</sup> Official Gazette of the Republic of Slovenia, no. 50/06, as amended

## **B. Antitrust Laws**

Slovenian antitrust laws are to a large extent harmonized with the EU competition law. Slovenian competition law is regulated in the Prevention of Restriction of Competition Act<sup>29</sup> (“Competition Act”).

The Competition Act regulates:

- Agreements restricting competition;
- Abuse of dominant position;
- Unfair competition;
- Action of public authorities distorting competition;
- Concentration; and
- Proceeding initiated before the Competition Protection Agency (“CPA”).

A conduct in contravention with the competition protection regulation of restrictive agreements, abuse of dominant position or concentration could under certain circumstances also constitute a criminal offence under the Slovenian Penal Code<sup>30</sup>.

### ***Agreements restricting competition***

Any agreement between undertakings, decision of association of undertakings and concerted practices of undertakings (“Agreement”) that have as its object or effect the prevention, restriction or distortion of competition in Slovenia is prohibited and is null and void. In particular, the following is prohibited:

- Direct or indirect fixing of purchase or selling prices or other trading conditions;
- Limiting or controlling production, sales, technical progress or investment;
- Applying dissimilar conditions to equivalent transactions with other contracting parties, thereby placing them at a competitive disadvantage;
- Making the conclusion of a contract subject to acceptance of additional obligations by the other contracting party which, by their nature or according to commercial usage, have no connection with the subject of such contract;
- Divide markets or supply sources.

There are 3 exemptions from the above prohibition on agreements restricting competition:

- “Rule of reason” exemption;  
An agreement restricting competition is not prohibited if it:
  - Contributes to the improvement of production or distribution of goods, or to the support of technical and economic development and provides consumers a fair share of the resulting benefit;
  - Does not impose on the parties to the agreement restricting competition restrictions that are not indispensable to the attainment of the above objectives; or
  - Does not afford the undertakings the possibility of eliminating competition in respect of a substantial part of goods or services that are the subject of the agreement. .
- Block exemption;  
An agreement restricting competition is not prohibited if it meets the block exemption requirements defined in the EU block exemption regulations, even when there is no influence on the trade between EU Member States shown.

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<sup>29</sup> Official Gazette of the Republic of Slovenia, no. 36/08, as amended

<sup>30</sup> Official Gazette of the Republic of Slovenia, no. 50/12, as amended

- *De minimis* exemption;

The *de minimis* exemption is applicable to agreements between undertakings whose aggregate market share (including the market share of other group companies) in none of the relevant markets in Slovenia exceeds 10 % (applicable to horizontal and mixed horizontal-vertical agreements) or 15 % (applicable to vertical agreements). The relevant market share is reduced to 5 % if the competition in the relevant market is reduced due to cumulative effects caused by the same or similar agreements of other undertakings.

Hardcore restrictions, i.e. horizontal agreements aimed at fixing prices, restricting production or trade, or dividing markets or supply sources and vertical agreements aimed at fixing retail prices or granting territorial protection to the undertakings involved or third parties, are not covered by the *de minimis* exemption.

A leniency program for cartel infringements in the misdemeanour procedure is available under the Competition Law. The leniency program rules are further specified in the Decree on the Procedure for Granting Immunity from Fines and Reduction of Fines in Cartel Cases<sup>31</sup>.

### ***Abuse of dominant position***

The Slovenian Competition Act prohibits the abuse of a dominant position on the market by one or more undertakings in the territory of Slovenia, or in a substantial part of it. A dominant position is a position when an undertaking or several undertakings can, to a significant degree, act independently of competitors, clients or consumers. The law also contains legal presumptions on when one has a dominant position:

- An undertaking have a dominant position if its market share in Slovenia exceeds the 40 % percent threshold; and
- Two or more undertakings have a dominant position if their market share on the Slovenian market exceeds 60 %.

Determining a dominant position is not assessed only with regard to the market share, but the CPA takes into consideration also financial options, legal or actual entry barriers, access to suppliers or the market, and existing or potential competition.

Similarly to Article 102 of the Treaty on Functioning of the European Union, the Competition Act also sets out a non-exhaustive list of abusive behaviour, namely:

- Directly or indirectly imposing unfair purchase or selling prices, or other unfair trading conditions;
- Limiting production, markets or technical development to the prejudice of consumers;
- Applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
- Making the conclusion of contracts subject to acceptance of additional obligations which, by their nature or according to commercial usage, have no connection with the subject of such contract.

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<sup>31</sup> Official Gazette of the Republic of Slovenia, no. 112/09, as amended

### **Concentration of undertakings**

The provisions of the Competition Act on concentrations cover mergers, acquisitions as well as joint ventures. A concentration occurs when a lasting change of control results from:

- A merger of two or more previously independent undertakings (or parts of undertakings); or
- An acquisition, by contract or by other means, of direct or indirect control of the whole or parts of one or more other undertakings by one or more persons already controlling at least one undertaking; or
- A creation of a joint venture by two or more independent undertakings, performing on a lasting basis all the functions of an autonomous economic entity.

When a concentration occurs, the obligation to have the transaction approved by the CPA arises if the following conditions are met (provided that the given concentration does not have an EU dimension):

- The combined aggregate annual turnover of the undertakings involved in the concentration, (including undertakings belonging to the same group), on the Slovenian market in the preceding financial year exceeded EUR 35 million;  
and
- The annual turnover of the target company (including undertakings belonging to the same group), on the Slovenian market in the preceding financial year exceeded EUR 1 million;  
or
- If the annual turnover of at least two undertakings creating a joint venture (including, undertakings belonging to the same group) on the Slovenian market in the preceding financial year exceeded EUR 1 million.

If a concentration does not meet the above stated thresholds, but the market share of the undertakings involved in the concentration (including undertakings belonging to the same group) in Slovenia exceeds 60 %, the Competition Act requires that the undertakings concerned inform the CPA of the concentration (no formal notification is required at this stage, but the CPA has to authority to request that the undertakings concerned file a formal notification).

The participants to the notification must notify the concentration to the CPA within 30 days after the first of the following events occurs: (i) the conclusion of the underlying agreement, (ii) the announcement of the public bid or (iii) acquisition of a controlling interest.

There is one exception to the filing obligation that applies to banks, insurance companies, savings institutions or other financial institutions, whose normal business activities include trading securities for their own account or for the account of others. No concentration notification to the CPA is required if such an institution acquires equity interest in an undertaking with the purpose resale, provided that the financial institution does not exercise voting rights arising from such equity interest in order to affect the competitive behaviour of the undertaking in question, or provided that the financial institution exercises such voting rights only to arrange the sale of such equity interest, with a further condition that such sale is made within one year from the acquisition of the equity interest.

The exercise of any rights arising from a concentration that should be notified to the CPA prior to receiving clearance from the CPA may result in:

- An imposition of a monetary fine of up to 10 % of the annual turnover of the undertaking involved in a concentration (including undertakings belonging to the same group) in the preceding business year;
- Nullity of all acts contravening the above prohibition (the Competition Act authorizes the CPA to file a lawsuit to declare such acts (i.e. exercise of rights arising from a concentration before the concentration clearance is issued by the CPA) null and void;

- If the merger resulted in strengthening of the power of one or more undertakings, individually or jointly, as a result of which effective competition on the relevant market is significantly impeded or excluded, certain other measures such as disposal all the shares acquired.

### **Unfair competition**

In 2015, Slovenia amended the unfair competition regulations as unfair competition provisions have been transferred from the repealed Competition Protection Act to the Competition Act. Content-wise, the definition of unfair competition remains unchanged, but regulations regarding remedies available to the injured party have changed.

Unfair competition is any action of an undertaking acting on the market, which is contrary to good business practice and which causes or might cause damage to other market participants. The Competition Act also contains a non-exhaustive list of practices that are regarded as unfair competition and thus prohibited.

As regards remedies, all legal remedies are now limited to claims made in civil court proceedings (no interim administrative injections issued and enforced by the Market Inspectorate are now available).

The following claims can be made in unfair competition litigation proceedings:

- Damages in accordance with the Code of Obligations<sup>32</sup>;
- Prohibition of further unfair competition acts;
- Destruction of objects used in unfair competition; and
- Reinstatement of conditions that existed before unfair competition acts took place, if possible.
- Publication of court decision (only when unfair competition act was concluded through media or if it affected a large number of market participants).

### **C. Environmental Regulations**

Please see Section II G.

### **D. Governmental Approvals, Licenses and Permits**

In Slovenia, performance of certain business activities requires a company to obtain a special authorization of the relevant governmental authorities or ensure that the respective activities are carried out by a qualified person. A list of regulated activities/professions is available in the Records of Regulated Professions or Professional Activities in the Republic of Slovenia.

It is worth noting that for performance of business activities, such as banking and insurance, obtaining an authorization of the competent supervisory authority is a pre-condition for incorporation of the company that will perform such activities. Other business activities where one is obliged to obtain an authorization of the competent authorities, among others, include:

- Currency exchange operations;
- Insurance brokerage and intermediation services;
- Media;
- Investment services;

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<sup>32</sup> Official Gazette of the Republic of Slovenia, no. 83/01, as amended

- Veterinary services;
- Arms trade;
- Production of and trade in tobacco and tobacco products;
- Activities involving radiation;
- Transport of dangerous goods; etc.

Trading companies do generally not need any export license, unless trading with regulated goods such as pharmaceuticals, certain chemical products, weapons etc.

Procedures for obtaining governmental approvals, licenses or permits are described in sector specific acts. As a rule, one is required to file a written application (including supporting documentation evidencing that the company fulfils the conditions for obtaining the given approval or license) with the competent authority. In most cases, an administrative fee for filling such application should also be paid. As a rule, the competent authorities decide on the issuance of the approval, license or permit within 30 days following receipt of complete application; it is worth noting that in certain circumstances the authorities can prolong this deadline.

## **E. Insurance**

Save for mandatory third-party liability vehicle insurance, there is no general requirement to have insurance in Slovenia. However, professional liability insurance is mandatory for certain professions, including among others:

- Attorney at law;
- Notary;
- Doctors;
- Auditors;
- Architects;
- Construction engineer;
- Insurance agents;
- Real estate agents;
- Tourist agents; etc.

Details with respect to the aforementioned professional liability insurances are described in sector-specific laws.

## IX. Operation of the Business

This section briefly outlines various regulatory requirements for operating business in Slovenia.

### A. Advertising

Advertising of products and services in Slovenia is on a general level regulated in the Consumer Protection Act<sup>33</sup> and the Media Act<sup>34</sup>.

Advertising of goods and services should not be:

- In conflict with the law;
- Misleading (rules on misleading advertising mainly follow Directive 2006/114/EC); or
- Indecent (indecent advertising is any advertising that is or could insult consumers, readers, listeners or viewers, or is contrary to morality).

The Consumer Protection Act also regulates comparative advertising; the Slovenian rules on comparative advertising follow the Directive 2006/114/EC.

The Consumer Protection Act also demands that advertisements should be in a language easily understandable by consumers in Slovenia.

The Media Act deals with the basic principles of advertising in the media; it prohibits advertising that does not respect human dignity, which is contrary to racial, sexual and national non-discrimination or religious or political intolerance. It also prohibits advertisements that could cause harm to the health and safety of humans, to the protection of the environment or cultural heritage, which could insult religious or political beliefs, or which could cause harm to consumers. Special rules apply to advertisements for children.

Special rules apply to advertising of alcohol, tobacco products, cosmetic and medicinal products.

### B. Attorneys

As foreign investors are not familiar with Slovenian law, it is highly recommended to engage a Slovenian counsel when doing business in Slovenia. Save for the representation before the Slovenian Constitutional Court and the Supreme Court, engaging an attorney is not mandatory in Slovenia.

All attorneys in Slovenia are registered with the Slovenian Bar Association, which publishes the list of attorneys (including their contact information) on their webpage. Local attorneys can also be found through various catalogues, such as Legal500 and IFLR.

Attorneys' fees are governed by the Attorney Tariff, but different fee arrangement can also be agreed between the parties (in such case, the agreement on attorney's fees should be made in writing).

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<sup>33</sup> Official Gazette of the Republic of Slovenia, no. 20/98, as amended

<sup>34</sup> Official Gazette of the Republic of Slovenia, no. 35/01, as amended

### **C. Bookkeeping Requirements**

As a rule, Slovenian companies and entrepreneurs must keep business books and close those annually in accordance with the rules set forth in the Companies Act, the Slovenian Accounting Standards or International Financial Reporting Standards. On the basis of closed business book all companies and entrepreneurs are obliged to produce balance sheet and income statement for each financial year which may differ from the calendar year. Depending on the size of the company, the company may also be required to produce statement of cash flows and statement of changes in equity.

Business books, balance sheets, income statements and annual reports must be kept permanently, whereas other bookkeeping documents may be stored for a shorter period of time. Bookkeeping documents must be kept in Slovene language and in EUR. They must satisfy requirements prescribed by the Slovenian Accounting Standards.

In Slovenia, companies and entrepreneurs have to present their annual reports to the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES) for the purpose of presenting them publicly and for tax and statistical purposes. Annual reports intended for the public – except those of non-profit organizations – can be viewed without charge. For companies with a mandated statutory audit, AJPES publishes audited annual reports.

### **D. Business Ethics/Codes**

There are different codes of ethics prescribed for different areas of business activities, such as the Code of Good Practice in Real Estate Transactions, the Code of Attorneys Professional Ethics, the Code of the Members of the Chamber of Accounting Services, the Management Code for Publicly Traded Companies, etc.

### **E. Consumer Protection Laws**

In Slovenia, consumer protection is in a vast part governed by the Consumer Protection Act, which determines the rights of consumers in the offering, selling and other forms of marketing of goods and services by companies. Among others, it regulates advertising (see Point A above for details), warranty (including both 2-year warranty and commercial warranty), and special regulations regarding the so called distance contracts, distance marketing of financial services and travel services. The respective rules follow the relevant EU legislation.

The Consumer Protection Act defines consumer as a natural person who is acquiring goods and services outside the scope of his gainful or professional activity.

Business entities should conduct business with Slovenian consumers in Slovenian language. Furthermore, the company must (i) use its full name and business address in any written communication with the consumer and (ii) label all products with the necessary information on the characteristics, sales conditions and the intended use of the product. If the nature of the product requires, instruction for use which contain information how to assemble and use the product must also be attached.



Consumer rights are also regulated in:

- The Consumer Protection against Unfair Commercial Practices Act, which prohibits unfair commercial practices, including misleading and aggressive commercial practices which are further defined in the law; and
- The Consumer Credit Act that regulates credit agreements with consumers. The provisions of this law closely follow the rules of Directive 2008/48/EC.

## **F. Construction**

In Slovenia, a construction of building is primarily regulated by the Construction Act<sup>35</sup>. The construction procedure depends on the type of building the investor wishes to build, i.e. whether one wishes to build a complex, less complex, non-complex or simple building.

Pursuant to the Construction Act, a building permit is required for:

- Construction of a new building (with the exception of simple buildings);
- Reconstruction of existing building; and
- Change in the intended purpose of use of a building (only if such change results in an increase of the impact on the environment).

The conditions for construction of a building on a specific land are determined by the local spatial regulations adopted by the municipalities. Such regulations generally determine whether a particular area is intended for construction (for example whether it is agricultural land, etc). If a construction is allowed in a particular area, the local spatial regulations determine also the purpose(s) for which constructions in a particular area can be used for and the conditions for construction of a building. To obtain a building permit the project documentation is required to be compliant with the relevant spatial planning regulations. Ensuring such compliance is, according to the Construction Act, in the public interest.

Prior to commencement of construction, reconstruction or change of the intended use of a building, the investor shall obtain a building permit, according to the following procedure:

- Before filing an application for a building permit, investor is required to obtain various consents of the competent authorities such as electricity/gas distributors. The respective consents are listed in the location information which is prepared on the basis of the municipal spatial regulations. Depending on the complexity of the building to be constructed, the location information shall be issued within 10, 15 or 30 days. If the location information is not made within the prescribed deadline, it is considered as favourable for the investor;
- Application, together with a project design, certificate of the right to build and copies of all required consents are filed with the administrative unit covering the area where the building will be located. As a rule, the Department for Environment and Spatial Planning of the competent administrative unit shall consider the application and decide on the issuance of a building permit in the first instance;
- Persons who have a legal interest to participate in the procedure for issuing of a building permit such as owners of neighbouring plots can be, at their respective request, granted a status of a secondary participant;

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<sup>35</sup> Official Gazette of the Republic of Slovenia, no. 110/02, as amended

- As a rule, a building permit will – depending on the area of the construction – be issued by the administrative unit within 1 or 2 months. If the decision is not issued within the prescribed deadline, it is presumed to be negative. Also, if an environmental permit is required, a building permit may be issued only after the environmental permit becomes final;
- The decision on the (non) issuance of building permit may be appealed before the Ministry of Infrastructure and Spatial Planning being the second instance authority within 8 days after the decision is served to the investor;
- The building permit is no longer valid if the investor fails to commence construction of the building within 3 years (or, for less complex constructions 2 years) from the date the building permit became final.

As a rule, the procedure for obtaining a building permit takes:

- 1 month if the area where the building will be located is regulated by the state spatial plan or municipal detailed spatial plan (which governs urban and rural areas); and
- 2 months for other areas.

However, in practice the procedure for obtaining a building permit takes significantly longer.

An investor wishing to obtain a building permit must also pay administrative fee as well as fees of external advisors, which both depend on the value of the building.

After the building has been constructed, reconstructed, or the intended purpose of use of an existing building was changed, and such action required a building permit, a use permit also needs to be acquired before the building can be used. The procedure for obtaining a use permit is also set forth by the Construction Act. The use permit is generally issued by the administrative unit covering the territory on which the building shall be located.

## **G. Contracts**

From Slovenian law perspective, a foreign investor can freely enter into contracts governed by Slovenian law, as well as choose foreign law as the governing law of an agreement, unless the Slovenian Private International Law and Procedure Act or an international agreement determine otherwise.

It is worth noting that in relation to contractual obligations with investors from other EU Member States, the rules of Regulation 593/2008/EC on the Law Applicable to Contractual Obligations (Rome I) apply. As a rule, under Rome I, a contract will be governed by the law chosen by the parties. Such a choice must be made expressly or clearly demonstrated by the terms of the contract or the circumstances of the case. Rome I also sets out a series of rules to be applied for the purposes of determining governing law in circumstances where the parties have not made a choice of law (for example, contracts for the sale of goods will be governed by the law of the country of the seller's habitual residence<sup>36</sup>).

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<sup>36</sup> Habitual residence is defined as being, for companies, the place of central administration and for a natural person acting in the course of a business, his or her principal place of business (Article 19 of the Rome I).

## **H. Price Controls**

According to the Price Control Act<sup>37</sup> market participants are free to set the prices based on supply and demand and other competitive factors. When determining price control measures, Slovenian authorities must take this into account. The authorities may apply only the price control measures, provided by the law and only for reasons specified by the law.

The Slovenian Government can determine an appropriate price control measure in a decree if:

- Such price control measure is necessary in order to achieve the objectives and measures of economic policy determined by an act of the National Assembly;
- It concerns activities in which an individual company or certain companies have a monopoly or a dominant position, and the activities are necessary for the fulfilment of the needs of people and organisations;
- Serious disturbances on the market are arising (or can justifiably be expected) in price fluctuation, and this is not a matter of ordinary seasonal fluctuation;
- The market could set the prices that could threaten regular supply of consumers, and such prices would be a result of natural or other large-scale disasters;
- It is a sale of goods from national commodity reserves;
- It is a matter of state purchase based on law;
- It is a matter of harmonisation of prices with obligations adopted by the Republic of Slovenia through international agreements;
- It is a matter of permitted forms of state aid, or if special import levies are prescribed.

Price control measures among others include the following measures determining the maximum / minimum price, fixed price, preliminary registration of prices, etc.

## **I. Product Registration**

In Slovenia, there is no general obligation to register a product with the authorities. However, product registration obligation applies to regulated products such as cosmetic products, plant protection products, medicinal devices, etc. Also, the use of certain dangerous chemicals requires one to obtain an authorization for use of such products from the Slovenian Chemical Office.

## **J. Reduction or Return on Capital**

Reduction of share capital is governed by the Companies Act. While it is possible to decrease the share capital of the company, the share capital of the company may not decrease under the prescribed minimum share capital of the company. Also, in respect of limited liability companies, the Companies Act determines that the assets, which are necessary for maintaining the share capital and tied-up reserves may not be paid out to the shareholders.

## **K. Sale of Goods**

As a rule, a merchant is free to determine the manner, time and place of the sale of goods. However, in commercial trade, a merchant is required to comply with the rules of the Slovenian Trade Act,

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<sup>37</sup> Official Gazette of the Republic of Slovenia, no. 63/99, as amended

which, among others, determine that one is required to fulfil minimum technical requirements relating to space, equipment and devices in the store, exterior of the shops, the method, equipment and facilities for the sale of goods outside a shop and/or in a specially arranged area for a wholesale trade, The respective minimum technical requirements are determined in detail in the Rules on Minimum Conditions for Carrying Out Commercial Activities<sup>38</sup>

Special restrictions apply to the sale of specific goods, such as:

- Alcohol;

The sale and offer of alcohol drinks and drinks with added alcohol, is prohibited to (i) persons under 18 years of age and to persons for whom it can be assumed that will provide alcohol to persons younger than 18 years, (ii) to persons that show obvious signs of alcohol intoxication, (iii) to persons for whom it can be assumed that will provide alcohol to persons who show signs of alcohol intoxication and (iv) from automatic vending machines.

The sale of alcohol drinks is prohibited from 9 pm to 7 am, except in hospitality facilities where the sale of alcohol drinks is allowed until the end of their working hours. However, in hospitality facilities the sale of alcohol drinks is prohibited from the start of the operating hours until 10 am. The prohibition of sale also comprises the addition of alcohol to non-alcohol drinks and other beverages.

- Tobacco products;

The sale and offer of tobacco products is prohibited to (i) persons under 18 years of age and (ii) from automatic vending machines.

## **L. Trade Associations**

Businesses in Slovenia do not have a general obligation to join any chamber of commerce or trade associations. Memberships in chambers of commerce are voluntary and membership fees vary for different members, depending on size of the company, annual turnover, number of employees, etc.

However, for certain professions such as doctors of medicine, attorneys at law, auditors, etc, there is a requirement for mandatory membership in the relevant chamber or association as this is a prerequisite for performing the given profession.

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<sup>38</sup> Official Gazette of the Republic of Slovenia, no. 37/09

## X. Cessation or Termination of Business

### A. Termination

Procedure for termination of a company depends on the type of the company being terminated. However, liquidation procedure prescribed for a joint stock company applies *mutatis mutandis* also to a limited liability company and general partnership. Reasons for the termination are either prescribed by the law or by the articles of association of the company. A liquidation procedure can be done in a regular or a summary procedure as described below.

#### ***Regular liquidation procedure***

Liquidation procedure begins with registration of the shareholders' resolution on initiation of the liquidation procedure with the court register. The company is thereafter represented by one or more liquidation administrators who are members of the management board<sup>39</sup>. Tasks of the liquidation administrators are mainly to repay the claims of all the creditors (foremost of the employees), to collect the debts of the company and to manage and conclude the ongoing operations of the company. If the assets of the company do not suffice for repayment of the creditors, the liquidation procedure must be stopped and bankruptcy procedure must be initiated. The assets of the company that remain after the repayment of the creditors' debts can be distributed among the shareholders only upon 6 months after the publication of the resolution on initiation of the liquidation procedure. After completion of the asset distribution the liquidation administrators file a motion with the court register for deletion of the company from the court register. With such deletion the company ceases to exist.

Costs of liquidation procedure are the expenditures and awards of the liquidation administrators, notary fees, attorney fees (if applicable) and similar. There is no court fee involved in the voluntary liquidation procedure.

The last day before the initiation of a liquidation procedure, a balance sheet and income statements must be issued. Shareholders or another entity, determined by the law, has to store the company's business books, accounting documents and documentation on the liquidation proceedings. Creditors and shareholders have the right to examine the respective documents within three years following the conclusion of the liquidation proceedings (certain documents need to be kept permanently). The information on who is keeping such documents is registered with the court register as well.

After deletion of the company from the court register, activities of the liquidation administrators cannot be contested anymore, however, recovery of damages may be requested.

The liquidation administrators shall be liable for damages, which they caused to a creditor during the liquidation procedure, for up to 5 times the amount of payment they received for the work. If this amount is insufficient to pay for the damage caused, the shareholders shall be liable up to the amount received out of the liquidation estate. If a creditor did not receive payment for its claim because it did not report it in time and the liquidation administrator was not and could not have been aware of it, the creditor shall not be considered damaged. Compensation claim against liquidation administrators

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<sup>39</sup> Unless otherwise stipulated by the articles of association of the company, the shareholders' meeting or the shareholders' resolution on the liquidation.

and/or the shareholders becomes time-barred one year from the day of deletion from the court register. An eventual damages liability shall be joint and several among liquidation administrators.

### **Summary liquidation procedure**

A company may be terminated by way of a summary procedure without liquidation, if all the shareholders propose to the court register deletion of the company without liquidation and attach to the proposal also the decision on the termination in a summary procedure without liquidation along with a notarized statement of all the shareholders that they have settled all the liabilities of the company, resolved all the relations with the employees and that they undertake to settle any remaining liabilities.

The creditors may assert their claims against the shareholders within 2 years following the deletion of the company from the court register. Shareholders are jointly and severally liable for the above obligations with all their assets and their data (i.e. names, surnames, residence addresses or company names and seat of the company in case of legal entities) are included in the registration of the deletion of the company.

### **Deletion from the court register without liquidation**

A legal entity may be deleted from the court register without liquidation, if:

- It has stopped operating, has no assets and has settled all its liabilities. This condition shall be satisfied if the company has not submitted its annual report in two consecutive financial years, unless the company proves otherwise that it is operating;
- It does not operate on the business address, on which it is registered with the court register. This condition shall be satisfied if the registered business address is address, where the company does not receive official postal items or address, where the company is unknown or if there is an object, whose owner did not give consent to the company to conduct business activities at their premises or the address does not exist; or
- Other conditions exist, which are considered a reason for deletion from the court register without liquidation.

## **B. Insolvency/Bankruptcy**

Slovenian law differs between compulsory settlement (*prisilna poravnava*), simplified compulsory settlement (*poenostavljena prisilna poravnava*) and bankruptcy procedure (*stečajni postopek*). All aforementioned procedures are governed by the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act<sup>40</sup> ("Insolvency Act").

Pursuant to the Insolvency Act a debtor is deemed insolvent when it is either:

- Within a longer period of time unable to pay its debts in due time (long-term illiquidity); or
- A presumption of long-term illiquidity exists in the following cases:
- A debtor is more than 2 months late with the fulfilment of one or more due payment obligations amounting, in aggregate, to more than 20 % of its liabilities as set out in the annual statements for the preceding financial year;

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<sup>40</sup> Official Gazette of the Republic of Slovenia, no. 126/07, as amended

- Funds in the debtor's bank account(s) do not suffice for a fulfilment of enforcement orders for at least 60 consecutive days or 60 out of the preceding 90 days (and such status is continuing on the day before the filing of the proposal for initiation of bankruptcy procedure);
- The debtor has no bank account in Slovenia and has not fulfilled its obligations under enforcement order for more than 60 days;
- The debtor is subject to confirmed compulsory settlement or simplified compulsory settlement and is in default with its obligations stemming there from for more than 2 months;
- The debtor is more than 2 months late with the payment of employee wages up to the amount of the minimum wage, or with the payment of employees' income taxes and social contributions (and such status is continuing on the day before the filing of the proposal for initiation of bankruptcy procedure).

Save for the presumption under the last indent, all other presumption can be rebutted by proof to the contrary.

- Is over indebted:

Unless rebutted by proof to the contrary, it is presumed that a debtor is over indebted if:

- A debtor's obligations exceed its assets; or
- A debtor's loss for the current financial year, together with any loss carried forward, exceeds half of its registered capital and this cannot be covered from net profit/reserves.

Upon establishing that the company is insolvent, the management has the following obligations:

- The obligation of equal treatment of creditors (e.g. to hold off all payments save for those necessary for the conduct of the company's daily business); and
- The obligation to prepare a financial restructuring report (*poročilo o ukrepih finančnega prestrukturiranja*) and submit it to the supervisory board within 1 month after the occurrence of insolvency. The said report must outline: (i) the description of the company's financial position; (ii) the analysis of the reasons for insolvency; and (iii) the opinion of the management as to whether or not the chances of successful financial restructuring are at least 50 %. If, in the management's opinion, the respective chances are below 50 %, the management is obliged to file for bankruptcy.

Failure to adhere to the above obligations may result in the liability of the management for damages caused to the creditors<sup>41</sup>.<sup>42</sup> The damages payable by the management is capped at twice the aggregate amount of all payments received on the account of having performed their respective function in the previous financial year<sup>43</sup>, whereby the minimum amounts depend on the size of the company (ranging from EUR 20,000 to EUR 150,000).

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<sup>41</sup> In the absence of proof to the contrary, the damages amount to the difference between (i) the nominal amount of the creditor's claims, and (ii) the amount paid out to the creditors following the sale of bankrupt's assets.

<sup>42</sup> It is worth noting that the liability for damages caused to creditors (reduction of payments in bankruptcy proceedings) is without prejudice to the damages caused to the company due to the failure to adhere to their obligations pursuant to the Companies Act.

<sup>43</sup> In any event, the cap does not apply in the event of intentional misconduct or gross negligence.

In bankruptcy proceedings, the creditors are obliged to report (i.e. apply for the payment of) their claims within 3 months from the commencement of the bankruptcy proceedings. If the creditor fails to report its claim, such claim is in relation to the debtor in bankruptcy terminated (does not exist). In compulsory settlement proceedings, the creditors are obliged to report their claims within one month from the commencement of proceedings. However, a failure to report a claim in due time does not result in the loss of the right to repayment (it does, however, prevent the creditor from being able to participate in the voting on the compulsory settlement proposal).

Small-sized, medium-sized and large-sized companies (as defined in the Companies Act), may also enter into a preventive procedure of financial restructuring, if it is expected that the company shall become insolvent within a year. The procedure is based on an agreement on financial restructuring between the debtor company and its creditors and is aimed at enabling, in accordance with the agreement, that the debtor company executes all the necessary measures of the financial restructuring in order to avoid becoming insolvent. Agreement on financial restructuring must be made in one original copy, signed by the company and the creditors and kept permanently by the notary public.



## XI. Labour Legislation

### A. Employer/Employee Relations

The main act regulating employment relationship is the Employment Relationships Act<sup>44</sup> ("ERA"). The ERA is harmonized with the relevant EU directives and also incorporates the relevant international conventions. Trade union activity, collective agreements and many other aspects of employment law as well as special categories of workers (e.g. disabled persons) are governed by special regulations, namely the Collective Agreements Act, the Labour Market Regulation Act, the Vocational Rehabilitation and Employment of Disabled Persons Act, the Worker Participation in Management Act, the Employment, Self-employment and Work of Aliens Act, etc.

The rights and obligations of the parties to the employment relationship can also be determined in collective agreements and internal regulations of the employer; however, in relation to an employee, the respective acts may only determine the rights more favourably than in the ERA.

### B. Employment Regulations

In Slovenia, employment relationship is generally established on the basis of a written employment contract concluded between the employer and the employee. However, if a relationship has all elements of an employment relationship (i.e. the worker performs work in person, independently and for remuneration), such relationship is deemed an employment relationship. In such case, the worker has, any time during the employment relationship, the right to request written employment contract from its employer and the right to judicial protection.

The following must be determined in the employment contract:

- The contracting parties' name and address;
- Date of commencement of work;
- Details about the type of work and the location where the employee will work;
- Information on the duration of the contract (indefinite or definite period);
- Information on working time and schedule;
- Information about the employee's basic salary and other allowances and remunerations, payment dates and payment method);
- Information about annual leave;
- Information about notice period;
- Information about any collective agreements that apply to the employee.

The ERA determines that, in order to maintain and increase the employee's ability to work, employees have the right and the duty to on-going training and education in accordance with requirements of the work process. The employer must ensure education and training of employees when requirements of the work process require so, or if this is necessary in order to avoid termination of an employment contract. Not only with training of employees, an employer must ensure the safety and health of employees at work by implementing other necessary measures, including the prevention, control and

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<sup>44</sup> Official Gazette of the Republic of Slovenia, no. 21/13

elimination of hazards at work as well as through appropriate organization and necessary material resources. In this respect the employer must devote particular care to ensure the safety and health of pregnant employees, young and older employees and employees with reduced working capacity. If the employer posts an employee to training, the employer must bear the costs of such training. An employee in training also has the right to a paid leave of absence during the preparation and course of exams.

The Minimum Salary Act<sup>45</sup> determined the employee's right to a minimum salary and conditions thereof. As of 1 January 2016, the minimum salary in Slovenia amounts to EUR 790.73 gross.

In Slovenia, a full working time shall not exceed 40 hours per week, whereby a law or a collective agreement can determine a shorter working time. The employer may demand a maximum of 8 hours of overtime per week, but not more than 170 per year. Any additional overtime work requires the approval of the employee. Total overtime work (required by the employer and performed with the employee's consent) may not exceed 230 overtime hours.

As a rule, each employee in Slovenia is entitled to a 4 week **annual leave**, regardless of whether the employee is employed full-time or part-time. Employees with special characteristics (e.g. disabled employees, parents with children up to 15 years, etc.) are entitled to additional days of annual leave. An employment contract or a collective agreement may determine other additional days of annual leave. Additionally, all employees are entitled to an additional day of paid leave due to personal circumstances (e.g. own marriage, death of a parent/child, etc.).

Employees are entitled to a paid **sick leave**. In case of employee's sick leave due to sickness or injury not related to work the employer is obliged to pay the employee salary compensation. The employer's obligation to pay salary compensation from its own funds is limited to 30 days for each sick leave, but maximum 120 working days in one calendar year. No such yearly limitation exists in respect of salary compensation for sick leave due to work related sickness or injury. Salary compensation shall be calculated based on the amount of employee's average monthly salary for full-time work during the past three months or during the period the employee worked in the three months prior to the start of absence.

### **C. Hiring and Firing Requirements**

The Slovenian employment law does not specify the obligation of the employer to employ Slovenian nationals, to employ a minimum number of employees, or the obligation to hold certain positions by nationals. In Slovenia, there is also no specific statutory obligation for investors to employ. The employment legislation treats smaller companies milder, as some rules provided by the ERA shall not apply to companies employing 10 or less employees (i.e. *small employers*), such as obligatory systemization of work posts, limitations regarding number of employees posted or provisions prescribing conditions under which a fixed term contract may be concluded.

As a rule, an employment contract is concluded for an indefinite period of time. The ERA allows one to conclude an employment contract for a definite period of time in a limited number of cases, for example in case of replacing a temporarily absent employee, seasonal work, temporary increase of

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<sup>45</sup> Official Gazette of the Republic of Slovenia, no. 13/10, as amended

workload, etc. If the employment contract does not stipulate its duration or if an employment contract for a definite period of time is concluded in contravention with the law, it is deemed that an employee concluded the employment contract for an indefinite period of time.

An employment contract can in accordance with the ERA be terminated by:

- An agreement of the parties;
- Lapse of time for which the employment contract was concluded;
- Ordinary termination (termination with notice);
- Extraordinary termination (termination without notice);
- Death of the employee or employer (if a natural person);
- Court decision; or
- In other cases provided by the law.

The employer may give an employee termination with notice only for the following reasons:

- Business reason;
- Reason of incompetence;
- Fault reason;
- Incapability to perform work due to disability of the employee;
- Failure to pass probationary work.

The notice period depends on who is terminating the employment contract, the reason for termination and the duration of employee's employment with the employer. In general, notice period in Slovenia lasts from 15 days (applicable to employees with less than a year of employment with the employer) up to maximum 60 days (or 80 days for employees with 25 years of employment with the employer). The ERA also allows the employer and employee to agree on an appropriate financial compensation instead of a part or a full notice period.

It is worth noting that certain categories of employees enjoy special protection against dismissal; among others, members of the works council, employees aged 58 or over, employees lacking at most 5 years of pensionable service to fulfil the conditions for old-age retirement, female employees during pregnancy and breastfeeding mothers up to the child's age of 1 year, disabled employee, employees absent from work due to sickness, etc.

An employer terminating an employment contract for business reason or reason of incompetence is obliged to pay severance payment to the employee. The employee is, depending on the years of employment with the employer, entitled to 1/5 to 1/3 of his/her average monthly salary received in the last 3 months before termination of employment for each full year of employment with the employer.

During the employment relationship the employee may not without the employer's written consent, for his own account or for the account of a third party, carry out work or enter into transactions that fall into the activity actually carried out by the employer and are or which might be competition to the employer. During the employment relationship employees must also refrain from all conduct which, given the nature of the work performed for the employer, materially or morally harms or could harm the employer's business interests. Employees are also obliged to protect the employer's business secrets. If when carrying out work or in association with work the employee gains technical, production or business knowledge and establishes business connections, the employer and the employee may agree on contractual prohibition of competitive activity after termination of employee's employment relationship with the employer, i.e. sign a non-compete clause. The respective clause should be agreed in writing, with a reasonable time limit of prohibition of competitive activity (maximum 2 years) and may not exclude the possibility of suitable employment of the employee. Should respecting the non-compete clause prevent the employee from gaining comparable earnings to his/her previous salary, the employer must pay the employee a monthly compensation during the entire period of

respecting the clause (such monthly compensation cannot be less than 1/3 of the average salary received by the employee in the last three months prior to termination of the employment contract). If the monthly compensation is not agreed in the employment contract, the non-compete clause is invalid.

#### **D. Work Permits**

Citizens of the EU (except Croatia), EEA or Switzerland do not need a work permit for employment in Slovenia as they have a free access to Slovenian employment market.

Foreigners of other (third) countries are required to obtain a permit to reside and work in Slovenia. As of September 2015, a permit is granted as a single permit for residence and work ("Single Permit"), which is delivered in a single procedure led by administrative units ("one-stop shop" concept).

The Single Permit is a working and residence permit enabling a foreigner to reside in Slovenia and to work, be employed or self-employed in Slovenia. The application for the Single Permit is filed with the competent administration unit, or in some cases at a Slovenian embassy abroad, using a prescribed electronic form. The administrative unit checks the application and seeks consent of the Employment Service of Slovenia (ESS). If the ESS grants its consent and other conditions for issuing the permit are fulfilled, the administrative unit issues the Single Permit. The Single Permit is granted for the period of validity of an employment contract, but not longer than 1 year, and may be extended for maximum 2 years.

It is worth noting that a foreigner registered in the Slovenian court register as the legal representative, who performs its managerial duties in Slovenia for less than 90 days in a calendar year, is not required to obtain the Single Permit. Instead, such legal representative should, prior to commencement, state (register) to the ESS when he commences his/her work in Slovenia.

#### **E. Unions**

Slovenia has a two-tier system of employee participation present at the company level: (i) trade unions and (ii) employees' elected representatives.

Trade union activity in Slovenia is governed by the ERA and the Representativeness of Trade Unions Act<sup>46</sup>. The Representativeness of Trade Unions Act specifies the terms and conditions a trade union is required to fulfil to gain the status of a representative trade union. A representative trade union can, among others, (i) conclude collective agreements with general validity (i.e. enter into a collective agreement the validity of which is extended to those not directly involved in the negotiations), (ii) participate in the decision-making bodies dealing with issues of economic and social security, (iii) propose candidates from among employees who will participate in the company's management, (iv) consult the employer in the case of termination of employment of a large number of employees.

Pursuant to the Workers' Participation in Management Act<sup>47</sup> employees in a company with more than 20 employees can set up a works council (employees in companies with 20 or fewer employees have

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<sup>46</sup> Official Gazette of the Republic of Slovenia, no. 13/93

<sup>47</sup> Official Gazette of the Republic of Slovenia, no. 42/93, as amended

the right to appoint a workers' trustee). The size of the works council varies according to the number of employees. The works council has a wide range of specific rights, including:

- To receive information on (i) the company's economic situation and prospects, (ii) changes in company activity, (iii) changes in the organization of technology and production, and (iv) copy of the company's annual report;
- To be consulted on issues with regard to the position of the company (such as the company's legal status, sale or closure of the company or substantial parts of it and significant changes in ownership), and issues with regard to the position of employees (such as the need for new staff, job classification, transfers (more than 10 % moving out of the company or somewhere else within it), new rules on pensions and other benefits, job losses, health and safety and the disciplinary code); and
- To agree with the employer's proposals regarding annual leave arrangements, performance assessment criteria, the innovation rewarding scheme, the use of social facilities (e.g. holiday homes) owned by the company and the criteria for promotion. In all these cases, the works council must agree with the employer's proposals before they can be implemented.

## XII. Taxation

The purpose of this section is to provide a general overview of most important taxes in Slovenia. As such, it deals mainly with the general overview and not with the specifics of taxes described herein.

### A. Corporate Income Tax

In Slovenia, the main tax with respect to corporations is the corporate income tax. The respective tax is governed by the Corporate Income Tax Act<sup>48</sup>.

Pursuant to the Corporate Income Tax Act a taxpayer is:

- A legal entity according to the national law;
- A legal entity according to the foreign law;
- A company or associations of persons (including a civil law society) according to the foreign law, which has no legal capacity and is not a taxpayer under the law governing personal income tax.

As a rule, a taxpayer (as defined above) is deemed to be a Slovenian tax resident if its registered seat or place of effective management in Slovenia. Slovenian tax residents are liable to pay the corporate income tax on all income that has its source in or outside Slovenia (taxation on worldwide income). Slovenian tax non-residents are liable to pay the corporate income tax on all income that has its source in Slovenia.

As regards permanent establishment, the Corporate Income Tax Act defines it as a place of business in Slovenia in or through which the non-resident's activities and/or business are conducted in whole or in part. The following, in particular, are considered to constitute a permanent establishment:

- An office, branch, factory, workshop, mine, quarry or other place where natural resources are obtained or exploited;
- A construction site, a construction, assembly or installation site, or the supervision thereof, if the duration of the activities and/or business concerned exceeds 12 months.

#### **Tax rate**

The general corporate tax rate in 2016 is 17%, and 19% in 2017 and onwards.

#### **Tax base**

The tax base for corporate income tax is profit, i.e. the surplus of revenues over legally approved expenses.

With respect to expenses for tax purposes, the Corporate Income Tax Act differs between:

- (Fully) deductible expenses, i.e. expenses that are required for generating revenues taxable under the Corporate Income Tax Act.
- Partially deductible expenses (up to the amount of 50%) which include entertainment costs (e.g. costs of hospitality, entertainment, or gifts given in connection with business contacts with business partners) and costs of supervisory boards;

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<sup>48</sup> Official Gazette of the Republic of Slovenia, no. 76/08, as amended

- Non-deductible expenses which inter alia include (i) income similar to dividends, including the hidden distribution of profit, (ii) expenses for covering losses from previous years, (iii) costs relating to private life (e.g. entertainment, vacation, sports and recreation), (iv) expenses for covering penalties, bribes and costs of forcible tax collection, (v) input VAT that could have been reclaimed in accordance with the Slovenian Value Added Tax Act, (vi), certain types of interest, etc.

### *Depreciation*

Depreciation of tangible fixed assets, amortisation of intangible assets, and depreciation of investment property are recognised as expenses for tax purposes, up to a maximum of the amount calculated using the straight-line depreciation method and the maximum tax depreciation rates listed below.

<b>Types of assets</b>	<b>Annual depreciation rate (%)</b>
Buildings, including investment property	3
Parts of buildings, including investment property	6
Equipment, vehicles, and machinery	20
Parts of equipment, and equipment for research activities	33.3
Computer equipment, hardware, and software	50
Crops lasting several years	10
Breeding animals	20
Other fixed assets	10

### *Tax loss*

Tax loss is calculated as the surplus of expenses over revenues (as defined in the Corporate Income Tax Act). Tax loss may be carried forward for an unlimited period of time, and cannot be carried back. 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. Losses that are generated in previous tax years are absorbed chronologically.

The right to carry losses forward does not apply if (i) the ownership of the capital or voting power of the taxpayer claiming the loss carryforward changes (directly or indirectly) by more than 50% within the tax period and (ii) the taxpayer either has not performed business activities for two years prior to the change of ownership or substantially changes its business activity two years prior to or after the change in ownership. Such treatment of tax losses applies to losses that are generated in the year of the change of ownership or in previous tax periods.

### *Dividends*

When calculating the tax base, a taxpayer may exempt received dividend and other similar income (excluding hidden reserves as defined in the Corporate Income Tax Act), if the payer is:

- Liable to pay tax under the Corporate Income Tax Act;
- For tax purposes, an EU Member State resident in accordance with the law such EU Member State and is not deemed to be a resident outside the EU in accordance with an international treaty on the avoidance of double taxation concluded with a non-EU country, and is a taxpayer subject to one of the taxes in connection with which the common system of taxation applying to parent companies and subsidiaries from different EU Member States, whereby a company that is exempt from tax or has the possibility of choice of taxation is not deemed to be a taxpayer;



- Liable to pay tax comparable to the tax under the Corporate Income Tax Act and is not resident of a country (or in the case of a business unit, is not situated in a country) in which the general (or average nominal) tax rate is lower than 12.5%, and is included in a list of such countries published by the Ministry of Finance (not applicable if the payer is an EU Member State resident under the preceding indent).

### *Capital gains*

Capital gains made from the disposal of an equity shareholding are 50% exempt from corporate income tax if the taxpayer held at least 8% of an equity shareholding in the disposed company for at least 6 months and if the taxpayer disposing of the holding employed at least one person for a full-time during the six-month holding period.

The above treatment is not available for the disposal of a shareholding of a company that is resident of a non-EU country where the general and/or average nominal tax rate is lower than 12.5%, and is included in a list published by the Ministry of Finance.

Similarly, 50% of a loss arising on the disposal of such a shareholding is not deductible for corporate income tax.

### ***Tax reliefs***

The Corporate Income Tax Act determines the following tax reliefs one can use to reduce its tax base (only up to the amount of the tax base):

- Tax relief for investments in research and development;  
Tax relief for investments in research and development can amount to 100% of the amount invested (but only up to the tax base) in research and development. These investments include (i) internal research and development activities of the taxpayer (including the purchase of research and development equipment which is exclusively and permanently used for R&D activities of the taxpayer) and (ii) the purchase of research and development services performed by other persons.
- Tax relief for investments in equipment and intangible assets;  
Tax relief for investments in equipment and intangible assets can amount to 40%<sup>49</sup> of the amount invested (but only up to the amount of the tax base) in equipment (excluding furniture, office equipment and motor vehicles) and intangible assets.
- Tax relief for employment of certain categories of employees;  
A taxpayer employing a person under the age of 26 or older than 55 years, who had prior to this employment been registered as unemployed with the Employment Service of the Republic of Slovenia for at least 6 months and had not been employed with this taxpayer or his/her associated enterprise in the last 24 months, may reduce its tax base in the amount to 45% of the salary of that person (but only up to the amount of the tax base).

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<sup>49</sup> Taxpayers who generate income from business activities and are established in deprived regions of Pomurje and Pokolpje, the broader Maribor area and the municipalities Hrastnik, Trbovlje and Radeče may claim reduction of the tax base of 70 % of the amount for new initial investment in certain types of equipment and intangible assets.



- Tax relief for employment of disabled persons;  
Tax relief for employment of disabled persons can, depending on the severity of the employee's disability, amount to 50% or 70% of the disabled person's salary (but only up to the amount of the tax base).
- Tax relief for carrying out practical training within professional education;  
Tax relief for carrying out practical training within professional education can amount to the amount of salary of the trainee that the taxpayer took on to perform practical training within professional education; however, only up to 20% of the average monthly salary of employees in Slovenia for each month of the performance of practical work;
- Tax relief for voluntary supplementary pension insurance;  
An employer financing a pension plan of collective insurance that meets the conditions laid down with the pension and invalidity insurance legislation, can reduce its tax base for premiums of voluntary supplementary pension insurance paid for the benefit of employees to an administrator of the pension plan with its registered seat in Slovenia or any other EU Member State. The tax relief can be used for the year in which premiums were paid up to an amount equalling 24% of mandatory contributions for pension and disability insurance for the employee, a maximum of EUR 2,819,09<sup>50</sup> per year and up to the amount of the tax base for the tax period;
- Tax relief for donations;  
A taxpayer can reduce its tax base for donations for humanitarian, disability, social assistance, charitable, scientific, educational, health, sports, cultural, ecological, religious and generally beneficial purposes, provided that such payments were paid to Slovenian or EU/EEA residents (however, excluding their business units outside the EU).

Tax relief for donations can amount to 0.3% of the taxable income for the tax period of the taxpayer; however, only up to the amount of the tax base assessment for the tax period.

A taxpayer can exercise the right to additional tax relief in the amount of 0.2% of the taxable income for the tax period for donations made for cultural purposes or donations to voluntary societies established for natural or other disaster protection.

The aggregate tax relief for donations may not exceed 0.5% of the taxable income.

### ***Tax compliance***

Corporate income tax is payable for the tax period corresponding to the calendar year. However, taxpayers may choose their tax period to be the same as their financial year which does not necessarily correspond to the calendar year. It is worth noting that the tax period chosen may not exceed a period of 12 months. If such case, a taxpayer is required to notify the Slovenian Financial Administration of its choice and may not change its tax period for 3 years.

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<sup>50</sup> The maximum amount of the respective tax relief for a particular year depends on revaluation, as set forth in the Slovenian Personal Income Tax.

Corporate income tax payments must be made in advance on a monthly or quarterly basis. If the amount of advance payments exceeds EUR 400.00, the instalments are paid on a monthly basis; if the limit of EUR 400 is not exceeded, the instalments are paid on a quarterly basis.

Tax calculation must be submitted to the tax authorities by 31 March of the current year for the preceding year, or, if the taxpayer's financial year does not correspond to the calendar year, within 3 months of the current financial year for the preceding financial year. The difference between the aggregate amount of all advance payments and calculated tax must be paid within 30 days of the submission of tax calculation.

### ***Transfer pricing***

The Corporate Income Tax Act also regulates transfer pricing. Generally, Slovenian transfer pricing legislation follows the transfer pricing rules accepted by the OECD Transfer Pricing Guidelines. The Slovenian Ministry of Finance also issued the Rules on Transfer Prices.

In brief, contracted prices (terms) agreed between related parties must comply with the "arm's length" principles for corporate tax purposes. A taxpayer – resident or non-resident – and a foreign legal entity or a foreign person without legal personality who is not a taxpayer are considered related parties when:

- The taxpayer directly or indirectly holds 25% or more of the value or number of shares of a foreign entity through holdings, control over management, supervision or voting rights, or controls the foreign person on the basis of a contract, or terms of transaction differ from those that have been or would have been achieved in the same or comparable circumstances between unrelated parties;
- The foreign person directly or indirectly holds 25% or more of the value or number of shares of the taxpayer through holdings, control over management, supervision or voting rights, or controls the taxpayer on the basis of a contract, or terms of transaction differ from those that have been or would have been achieved in the same or comparable circumstances between unrelated parties; or
- The same person at the same time directly or indirectly holds 25% or more of the value or number of shares through holdings, control over management or supervision of the taxpayer and the foreign person, or of 2 Slovenian taxpayers, or they are under the same control on the basis of a contract, or terms of transaction differ from those that are or would be achieved in the same or comparable circumstances between unrelated parties;
- The same individuals or their family members directly or indirectly hold 25% or more of the value or number of shares, equity holdings voting rights or control over the management or supervision of the taxpayer and the foreign person or of 2 Slovenian tax residents, or controls them on the basis of a contract, or terms of transaction differ from those that are or would be achieved in the same or comparable circumstances between unrelated parties.

An entity engaged in related-parties transactions must be able to support the prices agreed between related parties to meet the arm's length principles. If the prices agreed between related parties differ from the prices that would be agreed between independent (unrelated) parties in ordinary commercial transactions under the same or comparable circumstances, and such difference in prices is not properly documented, this may result in significant tax exposure due to adjustment of the tax base as well as imposition of monetary fines.

## **Withholding taxes**

In Slovenia, tax must be calculated and withheld on payments made by tax residents and tax non-residents on Slovenian sourced income to recipients outside Slovenia. Payments to which the Slovenian withholding tax rules apply include:

- Dividends and income similar to dividends as defined in the Corporate Income Tax Act;
- Interest (with some exceptions, for example: interest paid by banks, interest on loans raised by and securities issued by the Republic of Slovenia);
- Payments for using or for the right to use copyrights, patents, trademarks and other property rights and other similar income (as defined in the Corporate Income Tax Act);
- Payments for real-estate leases located in Slovenia;  
Payments for services provided by performing artists and sportsmen if these payments belong to another person;
- Payments for consultancy services, marketing, market research, human resources, administration, information services and legal services, where payments are made to entities with a registered seat or place of effective management in a non-EU country where the general (or average nominal) tax rate on profit is lower than 12.5% and the country is included on a list of such countries, published by the Ministry of finance.

There is no withholding tax on dividends paid to a non-resident who is a resident of the EU or EEA (excluding Lichtenstein), if the recipient of the dividend is not able to set off the applicable Slovenian withholding tax in his/her country of residence. Similar legal regime applies also to payments of dividends and interest paid from Slovenia to the EU or EEA (excluding Lichtenstein) investment and pension funds.

The tax rate is 15% of the tax base that represents an individual income.

## **B. Value Added Tax**

The area is regulated in Slovenia by the Value Added Tax Act<sup>51</sup> which follows the principles of the EU VAT Directive.

A taxpayer is any person who independently carries out in any location any economic activity, whatever the purpose or the result of that activity.

In general, value added tax (VAT) is payable on:

- All supply of goods and services effected by a taxpayer in the course of its economic activities for monetary consideration within the territory of Slovenia;
- Acquisition of intra-Community goods (including intra-Community acquisition of new means of transport);
- Importation of goods;
- Transfer of ownership of real estate or parts thereof if the transfer is made before first occupancy or within a period of 2 years after first occupancy.

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<sup>51</sup> Official Gazette of the Republic of Slovenia, no. 18/11, as amended

## ***VAT exemptions***

The Value Added Tax Act provides for many exceptions when business activities are exempted from VAT. In general, the Value Added Tax Act differs between the following types of exemptions from VAT:

- Exemption without credit for previously paid VAT (VAT exempt supplies without VAT deduction) which among others include financial and insurance/reinsurance services, rent and lease of immovable goods (with exceptions), lottery services, trade of land, health and social services, etc.; and

Exemption with credit for previously paid VAT (VAT exempt supplies with the right to deduction).

A taxpayer must apply for registration as a taxpayer if the value of its supplies within the period of the last 12 months exceeds EUR 50,000. A company carrying out taxable activities and not reaching the aforementioned threshold for obligatory VAT registration are allowed to register for VAT voluntarily. A foreign taxpayer who makes supplies where the place of supply is Slovenia is liable to be registered irrespective of the fact that its turnover does not meet the EUR 50,000 threshold.

## ***VAT rates***

There are two VAT rates applicable in Slovenia:

- The standard rate of 22% that applies to all goods and services not specified as being subject to a reduced VAT rate; and
- The reduced rate of 9.5% that applies to specified goods and services defined in the Value Added Tax Act, such as foodstuffs, supply of medicinal products, transport of passengers, admission to cultural and sporting events, royalties due to writers, composers, hotel accommodation, use of sporting facilities, etc.;

## ***Deduction of VAT / VAT refund***

A taxpayer identified for VAT purposes is entitled to deduct VAT as far as the goods and services are used (i) for the purposes of taxed transactions or (ii) for certain exempt transactions for which a taxpayer has a right to deduct VAT.

A taxpayer established in another EU Member State or in a non.-EU Member State is entitled to a refund of VAT paid in Slovenia on supplies of goods and services and upon importation of goods if the following conditions are fulfilled:

- The taxpayer is not registered for VAT in Slovenia;
- The taxable person does not provide supplies in Slovenia (certain exemptions apply).

A taxpayer established in another EU Member State is entitled to a refund of those amounts of VAT for which the taxpayer established in Slovenia may exercise the right of deduction. Also, the taxpayer established in another EU Member State has to carry out transactions for which it has the right to deduct VAT in the EU Member State where he /she is established.

VAT refunds to taxpayers established outside the EU are only available on the basis of reciprocity.

## ***VAT compliance***

A taxpayer shall calculate its VAT liability and submit a VAT return for the tax period (calendar month or calendar year) no later than on the last working day of the month following the expiration of the tax period (certain exemptions apply, for example, taxpayer that is obliged to submit a recapitulative

statement shall submit its VAT return on the 20<sup>th</sup> day of the month following the expiration of the tax period).

VAT shall be paid no later than the last working day of the month following the expiration of the tax period.

With regard to calculation of one's VAT liability, it is also worth noting that as of 2016, Slovenia has implemented an obligation for taxpayers to report cash turnover only through specific electronic cash registers ('tax cash registers'), providing for traceability of any modifications made and thus enabling a proper audit trail.

### **C. Social Security Contributions**

In Slovenia, there are 5 social security insurance schemes, namely:

- Pension and pension and disability insurance;
- Health insurance;
- Unemployment insurance;
- Insurance for work accidents and occupational diseases;
- Insurance for parental protection.

Both employers and employees are required to pay compulsory social security contributions. The respective contributions are paid by an employer who withholds employee's contributions from the employee's salary and pay them together with the employer's contribution every month as part of the payroll accounting.

The base for calculating (the employer's and the employee's) social security contributions is the amount of the employee's gross salary (the minimum base is 52% of last known average annual salary of employees in Slovenia). The rates of social security contributions payable by the employer and the employee are as follows:

<b>Type of contribution</b>	<b>Employee (in %)</b>	<b>Employer (in %)</b>
Pension and disability insurance	15.50 %	8.85 %
Health insurance	6.36 %	6.56 %
Unemployment insurance	0.14 %	0.06 %
Work accidents and occupational diseases insurance	0	0.53 %
Parental protection insurance	0,10 %	0,10 %
<b>Total</b>	<b>22,10 %</b>	<b>16,10 %</b>

### **D. Personal Income Tax**

In Slovenia, personal income tax is generally regulated in the Personal Income Tax Act<sup>52</sup>. Taxation of an individual's income under the respective act depends on his/her tax residency status.

An individual, regardless of nationality, is a resident in Slovenia for personal income tax purposes if he/she has:

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<sup>52</sup> Official Gazette of the Republic of Slovenia, no. 13/11, as amended

- A formal residential tie with Slovenia (i.e. has permanent residence in Slovenia, is a Slovenian public employee employed abroad, or was a Slovenian resident but is currently employed in an EU institution); or
- An actual residential tie with Slovenia (i.e. has a habitual abode or centre of personal and economic interests or is present more than 183 days in a taxable year in Slovenia).

Residents are liable to income tax on all income having its source in Slovenia and abroad (taxation of worldwide income). Non-residents are liable to income tax only on income having its source in Slovenia.

### **Tax base**

The Personal Income Tax Act defines 6 categories of income to which personal income tax is levied on:

- Income from employment (i.e. salary, salary compensation, incentives, benefits and other income derived from employment, pension, income earned under a temporary service contract, etc);
- Income from business activities (i.e. income earned by an individual performing entrepreneurship, professional or other independent activities);
- Income from basic agricultural and forestry activities;
- Income from property renting and from transfer of property rights (i.e. renting income and royalties);
- Income from capital (i.e. interest, dividends and capital gains);
- Other income (i.e. rewards, etc).

### **Tax exemptions**

There are a number of exemptions within each category of income defined in the Personal Income Tax Act.

### **Tax rates**

Save for income from capital and renting income, all other categories of income are annually aggregated and taxed at the following progressive tax rates (in 2016):

Tax base		Tax rates	
Over (column 1)	To	Tax on column 1	Tax on excess (%)
EUR 0.00	EUR 8,021.34	EUR 0.00	16%
EUR 8,021.34	EUR 20,400.00	EUR 1,283.41 +	27 % above EUR 8,021.34
EUR 20,400.00	EUR 70,907.20	EUR 4,625.65 +	41 % above EUR 20,400.00
EUR 70,907.20	and above	EUR 25,333.60 +	50 % above EUR 70,907.20

It is worth noting that in 2017 personal income tax rates shall be amended as follows:

- The introduction of a new individual income tax bracket for annual income between EUR 20,400 and EUR 48,000, to be subject to a rate of 34%;
- Decrease of tax rate for income tax bracket for annual income between EUR 48,000 and EUR 70,907.20 from 41% to 39%.

Income from capital and renting income gains are taxed at a flat income tax rate, as follows:

- Interest: 25%;

- Dividends: 25%;
- Capital gains: 25% for a holding period of up to 5 years, 15% for a holding period from 5 to 10 years, 10% for a holding period from 10 to 15 years, 5% for a holding period from 15 to 20 years and tax exemption for a holding period greater than 20 years;
- Rental income: 25%.

Tax paid on income from capital and renting income is final tax that is alike for residents and non-residents.

### ***Tax allowances***

The Personal Income Tax Act determines the following annual-level allowances that reduce the (aggregated) tax base for a resident (for the year 2016):

- General allowance in the range from EUR 3,302.70 to EUR 6,519.82 (depending on the resident's aggregate income (excluding income from capital and renting income) This tax allowance is available only to individuals for whom another resident does not claim family allowance for supporting dependent family member;
- Personal allowances:
  - Disabled person's allowance: EUR 17,658.84 EUR for residents who is 100% disabled;
  - Student allowance for pupils and students with a recognised status of a pupil/student: EUR 2,477.03;
  - Independent artists, journalists and sportsmen's allowance: 15% of their revenues (up to EUR 25,000 of revenues);
- Family allowance for supporting dependent family members:
  - EUR 2,436.92 for the first dependent child or any other dependent family member (for each subsequent child the amount of this allowance increases);
  - EUR 8,830.00 EUR for dependent child who requires special care;
- Allowance for additional voluntary pension insurance: up to an amount equalling 24% of mandatory contributions for pension and disability insurance for the employee, a maximum of EUR 2,819.09 per year.

A non-resident who is a resident of EU/EEA Member State and earns income from employment, income from business activities, income from basic agricultural and forestry activities, rental income and royalties or other income in Slovenia can claim tax allowances mentioned above, if he/she can demonstrate that the aforementioned income derived in Slovenia:

- Amounts to at least 90% of his/her total taxable income for the tax year; and
- Is exempt from taxation in his/her country of residence.

An individual who earns income from business activities may claim additional allowance for investments in research and development, allowance for employments, allowance for employing disabled persons, allowance for carrying out practical work within professional training and allowance for donations.



### **Flat-rate taxation**

The Personal Income Tax Act also envisages simplified tax regime for entrepreneurs with an annual turnover of up to EUR 50,000 (EUR 100,000 if they employ at least 1 person for full time for at least 5 months). In accordance with this regime, the tax base for income from business activities is determined on the basis of an 80% lump-sum deduction of taxable income (no tax allowances can be claimed). The income tax rate is 20% and the tax paid is final.

### **Tax compliance**

Save for tax on income from capital and rental income, income tax on all other categories of income is paid during the year in the form of advance payments. Such advance payments are in case of a resident treated as a prepayment of tax; any such advance payment of a non-resident is treated as a final tax.

All income received from employment, royalties and other income is included in the annual tax return. The Slovenian Financial Administration issues a preliminary tax calculation by 31 May of the current year for the previous tax year<sup>53</sup>. If the taxpayer does not object to the preliminary tax calculation within the prescribed 15 days deadline, the preliminary tax calculation is considered as annual personal income tax assessment. The difference between the total tax payable and the total amount of advance tax payments (prepayments) made during the year must be paid or refunded within 30 days after receipt of the tax assessment.

Income from capital and rental income are taxed separately and are not included in one's annual tax return. A taxpayer is required to (separately) declare the respective incomes to the Slovenian Financial Administration by 28 February of the current year for the previous calendar year.

## **E. Inheritance and Gift Tax**

The inheritance and gift tax applies to transfer of property that an individual or a legal entity receives as an inheritance or a gift, provided that such transfer of property is not considered an income under the Personal Income Tax Act or the Corporate Income Tax Act.<sup>54</sup>

For the purpose of this tax, property shall include real estate, movable property with the value of over EUR 5,000 (including securities and money) as well as property and other rights in rem.

The tax base is the value of the inherited or given property (after deduction of debts and other liabilities). The tax rates amount between 5% and 39% depending on the value of inherited/given property and the relation between the deceased /donor and the recipient.

<b>Relation with the deceased /donor</b>	<b>Tax rate</b>
<b>Class I: all direct descendants and spouse</b>	Tax exemption

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<sup>53</sup> If a taxpayer does not receive a preliminary tax calculation by 15 June for the previous tax year, the taxpayer has to submit an annual tax return by 31 July for the previous tax year.

<sup>54</sup> Inheritance and Gift Taxation Act, Official Gazette of the Republic of Slovenia, no. 117/06, as amended



<b>Class II: parents, siblings and their descendants</b>	5% to 14%
<b>Class III: grandparents</b>	8% to 17%
<b>Class IV: others</b>	12% to 39%

The inheritance and gift tax is paid by the recipient of the inheritance/gift. The recipient should declare his/her liability to the tax authority within 15 days of receiving a gift. The tax is payable within 30 days of the assessment being issued/ finality of the inheritance resolution.

#### **F. Contract for Work Tax**

The contractual work tax is levied on income paid by a legal person or an individual who performs business activity to an individual who is working for the aforementioned payer on the basis contract for work. The payer of the income is obliged to pay this special tax at a rate of 25% of each gross amount payable to such individual (including all refunds of expenses in connection with the services provided).

There numerous tax exemptions from the contractual work tax; including, payments for temporary work performed by students and pupils, payments for services of helping and caring for disabled people, payments for the use of copyright made under the copyright contract and payment for certain services in the area of agriculture.

#### **G. Derivative Instruments Gains tax**

The derivative instruments tax is regulated by the Derivative Instruments Gains Tax Act<sup>55</sup>. Derivative instruments are defined in the Financial Instruments Market Act<sup>56</sup>, but include also certain debt securities.

This tax is payable by resident individuals (not independently performing a business activity) and is levied on the difference between the value of a derivative instrument upon disposal and its acquisition value. It is levied at rates depending on the holding period, as follows:

- 25% for a holding period of up to 5 years;
- 15% for a holding period from 5 to 10 years;
- 10% for a holding period from 10 to 15 years;
- 5% for a holding period from 15 to 20 years; and
- Tax exemption for a holding period greater than 20 years.

#### **H. Excise Duties**

Products subject to excise duties are tobacco products, alcohol and alcoholic beverages, energy products (mineral oils, natural gas, etc) and electricity. Excise duties are payable on excise products produced in Slovenia or introduced from other EU Member States, or on excise products imported from non-EU countries, if they are intended for consumption in Slovenia. The person liable to pay excise duty is the producer or importer of the excise product, or a person that supplies excise products from another EU Member State.

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<sup>55</sup> Official Gazette of the Republic of Slovenia, no. 65/08, as amended

<sup>56</sup> Official Gazette of the Republic of Slovenia, no. 67/07, as amended

Excise duty is calculated differently, depending on the group of excise products:

- For tobacco products: as a percentage of the market price value of the excise product (tobacco products) and a fixed amount for certain amount of product;
- For alcohol and alcohol products: in a fixed amount for 1,000 hectolitres or fixed amount on the percentage volume of alcohol per hectolitre; and
- For energy products and electricity: in a fixed amount for a certain amount of product.

The competent authority for the control and implementation of the Slovenian excise duty rules is the Financial Administration of the Republic of Slovenia.

## **I. Real Estate/Habitation Tax**

In Slovenia, there are 2 types of duties on possession of real property. One is a duty called charge for the use of building land and the other is property tax.

### ***Charge for the use of building land (“Charge”)***

Charge is levied on vacant and constructed building land in possession of legal persons and individuals. Charge is set by the local municipalities:

- For vacant building land: based on the area of the building planned for building; and
- For constructed building land based on the useful area of the residential house or business premises.

Exemptions to payment of charge for the use of building land are set for the land and buildings used by army, churches, embassies and international organizations and for temporary or new buildings or apartments for 5 years. There is also a partial or full exemption for people with low incomes and building land for public infrastructure.

The tax authority assesses the Charge by 31 March for the present year. The Charge is paid in instalments for the year in advance.

### ***Property tax***

Property tax is currently paid by small number of individuals due to extensive exemptions from tax provided in legislation.

Property tax<sup>57</sup> is levied on premises such as buildings and parts of buildings, including apartments, garages and secondary homes.

The taxpayer is the individual who is the actual or beneficial owner of the premises. The taxable base for premises is the value ascertained according to special criteria issued by the government and local municipalities.

The tax rate for premises depends of the type of property and its value:

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<sup>57</sup> Civil Tax Act, Official Gazette of the Socialistic Republic of Slovenia, no. 36/1988, as amended.

- For dwellings: in the range from 0.10% to 1% of the value;
- For premises used for rest and recreation: in the range from 0.20% to 1.50%;
- For business premises: in the range from 0.15% to 1.25%.

Exemptions to the real property tax include:

- Buildings of less than 160 square meters;
- Buildings used for agricultural purposes;
- Business premises used by the owner or user for business activity; and
- Cultural or historical monuments.

In addition, there is a temporary 10 year exemption for taxpayers who own a newly constructed building or repaired or renovated buildings, if the value of these buildings has increased as a result of renovation by more than 50%. For a taxpayer with more than three family members who live in the owner's house, the tax decreases by 10% for the fourth and every additional family member. The tax is assessed by the tax authorities by 31 March for the present year. Tax is paid in instalments for the year in advance. Tax is payable within 45 days of the assessment being issued.

## **J. Tax on the Transfer of Real Estate**

The tax is paid on real estate transaction<sup>58</sup> and the establishment and transfer or letting out the right to superficies for consideration according to the acts governing real property relations.<sup>59</sup>

A taxpayer is the seller of the real estate; however, the parties can agree that the buyer pays the respective tax.

The tax base is the selling price of the real estate and the tax is payable at the rate of 2% of the transaction value.

The transfer of title to real estate for which VAT has been charged is not considered a real estate transaction under the Real Estate Transaction Tax Act and consequently such transaction is not subject to tax on the transfer of real estate. Also, the establishment or transfer of the right to superficies for which VAT has already been paid is not subject to this tax.

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<sup>58</sup> Any transfer of title to real property for consideration.

<sup>59</sup> Real Estate Transaction Tax Act, Official Gazette of the Republic of Slovenia, no. 117/06, as amended

## **K. Double Tax Treaties**

With the aim of reducing double taxation and encouraging cross-border economic activities, Slovenia set up a broad double tax treaty network. Currently, Slovenia has 57 double tax treaties in force and more are in the process of being negotiated.

A list of double tax treaties in force is available at:

[www.mf.gov.si/si/delovna\\_podrocja/davki\\_in\\_carine/dokumenti/seznam\\_veljavnih\\_konvencij\\_o\\_izogibanju\\_dvojnega\\_obdavcevanja\\_dohodka\\_in\\_premozenja/](http://www.mf.gov.si/si/delovna_podrocja/davki_in_carine/dokumenti/seznam_veljavnih_konvencij_o_izogibanju_dvojnega_obdavcevanja_dohodka_in_premozenja/).

## **L. Anticipated Amendments to the Slovenian Tax Laws**

Currently, there are no major changes to the Slovenian tax regulations foreseen for the next year.

For several years now, Slovenia has been striving to introduce a uniform property tax which is to replace the current charge for the use of building land and property tax. The introduction of such tax depends on prior regulation of large-scale real estate evaluation. It is very likely that real estate tax shall not be introduced before 2018.

It is also worth noting that with effect from 1 January 2017 taxpayers may request the Slovenian tax authorities to issue a unilateral, bilateral or multilateral advance pricing agreement (APA, i.e. agreement between the taxpayer and the tax authority in relation to the criteria for determining the transfer pricing methods for future transactions.

## XIII. Immigration Requirements

### A. Entry and Visas

Slovenia is a member of the EU as well as the contracting party to the Schengen Agreement. A citizen of another EU/EEA Member State (i.e. EU Member States, Norway, Iceland and Liechtenstein) or Switzerland may enter Slovenia with a valid personal identity card or passport, and does not require an entry permit (visa) or residence permit, regardless of the purpose of entering and residing in the Slovenia (including entry for employment, study, self-employment or residence purposes).

A citizen of a third country (all countries except Switzerland and EU/EEA Member States,) who wishes to enter and reside in Slovenia for the purposes of a tourist, business, personal or other type of visit should obtain a visa at a Slovenian diplomatic mission or consular post prior to his/her entering in Slovenia. A third-country citizen who is a national of a country which does not require a visa to enter Slovenia may enter Slovenia and stay in it up to 90 days in any 180-day period for one of the above-listed purposes with a valid passport.

A list of third countries whose nationals must hold a visa is available [here](#).

The Slovenian authorities may issue 3 types of visa, namely:

- An airport transit visa (type A) that is valid for transiting through the international transit areas of airports situated on the territory of EU Member States, but not for entering their territory;
- A short-stay visa (type C) that entitles its holder to free movement throughout the entire territory of EU Member States;
- A long-stay visa (type D) that is issued to a third-country national who intends to obtain a residence permit in the Republic of Slovenia to reunite his/her family.

As a rule, applicants should submit the application personally at the authorized diplomatic mission or consular post of Slovenia (or, for countries where Slovenia has concluded a representation agreement with another Schengen State, at the representations of other Schengen State). A visa application should be filed on a prescribed form together with the required supporting documentation at least 15 calendar days before the intended visit (but not earlier than 3 months before the start of the intended visit). It is worth mentioning that the travel document presented in the visa application procedure must be valid at least 3 months after the intended date of departure from the EU Member States.

After arriving in Slovenia, a short-stay visa holder (type C) must register their residence with the competent police station within 3 days. However, holders residing in a hotel or any other similar facility are exempt from doing so, as the registration office is obliged to do it on their behalf.

A visa holder may reside in Slovenia in accordance with the purpose for which the visa was issued. The holder must leave the territory of Slovenia before the expiry date of the visa; during the stay, he/she must abide by Slovenia's laws.

### B. Residence Permits

A citizen of another EU and EEA Member State may stay in Slovenia without any residence registration or permit for the first 3 months after his/her entry into Slovenia. However, for a longer stay EU and EEA Member State citizens are required to register their residence in Slovenia, i.e. submit an application for the issue of a residence registration certificate at the administrative unit in the area of one's residence before the expiry of the permitted 3-month stay.

If a third-country citizen wishes to stay in Slovenia for a longer period of time as allowed on the basis of visa or wishes to stay for other reasons as those granting a visa, he/she must obtain a residence permit before entry into Slovenia.

A temporary residence permit is issued for the period necessary to fulfil the purpose of the stay, (but no longer than one year) and for a specific purpose, namely: employment or work; family reunion; study, education, specialization or professional and practical training, cooperation or participation in international volunteer exchange programs and other programs that do not fall within the scope of the formal education system. The first residence permit in Slovenia may only be issued as a temporary residence permit. A temporary residence permit may be extended under the same conditions that apply for its issue. An application for an extension must be filed with the competent authority in Slovenia before the expiry of previous permit.

A permanent residence permit is issued without time or purpose restrictions, and can be issued to a foreigner who has resided continuously and lawfully for five years in Slovenia on a basis of (extended) temporary residence permit or other legal grounds.

A more convenient regime for residing in Slovenia applies to family members of a third country citizen. A third country citizen may obtain a temporary residence permit for the purpose of family reunion for his/her family members if he/she hold a permanent residence permit in Slovenia or has lived in Slovenia for at least last year on the basis of a temporary residence permit which is valid for at least another year,

For single work and residence permit, please see section Work Permits (XI.D.) above

## XIV. Expatriate Employees

### A. Costs of Living and Immigration

The costs of living and housing for expatriate employees in Slovenia are comparable to costs in the Central European countries. The average inflation rate (based upon the consumer price index (CPI)) in 2015 was negative and amounted to -0.52 %.

### B. Drivers' Licenses

A foreigner may under condition of reciprocity drive with its domestic driver's license in Slovenia for up to 1 year. The respective time limit does not apply to citizens of the EU and the EEA. If one's driver's license is not issued in compliance with the United Nations' Convention on Road Traffic, such foreigner shall also need an international drivers' license to drive in Slovenia.

A foreigner residing in Slovenia may exchange his/her domestic license for a Slovenian driver's license after being in Slovenia for 6 months. Among other requirements, such foreigner will need to pass a practical driving exam, a medical exam, and surrender its domestic driver's license at the local administrative unit.

### C. Education

The education system in Slovenia works in a similar way to that of many other Central European countries, where free compulsory schooling is provided up until the age of 15. Between the ages of 6 and 15, this education takes place at a primary school, and upon graduation students enter secondary school. There are a number of English speaking international schools in Slovenia, including the British International School of Ljubljana. If students wish to continue their studies after the age of 16, they can enrol in one of the three Slovenian public universities, of which the University of Ljubljana is most prestigious. Alternatively, one could enrol at the international university Euro-Mediterranean University of Slovenia (EMUNI), which offers many courses in English and other European languages.

### D. Housing

Citizens of the EU, EEA and OECD member states may own real estate in Slovenia without restrictions and under the same conditions as Slovenian citizens. Generally, citizens and legal entities from all other countries (third countries) may only own real estate if they have both inherited it and if the principle of reciprocity is observed. However, if a foreign citizen or legal person from a third country decides to establish (or purchase) a company in Slovenia, this company is considered a Slovenian legal person and as such can buy, own and sell real estate.

Current prices of property in Slovenia range from EUR 2,000 to EUR 3,000 per square meter for an apartment in Ljubljana and at the coast, while an apartment elsewhere costs about EUR 1,500 to EUR 2,000 per square meter. Prices for rental accommodation in Slovenia range from EUR 380 to EUR 500 a month for a one-bedroom apartment in Ljubljana, while a three-bedroom apartment can cost from EUR 600 to EUR 1,000 a month. On the other hand, a one-bedroom apartment outside Ljubljana costs about EUR 250 to EUR 350 a month, and a three-bedroom apartment cost about EUR 500 to EUR 750 per month.

## **E. Importing Personal Possessions**

Slovenia, as an EU Member State, is part of the EU internal market and consequently, there is no importing of goods, customs control or payment of customs duties among EU Member States. When importing goods from non-EU Member States the EU's foreign trade regime and customs regulations are applied.

For more information on customs please see section VI. Import/Export Regulations.

## **F. Medical Care**

The healthcare system in Slovenia is similar to that of many other countries across Europe. The country has state healthcare funded through state collected health insurance. The state healthcare is for free – to some extent – available also to citizens of the EU and EEA provided that they present their European Health Card when requesting treatment.

Employers must register their employees with the Health Insurance Institute when a new employee starts work. Employees and employers pay contributions into the healthcare fund. The combined contribution is 13.45 % of which, 6.56 % is paid by the employer and 6.36 % is paid by the employee. Dependant family members are covered by the contributions paid by employed family members. Foreigners immigrating to Slovenia without jobs must produce proof of private health insurance in order to obtain their residence permit.

The state fund covers most medical services including treatment by specialists, hospitalization, prescriptions, pregnancy and childbirth and rehabilitation.