

# WTS Slovenia

## Corporate income tax changes 2022 / VAT News in 2022

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The Newsletter deals with significant changes in the field of value added tax and changes regarding the determination of the corporate tax base in 2022.

Significant changes in the field of value added tax relate to the expansion of the Reverse-Charge-System for foreign entities in Slovenia and the abolition of registration obligation for foreign entities for VAT purposes in Slovenia. Furthermore, the possibility of deducting input VAT for electric vehicles is being introduced.

In the field of determining the tax base additional benefits are being introduced for investments in green transition and digitalisation.

## CHANGES OF VALUE ADDED TAX FROM 22.1.2022 (ZDDV-1M)

Changes will be introduced in the field of the Value Added Tax Act (hereinafter ZDDV), included in the act version ZDDV-1M, published in Official Gazette RS No. 3/2022 from 07 January 2022 and **valid from 22 January 2022**. The Rules on the Implementation of the VAT Act are valid from 10 February 2022.

### DISTANCE SELLING OF GOODS

These regulations for the service provision and the distance selling of goods are conveyed into the Act, although they have been in force since 01 July 2021. Due to EU requirements, the new regulations should have been implemented in the Act as early as 01 July 2021, but they were thus temporarily determined in the Rules on the Implementation of the VAT Act, which is now abolished.

### ABOLITION OF PAPER INVOICES

The customer will receive a **paper invoice only at his/her request**. The aim of the proposed amendment is to relieve the administrative burden on both, taxpayers and the tax authority and to support the consideration of **environmental** aspects. Issuing a paper invoice to the consumer is thus no longer the responsibility of the seller.

### INPUT VAT DEDUCTION POSSIBLE ALREADY FOR THE PERIOD OF THE VAT LIABILITY

The accountants welcome the novelty, which allows input VAT to be taken into account also for invoices that were not received in the period for which VAT is calculated, but in the following period. **The deduction of input VAT can already be considered in the period when the input VAT obligation arose**, if there is invoice at disposal at the time of preparing the VAT report (DDV-O). This settles the VAT calculation and the VAT deduction in the same period for different taxpayers.

#### *Example 1: Considering the monthly lease invoice at VAT report for January 2022*

*Lease invoice was issued on 31 January 2022, received at the leaser on 04 February 2022. The recipient prepares the VAT settlement for January 2022 on 15 February 2022, therefore the input VAT deduction can be taken into account already at the VAT settlement for January 2022.*

### ENTITLEMENT TO INCOME VAT DEDUCTION FOR ELECTRIC PASSENGER VEHICLES

The requirements for **input VAT deduction** for electric passenger vehicles from 22. January 2022 on are the following:

- the motor vehicle is free of carbon dioxide emissions,
- the value of the motor vehicle, including VAT and other charges, **does not exceed 80.000 EUR**,
- the vehicle is intended for the **performance of the business activities** of a taxable person, but can also be used for private purposes; the VAT obligation arises on every kilometer, driven for private purposes, multiplied with the refund for the business trip km, which is acknowledged as the highest tax deductible refund of the business trip.

- The calculations of the VAT base for the private use of the car is as follows:

no. of km for private use x 0,37 EUR/km = tax base for VAT
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- The period to calculate the VAT obligation is a month, quarter or at least one time in the calendar year, no later than with 31.12.

Furthermore the taxable person can assert the right to VAT deduction on the purchase of fuels, lubricants, spare parts and services related to **these motor vehicles**, if these purchases are related to vehicles that meet the above conditions.

The entitlement to input VAT deduction may be enforced also for the vehicles, already purchased by taxpayers in the previous year, but only for a proportionate part of the period up to completed 5 years from the purchase date.

*Example 2: Purchase of an electric passenger vehicle in July 2021 and the possibility of input VAT correction*

*The company purchased electric passenger vehicle on 31.07.2021 for the purchase price of 20.000 EUR + 4.400 EUR VAT. The vehicle is used solely for business purposes, for delivery of goods to the customers. The company was not allowed to deduct the input VAT in July 2021. There are two periods to be identified:*

- VAT amount for 1 day in 5 years adds up to =>  $4.400 \text{ EUR} / (4 \cdot 365 + 366) = 2,4096 \text{ EUR/day}$
  - non-deductible VAT in the period from 31.07.2021 to 21.1.2022 => 175 days
  - deductible VAT in the period from 22.1.2022 to 30.07.2026 => 1.651 days or 3.978,25 EUR.
- The company can in the VAT settlement for January 2022 as input VAT consider entirely 3.978,25 EUR on the basis of 20.000 EUR.*

*Example 3: Use of the electric passenger car for private purposes*

*The company has purchased electric passenger vehicle Tesla for the CEO at the price of 50.000 EUR + VAT in January 2022. The input VAT was deducted in full amount of 11.000 EUR in the VAT report January 2022. In the period January till March 2022 the car has been driven 4.000 km, thereof 1.500 km for private purposes. The company is preparing VAT report for March 2022 and would like to determine the VAT obligation, deriving from the usage of the car for private purposes:*

- tax base = no. of km privately x 0,37 EUR/km =  $1.500 \text{ km} \times 0,37 \text{ EUR/km} = 555 \text{ EUR}$
- VAT =  $555 \text{ EUR} \times 22\% = 122,10 \text{ EUR}$

*The company will include in the VAT report for March 2022 the VAT base of 555 EUR and VAT of 122,10 EUR.*

*The company has in the period January till March 2022 paid also the maintenance cost ( change of tires, electricity) in the amount of 600 EUR; the input VAT on maintenance is deductible in full amount.*

## ABOLITION OF MANDATORY IDENTIFICATION FOR VAT PURPOSES OF A NON-RESIDENT TAXPAYER IN SLOVENIA

Until now it was considered that in Slovenia non-resident taxable person who supplies goods and services in Slovenia had to identify for VAT purposes in Slovenia, e.g. in the case of delivery of goods with installation or work on real estate in Slovenia.

From 22.01.2022 on a foreign taxable person performing supply with installation or works on real estate in Slovenia or any other taxable supply in Slovenia may **designate a recipient of supplies and services, registered for VAT purposes in Slovenia as a VAT payer (expansion of reverse-charge-system)**.

A recipient can be local company or a foreign entity, as long as it has a valid VAT number in Slovenia. A non-resident taxable person in Slovenia does not have to identify himself for VAT purposes in Slovenia and is still entitled to deduct input VAT charged in Slovenia. Input VAT is refunded via an electronic communication channel at the tax administration in his resident country.

**The simplification rule does not apply** where a non-resident taxable person in Slovenia supplies goods or services:

1. to a person who is not a taxable person for VAT purposes, such as small taxpayer or end customer,
2. to a taxable person with a VAT ID- number in Slovenia on the basis of special arrangements under local VAT Act, such as VAT ID No. only for the purpose of supply/receipt of services in the EU (atypical taxable person).

### *Example 4: Delivery of goods with installation*

*Austria company will deliver a machine to Slovenia. The employees of the foreign entity will come to Slovenia to install the machine into the production process. The recipient and the payer of the machine is as Slovene company with valid VAT no. in Slovenia.*

*Austria company does not need to register for VAT purposes in Slovenia, but can issued invoice to the Slovene recipient as a reverse-charge-supply according to the local Slovene regulations.*

## SUBMISSION OF ISSUED AND RECEIVED INVOICES AT THE FIRST VAT-O RETURN NO LONGER NECESSARY

An important change for accountants is the abolition of the obligation for taxpayers who **submit a VAT return for the first time** to enclose to the first VAT-O return:

- a list of received invoices,
- a list of issued invoices, which are the basis for compiling the first VAT return.

## CORPORATE INCOME TAX FOR THE YEAR 2022 (DDPO)

The amendments of **Corporate Income Tax Act (CITA or Slovene ZDDPO-2S)** are applied for **tax periods from 1 January 2022 onwards**. Taxpayers with a business year different from a calendar year will only have to comply with the new provisions for part of the business year.

### REVERSE HYBRID DISCHARGES / ATAD II

Hybrid inconsistencies have already been included in previous CITA. A hybrid discrepancy arises when there is a **double deduction** on the same income in two countries or a **deduction without inclusion**, which means that the income is not included in the tax base in any country. Hybrid mismatches occur exclusively between related persons.

According to the EU Directive (ATAD II), the amendment to CITA also includes reverse hybrid inconsistencies, which cover a larger circle of participants in a hybrid person.

The provisions 67.k to 67.n of the CITA are a must-read for international groups of cross-border operating companies.

### EXTENSION OF THE NATIONAL LIST OF COUNTRIES WITH LESS FAVORABLE TAX TREATMENT

Companies coming from countries classified in the so called »**blacklist**« are from a tax point of view treated less favorably. For example, these companies are not eligible for the exemption of dividends and dividend-like income, as well as up to 50% of the exemption from profit from the disposal of shares, donation relief and other tax benefits. There are two lists:

- **Slovenian national list**, which includes countries in which the general or average nominal rate of corporate income tax is lower than **12,5%**,
- **EU list**; countries on the list of jurisdictions unwilling to cooperate for tax purposes, published in the Official Journal of the European Union (EU).

### TAX BASE ASSESSMENT FROM 01 January 2022

The amendment to the CITA / ZDDPO-2S stipulates several changes that affect the determination of the tax base. The changes will apply for the first time in 2022 and cover the following areas:

#### Accruals

In determining the tax base or in recognizing the taxpayer's income, the accruals set up is recognized as an expense in the total amount charged. However, for the following groups of accruals the **expense is recognized for the tax purposes only 50%** of the amount charged:

- for **guarantees given** when selling products or providing services,
- accruals for expected losses from **onerous contracts**,
- pensions accruals,
- accruals for jubilee awards and retirement severance payments.

#### Important: Transition Period 2022-2026!

For the accruals for pensions, jubilee awards and retirement severance payments the **transition period from 01 January 2022 to 31 December 2026 is introduced**. In this period these accruals are recognized in the total 100% amount also for tax purposes.

### Receivables Write-Off

The receivables write-off is now recognized as a tax expense for all **reported recognized receivables**, reported by taxpayer in a timely manner in the compulsory settlement procedure or bankruptcy proceedings. The receivables must be recognized by the liquidator. This means that the taxpayer will no longer have to wait for the write-off of receivables for the issuance of a final court decision on the completed bankruptcy proceeding or decision on confirmation of the compulsory settlement.

### Representation And Supervisory Board Expenses

Tax-deductible **representation (hospitality) costs** for periods from 01 January 2022 on amount to 60% (so far 50%).

#### *Example 5: Business year 01 March 2021 to 28 February 2022*

*In a case of a business year, different from calendar year, the company has to determine the representation costs by month, in order to determine the correct % of tax-deductible representation expenses;*

- *in the period from 01 March 2021 to 31 December 2021 the representation expenses are recognized up to 50%,*
- *in the period from 01 January 2022 to 28 February 2022 the representation expenses are recognized up to 60%.*

### Depreciation Of Leased Assets

For the right to use a fixed asset leased, the highest annual depreciation rate corresponding to the **term of the contractual lease** of the fixed asset is used for tax purposes.

### Employment Relief

In addition to the tax-deductible salary cost, an additional employment allowance in the amount of **55% of the employee's salary** for the first 24 months of employment is possible, when the employee is **under 25 years of age** and is **employed for the first time**.

Employment allowance in the amount of **45% of salary** is possible for an employee for the first 24 months of employment, who:

- is under 29 years of age or
- over 55 years of age or
- performs a profession for which there is a shortage of job applicants on the labor market (list of the Labor Ministry).

**IMPORTANT!** For claiming the benefits it is no longer necessary for a person to be registered with the Employment Service before employment.

### Facilitation of Investment In Digital And Green Transition

The taxpayer can claim a tax base reduction in the amount of **40% of investments in digital transformation and green transition** in the tax period, namely:

1. cloud computing, artificial intelligence and big data,
2. environmentally friendly technologies,
3. cleaner, cheaper and healthier public and private transport,
4. decarbonisation of the energy sector, energy efficiency of buildings,
5. introduction of other standards for climate neutrality.

### Facilitation Of Practical Work In Vocational Education

Tax relief for the implementation of practical work in the professional education of an apprentice, scholar or student is increased to **80% of the average monthly salary** of employees in Slovenia and can be claimed for each month of practical work of an individual in vocational education.

### Donation Relief

#### Basis relief 1%

From 2022, the taxpayer can claim the relief for donations by a maximum of **1% of taxable income** (so far only 0,3%) as a relief for donations for humanitarian, disability, social welfare, charitable, scientific, educational, health, sports, cultural, ecological, religious and generally useful purposes, which are performed not only by such organizations in Slovenia, but also **in the wider EU**.

#### Additional reliefs 0,2% and 3,8%

**In addition, 0,2% of the taxpayer's taxable income** in the tax period may be claimed for the amount of payments in cash and in kind for **cultural and sports purposes** and for such payments to voluntary associations established for **protection against natural and other disasters** acting for those purposes in the public interest.

The donation in the amount of **3,8% of the taxpayer's taxable income** for the amount of payments in cash and in kind also goes to the providers of the **top sports program** for investments in top sports.

#### Donations beneficiaries

All described donations can be given to an organization based in Slovenia or in the EU.

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For further information, do not hesitate to contact us!



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