

Tax & Legal Alert

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Individual REK forms

New rules on the contents and form of the withholding tax calculations and on the manner of filing these data with the tax authorities will come into force on July 1 2008.

Based on these rules, the tax authorities will implement the "individual REK forms system". The main point of this new system is that the individual will be able to request data on the paid contributions for the obligatory pension and disability insurance, medical insurance, unemployment insurance and parental security insurance, which his employer or a third person have paid or should have paid on the individual's behalf.

The new system will be implemented on the basis of the provisions of the Tax procedures Act (ZDavP-2), which state that the taxpayers are obliged to keep records of the paid income and withheld taxes and social security contributions for each individual person. In addition to this, the provisions of the amended Act on Disability and Pension Insurance (ZPIZ-1F) states that the Slovene tax office has three years (this period

expires on July 30 2008) to implement and manage the records of contributions paid by the taxpayers who are paying out salaries or salary compensations for each individual person.

The main innovation of the new reporting system is the collection of data. In addition to the cumulative data, the taxpayers who will pay out salaries will have an additional obligation to report the data for each individual person receiving the income and this obligation will arise on each individual payment of income. The current system will be used until the end of 2008.

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Adjustment of salaries and other incomes for 2007, 2008 in 2009

A collective agreement on the extraordinary adjustment of salaries for the year 2007 and on the manner of the adjustment of salaries, the reimbursement of work related costs and other personal income for the years 2008 and 2009 was signed and published in the Official Gazette of the Republic of Slovenia No. 62/2008. This collective agreement determines the unique extraordinary adjustment of salaries due to unexpectedly high inflation in 2007. It also determines the amount of adjustment to salaries for 2008 and 2009 and the new amounts of reimbursements of work related costs and other income, such as vacation allowance, jubilee awards and solidarity assistance.

For further information about PIT please contact Klemen Mir.

The amended Corporate Income Tax Act (CITA-2A)

The amended Corporate Income Tax Act (CITA-2A) effective from 7 July 2008 has been published in the Official Gazette of the Republic of Slovenia No. 56/2008. The main purpose for the amendments of CITA-2 is the harmonisation of its provisions with the Treaty Establishing the European Community and Agreement across the European Economic Area. Additionally, it rectifies the incompatibility of the CITA-2 provisions with the European legislation, about which the European Commission had warned Slovenia. We summarize the key amendments below:

- Article 19 has been modified, according to which the taxable person received the possibility to prove whether in similar or comparable conditions it would also grant (receive) a loan with an interest rate which is lower (higher) than the published interest rate from a non affiliated person. Based on that, the taxable person is entitled to present all facts with regard to the business reasons which triggered such a transaction.
- Based on the provisions of the CITA-2, a taxable person might claim a reduction of the tax base for the amount of the payments for donations made either in cash or in kind for specific purposes only to residents of Slovenia and to residents of an EU Member State. CITA-2A amended this to allow a tax relief also for the above mentioned payments to Member States of the European Economic Area (i.e. to the residents of Iceland, Liechtenstein and Norway). Next to this an additional paragraph to Article 59 was added, outlining that for payments to countries, in connection to which an exchange of information that should support such payments is not ensured, it is not possible to recognise a tax allowance.
- Withholding tax for interest payments by banks has been abolished, with the exception of interest payments to countries, where the general or the average nominal rate of taxation of companies is less than 12.5 % and the country is included on the list published by the Ministry of Finance and Tax Authorities of the Republic of Slovenia.
- CITA-2A enables under certain conditions the non-deduction of withholding tax for EU and EEC residents' incomes.
- CITA-2A will be valid until the modification of the Tax Procedure Act (TPA-2) also incorporates the procedure of providing evidence for the non-deduction and repayment of tax. It is proposed that with the next modification of TPA-2 this provision will be transferred into it.

Finally we would like to stress that a committee of Slovene Parliament Members, with Miran Potrč as the first signatory, on 27 May 2008 submitted a proposal for another amendment of CITA-2B. It proposes the abolition of Article 97 of CITA-2A according to which the transitional period of reducing the tax rate, which should last till 2010, should be abolished. Consequently the tax rate of 20% should already be applied for 2008.

For further information please contact Beta Štembal.