

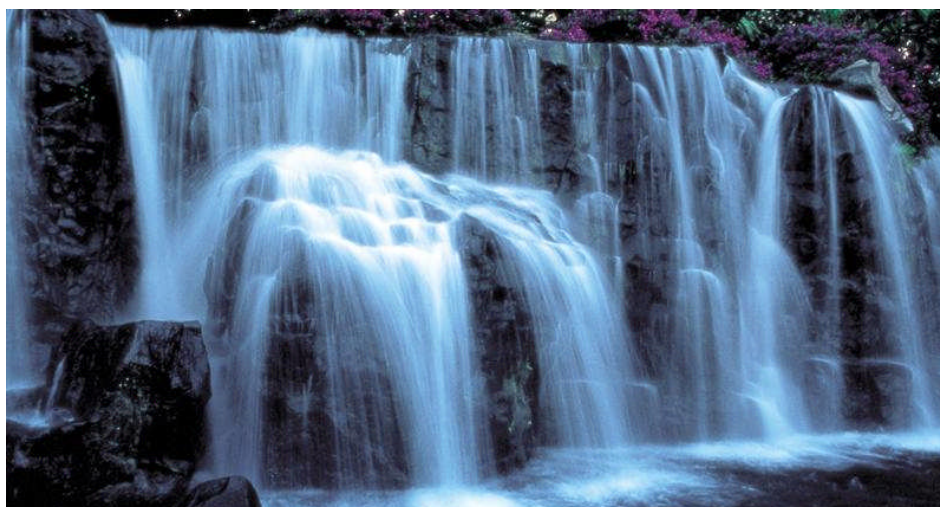
# Tax & Legal Alert

Slovenia • Issue 1/08, January 2008

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## Personal income tax rates and allowances for year 2008

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if the net annual tax base in EUR is		The PIT in EUR amounts to	
ABOVE	BELOW		
	7.187,60		16%
7.187,60	14.375,20	1.150,02	+ 27% above 7.187,60
14.375,20		3.090,67	+ 41% above 14.375,20

#### The amount of general allowance for the year 2008:

2.959,60 EUR per year/ 246,63 EUR per month

#### Allowances for dependant family members:

-Special allowance for the 1st child and any other dependant family member:  
2.183,76 EUR

Allowance for additional dependant children which the initial allowance for the first child is increased for:

- 2nd dependant child	for 190,26 EUR
- 3rd dependant child	for 1.775,76 EUR
- 4th dependant child	for 3.361,26 EUR
- 5th dependant child	for 4.946,76 EUR
- all additional dependant children	for 1.585,50 EUR from the amount of the allowance for the previous dependant child

The latest proposal of changes to the Personal Income Tax Act includes additional allowance for taxpayers with lower income, which will be used on a monthly basis and from January 1st 2008. We shall present more information on this additional allowance once the changes of the act are adopted.

For further information please contact Klemen Mir.

# Tax deductibility of expenditures for interest on loans for the purchase of shares in accordance with CITA-2

In accordance with the Corporate Income Tax Act (CITA-2), receipts and expenditures subject to accounting standards shall be taken into account in establishing the tax basis. The general principle set by CITA-2 for establishing the profit is the disclosure of receipts and expenditures required for obtaining the receipts which are taxed subject to this Act.

This means that in a particular tax period the interest and other expenditures related to the loan for the purchase of shares in the capital of another company are recognized entirely as expenditures for tax purposes if calculated in accordance with the accounting standards (with the presumption that no facts and circumstances exist which would result in a different tax treatment in this case).

Thus, if a company A were to acquire a loan from a non-affiliated bank for the purchase of shares in the capital of company B and if company B would not guarantee the loan or the loan were to be unconnected with a deposit of company B in this bank, the expenditures of this bank loan (for insurance, approval and interest) would be entirely tax deductible for company A.

In the tax period in which company A would receive dividends from company B and in accordance with CITA-2 would exempt these dividends from its tax basis, company A would have to increase its tax basis for the expenditures relating to these dividends in an amount equal to 5 % of the exempted dividends.

In the tax period in which company A would dispose its investment and realize a gain from the disposal of holding and in accordance with CITA-2 would exclude 50 % of this gain from its tax basis, company A would have to increase its tax basis for the expenditures relating to this capital gain in the amount equal to 5 % of the exempted capital gain.

For further information please contact Beta Štembal.

## Tax Authorities' Explanation regarding rating when determining a referential interest rate

In compliance with the Regulations on referential interest rates (Official gazette RS, no. 117/06), a part of the referential interest rate is also a mark-up for the credit rating. The credit rating of a taxable person has to be published based on the 'Standard & Poor's' methodology or any *other* methodology that can be uniformly translated into it.

Until recently it was unclear which other methodologies would be acceptable. The Tax Authorities issued an explanation on 19 November 2007 (no. 4200-102/2007) containing all the methodologies that can be translated into 'Standard & Poor's' based on the translation table. These translation tables are published by the Bank of Slovenia (<http://www.bsi.si/poslovanje-bank-in-podjetij-r.asp?Mapald=846>), but only the 'Fitch Ratings' and 'Moody's Investor Services' methodologies are published at the moment. Based on the Ministry of Finance's explanation, the 'Standard & Poor's' methodology should have been added within one month; however, it has still not been published on the Bank of Slovenia's web page. Until then the translation table of all three methodologies enclosed in this Tax Authorities' explanation is in use. All taxable persons who obtained a credit rating based on any other methodology are considered to be without the credit rating; in this case mark-up for the credit rating is on a 100 basis points (1 %).

For further information please contact Tina Klemenc.

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