

Tax & Legal Alert

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Transfer pricing in a recession

Global economies are facing a global turndown which could pressure tax authorities worldwide to become more aggressive in collecting tax revenue necessary to support their governments' needs due to reduced personal income and corporate profits.



Global transfer pricing disputes are expected to rise and multinational corporations will have to be prepared to defend historical inter-company pricing policies, inter-company transactions and results through thoughtful approaches to apply both profit based and transaction based transfer pricing methods. The importance of well documented

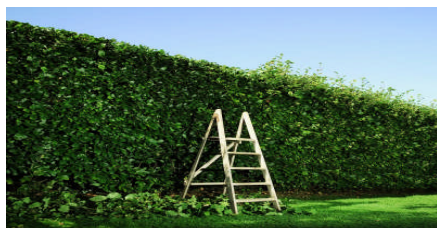
transfer pricing policies and results of inter-company transactions will increase.

The current situation will also encourage corporations to consider building flexibility into their transfer pricing policies. Corporations may consider different ways to modify their transfer prices, e.g. flexible royalties, consideration of potential "loss comparables", modification of the number of years analyzed, and even targeting a different position in the range may be beneficial. Further, corporations may consider current economy as a reason to consider supply chain modifications, intangible migrations or cost sharing. However, they should not only react to the current environment but should also consider the impact of any changes on the future.

For further information please contact
Tina Klemenc.

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Please note:



The obligation of Payroll Tax (paid by the employer) ceased on the 1 January 2009.

Tax office Ljubljana with some of its branch offices have moved to a new location

We would like to inform you that the Tax office Ljubljana and the central branch offices have moved to the new location. The new address is Davčna ulica 1, Ljubljana – next to the Tax Authority's General office by Žale roundabout. More information in this regard is available on an official web page of the Tax Authority. With the reorganization of the Tax Authority also some of the transaction accounts (IBAN) of the central branch office have been changed. All details are available at the following link:

<http://www.durs.gov.si/nc/si/splosno/cns/novica/article/12727/5510/>.

Personal income tax rates and allowances for 2009 tax year

If the net annual tax base in EUR is		The personal income tax in EUR amounts to	
above	below		
	7,410.42		16%
7,410.42	14,820.83	1,185.67	+ 27% above 7,410.42
14,820.83		3,186.48	+ 41% above 14,820.83

General allowance depends on the total income of tax residents in 2009:

Lower bracket (in EUR)	Upper bracket (in EUR)	General allowance
up to	8.557,30	5.113,35
8.557,30	9.897,60	4.082,35
9.897,60	and above	3.051,35

Family allowances:

- 2,251.46 EUR for the first born or dependent child or any other dependent family member;
- 2.447,62 EUR for the second born or dependent child;
- 4.082,27 EUR for the third born child or dependent;
- 5.716,92 EUR for the fourth born child or dependent;
- 7,351.57 EUR for the fifth born child or dependent;

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for any further born or dependent child the allowance is increased by 1.634,65 EUR, taking into consideration the calculated allowance for the previous dependent child:

- for a disabled child 8.157,99 EUR.

For further information please contact Evelina Bračič.

Working booklets

On 1 January 2009 the Act amending the Employment relationship Act (ZDR-A, Official Gazette nr. 103/07) abolished the Working booklet in its hard copy. Starting on 1 January 2009 the working booklet shall be stored with the employer until a termination of the employment relationship. Afterwards the employee himself shall keep the booklet. All working booklets issued by 31 December 2008 shall keep its role of a public document with evidentiary value in the process of enforcing the rights from compulsory social security.

Individuals, who shall be insured for the first time or reemployed after 1 January 2009, will be proving the completed years of service without a working booklet. Information on registration/deregistration from pension and disability insurance will be managed through a central register of insured persons at the Pension and disability Institute of Slovenia (hereinafter: the Institute). An insured person will be able to check the data in the registry by submitting a request for print-out of the last insurance period. A request may be submitted in person, by post or on-line at any of the regional units of the Institute.

For further information please contact Sonja Omerza.

Amendments to the Regulation on implementation of the Value Added Tax Act (Regulation) and proposed amendments to Value Added Tax Act (VAT)

Amendments to the Regulation have been published in the Official Gazette of the Republic of Slovenia no. 123 on 29 December 2008. In addition, amendments to the VAT Act have been proposed by the Parliament.



The amendments to the Regulation refer to the tariff codes in the combined nomenclature. Furthermore the Regulation amends the provisions of the predominant exporter status. In accordance with the existing Article 113 of

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Regulation the value of goods installed or assembled in another Member State is included in the exporter's transaction quota. One of more important modifications of the amended Regulation is also Article 129 stating that any legal or natural person using a qualified digital certificate may file the application for issuing of the VAT ID number via e-VEM system or one-stop shop scheme.

The reason for the proposed amendments to the VAT Act was also the global financial crisis. The aim of the proposed amendments is to improve the liquidity of the Slovene economy. The measures stated in the proposed amendments are to shorten the due date for the exceeded VAT from the existing 60 to 7 days. In addition, to shorten the due date for the exceeded VAT for predominant exporters to 10 days have been proposed.

For further information please contact Marijana Ristevski.

Changes of Tax Procedure Act regarding prepayments of Corporate Income Tax

The latest amendment of the Tax Procedure Act (TPA-2A, Official Gazette of RS, no. 125/08) introduces changes for calculating and paying prepayments of Corporate Income Tax (CIT). Prepayments due on 1 January 2009 or later should be calculated according to the tax base of the previous tax period and according to the tax rate for the current tax period (the tax rate for the previous tax period had to be considered according to the regulation which was in force before the changes of TPA-2). Tax payers whose tax period differs from the calendar year should use an average rate based on a proportionate share of the tax rate for the previous tax period and the rate for the next tax period.

The Slovene Tax Authorities have issued an explanation in this regard (Explanation no. 007-10/2009-1, 19.1.2009) which emphasises that tax payers do not need to prepare a revised tax return for 2007, nor they do not need to inform the Tax Authorities of changes in the amounts of prepayments. Those taxpayers, who will not use the new (lower) tax rate, may settle the overpayment in later periods (e.g. taxpayers whose tax period is the calendar year may settle any overpayments for January and February in March 2009).

For further information please contact Aljoša Trtmik.