

# Davčne novice

## Taxation of work-related transport costs / VAT registration for foreign companies September 2021

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The Slovenian Ministry of Finance introduces significant changes in the reimbursement of transport costs to and from work through the changes of the Decree on the tax treatment of reimbursement of costs and other income from employment (OG RS 114/2021; hereinafter **Decree**), which is valid from 16th July 2021.

Furthermore, the Government approved a proposal for an amendment to the Value Added Tax Act, which provides for simplification of tax compliance for taxpayers and administrative relief for both, taxpayers and tax authority.

### 1 REIMBURSEMENT OF THE WORK-RELATED EXPENSES AND OTHER EMPLOYMENT INCOME

The employer is according to Art. 130 of sloEmployment Act (ZDR-1) obliged to reimburse to the employee the transport costs to and from work, nutrition costs and costs related to performing certain work and tasks on a business trip. The reimbursement amount is determined by the employer on the basis of labor law, however the reimbursement amount, which is not included in the employer's tax base (i.e. tax exempt), is regulated by Income Tax Act (ZDoh-2) and Decree on the tax treatment of reimbursement of costs and other income from employment.

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#### 1.1 Introduction of a minimum amount of transport reimbursement with salary for September 2021

The Decree introduces that only mileage is taken into account when determining the non-taxable transport amount. In the private sector the cost of public transport to and from work is a criterion for tax recognition of transport costs to and from work last time at the salary calculation for August 2021.

The reimbursement amount **0,18 EUR per each kilometer**, which is not included in the tax base remains the same, however tax exempt reimbursement of transport costs in the **maximum amount of 140 EUR** is introduced. This applies to payroll calculations for September 2021 and later.

It is interesting to know how the Slovenian Ministry of Finance determined the monthly amount of 140 EUR. The Ministry of Finance explains that in calculating this limit, it was considered that an employee needs the following **monthly public transport tickets** to come to work:

1. for urban transport in the city of residence: 40 EUR,
2. for urban transport in the city of work: 40 EUR and
3. for regular line traffic services in domestic road transport: 60 EUR.

The transport costs to and from work are **recognized only if the following two conditions are met:**

1. **at least one day** of employee's presence at work per month and
2. **at least one full kilometer distance** between the employee's habitual residence and the place of work.

#### **Example 1: Mileage reimbursement**

*In the internal act the employer stipulates the reimbursement of transport costs to and from work as mileage in the amount of 0,18 EUR per kilometer.*

**Option 1:** *An employee lives 10 km away from the workplace and has worked 20 days in the observed month. An employee is **entitled** to the monthly transport amount according to the distance in the monthly amount of **72 EUR** (10 km x 2 way x 20 days x 0,18 EUR).*

**Option 2:** *An employee lives 25 km away from the workplace and has worked 20 days in the observed month. An employee is entitled to the monthly transport amount according to the distance in the full monthly amount of **180 EUR** (25 km x 2 way x 20 days x 0,18 EUR).*

*Art. 3 of the Decree stipulates that the travel cost reimbursement to and from work is tax exempt from the income taxation up to the amount 0,18 EUR for each full kilometer of the distance between habitual abode and work place. Whether an employee has an option of public transport or not is irrelevant to the tax treatment. Therefore the travel cost reimbursement **in both options**, in the amount 72 EUR or 180 EUR, **is tax exempt**.*

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#### **Example 2: Public transport ticket reimbursement**

*In the internal act the employer stipulates the reimbursement of transport costs to and from work in the amount of most favorable monthly public transport ticket.*

**Option 1:** *cost reimbursement is **60 EUR**. Distance between habitual abode and work place is 10 km, 20 working days.*

**Option 2:** *cost reimbursement is **160 EUR**. Distance between habitual abode and work place is 20 km, 20 working days.*

*Employer can further reimburse the travel costs to and from work in the amount of the most favorable monthly public transport ticket. However, due to the Decree*

*change he has from incl. September 2021 on calculate the highest amount of tax exempt travel costs to and from work according to mileage.*

#### **Option 1:**

*Mileage reimbursement: **72 EUR** (10 km x 2 way x 20 km x 0,18)*

*Since the reimbursement according to the monthly public transport ticket is **lower** as the mileage allowance, the **total amount 60 EUR is tax exempt**.*

#### **Option 2:**

*Mileage reimbursement: **144 EUR** (20 km x 2 way x 20 days x 0,18)*

*Since the reimbursement according to the monthly public transport ticket is higher as the mileage allowance, the **amount 144 EUR is tax exempt**, while the difference **16 EUR** (160-144) **is included in the tax basis** of employment income.*

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If the cost reimbursement **on the basis of mileage is lower as the cost reimbursement of the most favorable public transport ticket** and **both amounts do not exceed 140 EUR**, the reimbursement of transport costs to and from work in the amount of **EUR 140 per month is not included** in the tax base of income employment.

#### **Example 3: mileage allowance reimbursement is lower as the monthly public transport ticket and both amounts do not exceed 140 EUR**

*In the internal act the employer stipulates the reimbursement of transport costs to and from work to the employees in the amount of most favorable **monthly public transport ticket**.*

*The reimbursement of transport costs to and from work with a public transport amounts to 100 EUR, while the reimbursement of mileage allowance adds up to 80 EUR.*

*The employee is entitled to reimbursement of **tax-exempt amount 100 EUR**, which corresponds to a monthly public transport ticket.*

#### **Example 4: mileage allowance reimbursement is lower as the monthly public transport ticket, which exceeds 140 EUR**

*In the internal act the employer stipulates the reimbursement of transport costs to and from work to the employees in the amount of most favorable monthly public transport ticket.*

*The reimbursement of transport costs to and from work with a **public transport amounts to 150 EUR**, while the reimbursement of **mileage allowance adds up to 100 EUR**.*

While the reimbursement of a monthly ticket is higher as 140 EUR, only the amount 140 EUR is tax-exempt. The difference in the amount 10 EUR (150 – 140) is **included in the tax basis** of the employment income.

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The amount of EUR 140 is set on a monthly basis, regardless of the number of days present at work. If the employee meets both conditions, i.e. presence at work at least one day in a month and the distance between the employee's habitual abode and place of work is at least one full kilometer, the reimbursement of the transport costs in the amount of EUR 140 is not included in the tax base. However, the employer may reimburse the employee for the transport cost to and from work according to the actual presence at work.

Specific forms of employment:

- **Split working hours:** Despite the fact that from the labor law point of view the employee is entitled to double reimbursement of the transport cost to and from work, is the second reimbursement tax-exempt only if the total reimbursement, calculated on the basis of mileage allowance is lower than 140 EUR. If the reimbursement is higher, the surplus is included in the tax base of employment income.
- **Field work:** travel from habitual abode to the employer's headquarters or to the place specified in the contract is considered as a way to work. All other travels are considered as business trips.
- **Employment with several employers:** in this case the employee has to agree the working hours with the employers and also write this in the employment contract as a mandatory component.

The novelties will be for the first time considered at the calculation of salaries for September 2021, generally paid in October 2021.

## 1.2 Other changes of the Decree

Among other things, the treatment of **payment to apprentices for compulsory practical work** is also changing, namely these incomes are not included in the tax base of employment income **according to the year of schooling** up to the minimum amount determined by the law governing apprenticeship.

However, this amendment will apply from the publication date of the agreed minimum amounts of the apprenticeship award according to the **law governing apprenticeship**. Until then, the current Decree applies.

## 1.3 Unaltered provisions of the Decree

The most important provisions which **remain unaltered** also after applying the changes of the Decree, valid from 16.7.2021, are:

1. Reimbursement of the transport costs to and from work when the employee is entitled to use **company vehicle for private purposes** and the employer provides for the fuel, is included in the tax base of employment income.
2. Employee, who receives income from employment abroad is also entitled to reimbursement of transport costs to and from work in the amount of 0,18 EUR for each full kilometer distance between habitual abode and place of work for each day of work attendance if the place of work is at least one kilometer distance from employee's habitual abode.

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## 2 CHANGES IN THE VAT FIELD

The Government has on **18.8.2021 approved a proposal for an amendment** to the Value Added Tax Act, which among others, stipulates the following:

1. claiming a **VAT deduction also for passenger motor vehicles** that do not emit carbon dioxide,
2. VAT registration for non-resident taxable persons in Slovenia is no longer required,
3. taxable persons are no longer required to submit an **overview of incoming and outgoing invoices** at the first VAT (DDV-O) settlement,
4. the threshold for compulsory **entry of farmers** into the VAT system is abolished, and
5. **the paper invoice** will be issued to customer only at his/hers request.

### 2.1 VAT deduction entitlement for electric passenger cars

The conditions for VAT deduction for electric passenger cars are the following:

- the vehicle is intended for business activity performance of the taxable person,
- the motor vehicle is carbon dioxide-free and
- the value of the motor vehicle incl. VAT and other taxes does not exceed 80.000 EUR.

Furthermore a taxable person is entitled to the VAT deduction for the purchase of fuels, oils, spare parts and services related to **these motor vehicles**, if these purchases are related to vehicles that meet the above conditions.

## **2.2 Abolition of the compulsory VAT identification for non-resident taxable persons in Slovenia**

Taxable person without headquarters in Slovenia which performs supplies of goods and services in Slovenia is obliged to VAT-identification in Slovenia.

The Amendment to the VAT-Act (ZDDV-1) relieves foreign taxable persons by determining the **recipient of supplies and services, registered for VAT purposes in Slovenia, as the VAT payer**. This means that a taxable person without headquarters in Slovenia does not have to be identified for VAT purposes in Slovenia and is regardless of this fact still entitled to deduct the input VAT, charged in Slovenia.

The simplification shall not apply in the case when a taxable person without headquarters in Slovenia supplies goods or services:

1. to a person who is not a taxable person for VAT purposes, such as e.g. small taxable person or end customer,
2. to a taxable person with a VAT-ID No. in Slovenia who, on the basis of special arrangements under ZDDV-1, such as e.g. ID No. for VAT purposes only for the purpose of supplying / receiving services in the EU.

## **2.3 Abolition of invoices in paper form**

The customer receives a **paper invoice only at his/hers request**. The aim of the proposed amendment is to relieve the administrative burden on both taxpayers and tax authority, and to support the consideration of **environmental** aspects. Issuing an invoice to the consumer will no longer be the vendor's responsibility.

## **2.4 Submission of issued and received invoices no longer required at first DDV-O settlement**

A taxpayer's obligation to provide an overview of received and issued invoices, which are the basis for compiling the VAT statement, with the first VAT settlement (DDV-O) is abolished.

## **2.5 Validity of VAT changes**

The Act amending the ZDDV-1 is still in the proposal-form; therefore it is expected to apply from 1st January 2022.



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