

## Employee Profit-Sharing in Slovenia

In March 2026, the revised Employee Profit-Sharing Act entered into force (Official Gazette of the Republic of Slovenia, No. 14/2026 of 24 February 2026; hereinafter: **ZUDDob-1**), which promises a more attractive regulatory framework for the employee participation in company profits; 30% final taxation of distributed profits at the level of the employee and the 100% additional deduction of the shared profits in the corporate income tax of the employer.

### Who is Entitled to Employee Profit Participation

An **employee** is a natural person who is in an employment relationship with the company on the basis of an employment contract. In profit-sharing, all employees are included under the **same conditions**, while the company may determine a minimum duration of employment in the financial year, but not exceeding six months.

Also a member of **management**, a **procurator** and an **executive director** is treated as an employee, provided that they have an employment contract and are not entitled to profit-sharing on that basis. On the other hand, a **substantial owner** of the company **is not deemed** to be an employee.

A **substantial owner of a company** is a natural person who directly or indirectly holds at least 10% of the voting rights or at least a **10% share in the company**. Closely related persons, namely a spouse or a partner, are also deemed to be substantial owners.

### Payment Schemes

There are three profit-sharing schemes:

- › **cash scheme**: distribution of profit to employees in cash;
- › **share scheme**: distribution of shares or stocks to employees;
- › **business share scheme**: distribution of business shares to employees.

In practice, the cash scheme will be the most suitable option for most companies, but it is also allowed a **combination of one or more schemes**

under the same agreement. Regardless of the choice, each selected scheme must **apply to all employees**.

### Procedure for Implementing Employee Profit-Sharing

Under ZUDDob-1, there are **two available routes** for introducing a profit distribution scheme for employees: by means of **(a) an agreement** or **(b) a plan**.

The right to participate in profits is established when the shareholder adopt a resolution on the profit payment. The management then determines the amount due to each individual employee and notifies them thereof no later than 30 days after the conclusion of the agreement or the adoption of the resolution.

Payment, or the acquisition of shares, is then carried out in the manner and within the deadlines laid down in the agreement or plan.

#### a. Profit-Sharing Agreement

The first route is by means of a profit-sharing agreement. The agreement may be concluded for one or more financial years, or also for a preceding financial year, provided that it is concluded in the financial year in which the general meeting adopted the resolution on the appropriation of profit for that financial year. The company may have only one such agreement in place at any given time, and it must apply to all employees. However, one or more schemes may be implemented under the same agreement.

The agreement sets out the criteria for determining the amount due to each individual employee. The criteria may include a combination of salary, attendance, average

number of employees, individual work performance and other criteria as required.

In addition, the agreement must also specify the contracting parties, the selected schemes, the share of profit, the payment deadline, the rules on the minimum duration of employment, the method of notification, the consequences of termination of the employment relationship, and the rules on disposal of shares.

It is essential that **all employees participate** in profit distribution **under the same conditions**.

An initiative to conclude the agreement may be submitted by the employees, the management, and the shareholders or members. If the initiative is submitted by the employees, the management must, within 15 days, prepare a reasoned opinion and inform the employees thereof.

On the company's side, the management or authorised persons participate in the conclusion procedure. The conclusion of the agreement on the company's side is decided by a general meeting with a simple majority of the represented share capital. As a rule, the company's constitutional document must allow the use of profit for employee profit-sharing; however, the Act also expressly permits the general meeting to enable this by means of a special resolution.

On the employees' side, the agreement is generally approved by a representative trade union, the works council, the workers' representative, or directly by the employees at an employees' assembly.

#### **b. Resolution on Participation and Distribution Plan**

The second option is a resolution on employee profit-sharing and a **distribution plan**. This route is available **if an agreement is not concluded within 45 days** of the initiative being submitted. In that case, the general meeting may, on the initiative of the employees, the management, a shareholder or a member, adopt a **resolution on employee profit-sharing**.

After the resolution has been adopted, the management prepares a **profit distribution plan**. The plan must provide that the scheme applies to all employees who were employed by the company, in the year for which the profit is being distributed, for the specified period, which may not exceed six months. It must also specify one or more schemes, the payment deadline, and the conditions for disposing of shares. In the case of a distribution plan, **at least 5% of the net profit** for that financial year must be distributed to the employees.

The route involving a resolution and a **plan** is **more demanding from a formal perspective**, as the criteria and payment restrictions are very limited and detail. At least 30% and no more than 90% of the payment is distributed proportionately according to the individual employee's share in the gross salary, while at least 10% and no more than 70% is distributed equally among all employees.

In addition, individual work performance and other criteria may also be taken into account, but each of these additional criteria may account for no more than 30% of the payment.

The right to participate in profits arises when the shareholder adopt a **resolution on the appropriation of profit**. The management then determines the amount due to each individual employee and notifies them thereof no later than 30 days after the conclusion of the agreement or the adoption of the resolution.

Payment, or the acquisition of shares, is then carried out in the manner and within the deadlines laid down in the agreement or plan.

#### **Conditions for Special Tax Treatment**

Profit distributions to employees are subject to special tax treatment if the following **conditions** are met:

- › the share of profit allocated to employees does not exceed 33% of the net profit and 20% of the gross wage bill for the financial year whose profit is being distributed;

- › the ratio between the highest and the lowest amount due to individual employees must not exceed 1:8;
- › all employees participate in profits under the same conditions.

One of the following two conditions regarding the average gross monthly salary (hereinafter: **AGMS**) must also be met:

- › the company's AGMS is higher than the AGMS in the **private business area in Slovenia** in the preceding year, and the growth of the AGMS reaches at least 70% of the growth of the AGMS in the same **business activity** of the Standard Classification of Activities; or
- › the AGMS is higher than 120% of the AGMS in the private sector in the preceding year, and the growth of the AGMS exceeds the average annual inflation rate in Slovenia in the preceding year.

It is also important that the special benefits under Act are not compatible with certain other special regimes in the same year. The Act excludes them if special treatment has already been applied to rights to purchase or acquire shares under the Income Tax Act, the special treatment for employees of innovative start-up companies, or the regime under some special Employee Ownership Cooperatives Act.

### Special Tax Treatment For The Company

The company may claim a **reduction of its corporate income tax base for 100% of the amount of profit from the preceding year** that was distributed to employees. The reduction is limited to the amount of the tax base.

At the same time, the Act provides that costs or expenses incurred in connection with the amount for which this tax relief is claimed are, as a rule, not taken into account in determining the tax base in any tax period, except for social security contributions paid by the employer. This means that the accounting and tax treatment must also be aligned with the application of the tax relief.

### Special Tax Treatment For Employees

Income received by an employee under the **cash scheme** is taxed under the special treatment if two conditions are met:

- › the income is paid in two equal instalments at least one year apart; and
- › at the time of receiving the income, the employee is in an employment relationship with the payer of the income.

In such case, **the income is not included in the annual tax base, while personal income tax is paid at a rate of 30% and is treated as a final tax.**

Under the **share scheme** and the **equity interest scheme**, the value of the shares received is likewise not included in the annual tax base; instead, **personal income tax is assessed at a rate of 25%**, which is treated as a final tax. Shares acquired under this Act are, as a rule, subject to a three-year lock-up period and may not be sold during that period.

These types of income are also not included in the base for social security contributions. This applies to the cash scheme as well as to the share scheme and the equity interest scheme.

The company may **fully deduct** the profit distributed to employees from its corporate income tax base.

If the profit is paid out in two equal instalments at least one year apart, it is taxed at a final rate of 30%.

Under the special tax treatment, **the payment is not included in the social security contribution base or in the annual personal income tax base.**

### Tax Reporting

For tax purposes, income under this Act is reported using the **REK-O form**, under income type **1940 – Employee profit-sharing under ZUDDob-1**. The calculated withholding tax must be paid within five days of the payment of employee profit-sharing to the

payment account: SI56 0110 0888 1000 030

with the reference: SI19 tax number-41009.

### Reporting And Supervision

The management must submit the agreement or resolution to the ministry responsible for economic affairs no later than 15 days after its conclusion. The same 15-day obligation also applies in the event of any amendment or termination of the agreement.

### Transitional Provisions For 2025 And 2026 Profits

For 2025 and 2026, the Act provides for a relaxation of the wage growth conditions applicable to the special tax treatment. Instead of 70% of the sectoral wage growth, 50% is sufficient, and instead of exceeding the full average annual inflation rate, it is sufficient to exceed half of the inflation rate.

**Example:** In the 2026 financial year, a company with 16 employees generates EUR 200,000 in profit and wishes to distribute 10% of that profit among employees under a profit distribution plan. The plan provides that 60% of the amount is distributed proportionately according to salaries, while 40% is distributed equally among all employees.

- › **Total annual gross wage bill: EUR 444,000**
- › **Amount to be distributed:**  $200,000 \times 10\% = \text{EUR } 20,000$
- › **Portion based on gross salaries:**  $20,000 \times 60\% = \text{EUR } 12,000$
- › **Equal portion for all employees:**  $20,000 \times 40\% = \text{EUR } 8,000 / 16 = \text{EUR } 500$  per employee.

The amounts due are as follows:

- › **10 employees** with a gross salary of EUR 2,500 each receive EUR 810.81 + EUR 500 = **EUR 1,310.81**
- › **5 employees** with a gross salary of EUR 1,600 each receive EUR 518.92 + EUR 500 = **EUR 1,018.92**
- › **the director** with a gross salary of EUR 4,000 receives EUR 1,297.30 + EUR 500 = **EUR 1,797.30**

The ratio between the highest and the lowest payment is therefore approximately 1.76:1 and thus does not exceed the 1:8 limit. If the payment is made in two equal instalments at least one year apart, the special tax treatment may apply for employees: a 30% final tax, no social security contributions, and no inclusion in the annual personal income tax base.

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