Draft amendments to the Value Added Tax Act

Draft amendments to the Value Added Tax Act were recently published by the Ministry of Finance. Most of the proposed amendments are to comply with the VAT Directive and its recent changes and will come into effect on 1 January 2011.

According to the amendments, the place of supply of services, including ancillary services, in the field of cultural, artistic, sporting, scientific, educational, entertainment and similar activities such as trade fairs and exhibitions, shall be the place where these events take place or are physically carried out.

From 1 January 2010, the reduced VAT rate of 8.5% will no longer apply to the supply of houses and apartments (unless they are part of a social policy), since the transitional period in which Slovenia was allowed by the EU to use the reduced VAT rate for apartments and houses will expire. This means that the sale of new (less than 5 years old) apartments and houses will be subject to 20% VAT.

“Social policy” covers a wide range of apartment types, so please contact us if you would like more information on this.

New exemptions on importation and the supply of goods from international organizations established by the EU, such as The European Atomic Energy Community, European Central Bank and European Investment Bank, will apply.

The draft amendments will also set minimum conditions for importers or suppliers without a fixed establishment in Slovenia to use the exemption for the import of goods dispatched or transported from a third country into a Member State other than that in which the dispatch or transport of the goods ends (Custom Procedure 42). In order to apply the exemption, the importer needs to provide to
the customs authorities its own Slovene VAT ID number, the VAT ID number of the receiver of the goods, and proof that the imported goods are about to be delivered to another Member State.

The application of the reverse charge mechanism will extend to the transfer of rights to greenhouse gas emissions for the period until 30 June 2015 in order to prevent tax frauds.

General postal services and closely related supplies of goods will now be treated as exempt activities in the public interest.

The draft amendments to the Slovene VAT Act described above are not final yet. However, as these amendments are mainly due to due to provisions in the VAT Directive, with which the Slovene VAT Act has to comply, we do not expect any major changes to the above.

Please contact Natalija Kunsteck for more information.

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**OECD published revised guidelines for transfer pricing**

In July 2010 the OECD has approved proposed revisions to Chapters I-III of the Transfer Pricing Guidelines for Multinational Enterprises and Tax Authorities (OECD Guidelines). The revisions to Chapters I-III are the result of several years of work on comparability in general, and the use of profit based methods in particular. The result of the changes is a detailed explanation of transactional profit methods, which were less specifically defined in the previous OECD Guidelines. In addition, the OECD has simultaneously published a new chapter IX to the Transfer Pricing Guidelines related to business restructuring. The OECD has reaffirmed the position of its member states that the arm’s length principle is the most reliable basis for determining transfer pricing policies. However, the new OECD Guidelines set the basis for choosing one method over the others as “finding the most appropriate method for a particular case”. The old OECD hierarchy of methods where traditional transactional methods were always preferred to the profit based methods is not so prominent anymore, and the distinction between traditional methods and profit-based methods has been removed. In principle, all the authorized OECD methods now rank equally, and profit based methods are no longer described as methods of last resort. It is expected that the changes will have a significant effect on the transfer pricing policies in multinational companies across the world. The impact of the changes is also likely to be felt in planning and implementation of transfer pricing policies, as treatment of these aspects is now addressed specifically for the first time.

Please contact Darinka Hvala for more information.

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**Withholding tax on dividends – could you claim a refund?**

Following a number of recent cases in the European Court of Justice (ECJ) and due also to actions by the European Commission and the courts in various EU countries, there is now even more opportunity than before to reclaim withholding tax suffered on dividends distributed from companies in EU countries. If in recent years you have been unable to claim a full credit for withholding tax suffered on
dividends paid from another EU country, it may be possible to reclaim the withholding tax originally suffered at source by using the precedents set in recent ECJ cases. PwC has a network of people in all EU countries who are specialised in EU tax matters and who have experience of assisting companies in making refund claims. If you have such uncredited WHT, please contact one of the people listed on this newsletter and we would be happy to examine further the possibility of claiming refunds in your specific case.

Please contact Thomas Dane for more information.

World-wide Tax Summaries 2010/11 – website to be re-launched in October

Globalisation and the subsequent increase in cross-border activity means that tax professionals often need access to details of current tax rates and major features of the tax laws in a wide range of countries. As tax regimes are changing all the time, we feel that it is not longer enough for this information to be updated on an annual basis. PwC’s tax summaries website will be re-launched in October with completely revised and up to date information and greater functionality. To be relevant, tax summaries are updated regularly by local specialists who are on the ground and understand any changes in legislation. The summaries are free to access on-line, but you will need to register with the website – just follow the instructions from the link. The summaries will also be available in hard copy in the near future and will be available to purchase from the website.

Please contact Thomas Dane for more information.

Key deadlines in the next month

10.10. Corporate income tax prepayments
15.10. Intrastat report for September 2010
20.10. VAT return and Recapitulative statement for September 2010
20.10. Bank of Slovenia – BST report
20.10. Banka Slovenije – KRD report
29.10. VAT return for September 2010
29.10. Bank of Slovenia - Monthly report on the investments