**INCOME FROM EMPLOYMENT**

**Income from employment**

**Detailed description**

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1.0 GENERAL

The basic law that defines the persons liable for income tax, sources of income, the subject of taxation, non-taxable income and exemptions from income tax is the [Personal Income Tax Act (ZDoh‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697). Income tax is tax on the income of natural persons. Income tax is levied on the income of natural persons earned or received in the tax year, which is the same as the calendar year. Income is deemed to be any payment or receipt of income, regardless of the form in which it is paid or received.

Income deriving from an employment relationship is classified as income from employment. Any dependent contractual relationship entered into by a natural person for the performance of physical and intellectual work, regardless of its duration, is considered to be employment. Income from employment is income from an employment relationship (as discussed in this document) and income from another contractual or other relationship (income from another contractual relationship).

Income from employment includes any employment-related payments and bonuses. Income from employment is considered to be income received on the basis of past or present employment.

2.0 DEFINITION OF INCOME FROM EMPLOYMENT

2.1 Income from employment under labour law

When dealing with income from employment, a distinction must be made between labour-law and tax considerations. Article 37(1) [of the Personal Income Tax Act (ZDoh‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697) provides that income from employment includes, in particular:

* salaries, salary allowances and any other remuneration for work performed, including commissions;
* annual leave allowances, long-service awards, severance pay and solidarity assistance;
* the reimbursement of work-related expenses (a detailed explanation is published on the [FURS](http://www.fu.gov.si/davki_in_druge_dajatve/podrocja/dohodnina/dohodnina_dohodek_iz_zaposlitve/) website);
* bonuses provided by an employer for the benefit of the employee or a member of their family (a detailed explanation is published on the [FURS](http://www.fu.gov.si/davki_in_druge_dajatve/podrocja/dohodnina/dohodnina_dohodek_iz_zaposlitve/) website);
* compensation provided by the employer on the basis of an agreement with the employee regarding any employment-related condition or a change in an employment-related condition, any payment by the employer in connection with the termination of an employment contract, any payment due as a result of the termination of employment and similar benefits (these include, in particular, income relating to termination of an employment contract, compensation for complying with a non-compete clause, compensation for unused annual leave, etc.);
* benefits received as a result of the temporary non-payment of income from employment;
* allowances and other benefits received from an employer or other person in accordance with other regulations, as a result of employment or compulsory social security insurance;
* income from profit-sharing received as a result of an employment relationship.

As a general rule, the income from employment referred to above is defined as income from employment under labour law. An employment relationship is defined in the [Employment Relationships Act (ZDR‑1)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5944) as a relationship between a worker and an employer in which the worker joins the employer’s organised work process on a voluntary basis and performs work within that process against payment, in person and continuously under the employer’s instructions and supervision.

Article 126 of the [ZDR-1](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5944) provides that remuneration for work under an employment contract comprises a salary, which is always in monetary form, and any other types of remuneration so provided for by the relevant collective agreement. With regard to the salary, the employer takes account of the minimum laid down in law or in the collective agreement directly binding upon the employer.

A salary consists of basic pay, performance-related pay, supplementary payments and, where agreed in a collective agreement or employment contract, business-performance-related pay. The [ZDR‑1](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5944) also provides that a worker is entitled to a salary allowance for a period of absence in the cases and for the duration laid down by law, and in cases of absence from work for reasons for which the employer is responsible.

If an employer fails to pay workers’ salaries by the 18th day of the month for the previous month, the worker may be entitled to a salary allowance, which is paid directly to the worker by the Health Insurance Institute (hereinafter: ZZZS). Under Article 137(10) of the [ZDR‑1](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5944), the ZZZS makes the payment following a request by the employer filed within eight days of the end of the month in which the salary allowance fell due for payment (or following a request filed by the worker if, after eight days, they have not received written notice from the employer that the latter has filed a request). In such a case, the ZZZS is deemed to be the payer of tax that calculates, withholds and pays the income tax prepayment and social security contributions.

Question 1: Monetary compensation under Article 118 of the ZDR‑1

Where a court establishes that the termination of an employment contract is unlawful but that, given the circumstances and the interests of both contracting parties, the continuation of the employment relationship would no longer be possible, it may, in accordance with Article 118(1) of the Employment Relationships Act [(ZDR‑1)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5944) and at the proposal of the worker or employer, establish the duration of the employment relationship, which may not extend beyond the day the court of first instance makes its decision, recognise the worker’s years of service and other rights under the employment relationship, and grant the worker adequate compensation amounting to a maximum of 18 monthly salaries as paid to the worker in the three months prior to termination of the employment contract.

Point 5 of Article 37(1) of the [ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?sop=2006-01-5013) includes, among income from employment, any allowance provided by the employer pursuant to an agreement with the employee in respect of any employment-related condition or change to an employment-related condition, any payment by the employer in connection with the termination of an employment contract, any payment due as a result of the termination of employment, and similar benefits. The full amount of the monetary compensation under Article 118 of the [ZDR‑1](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5944) is treated for tax purposes as income from employment on which the income tax prepayment and contributions must be calculated and paid.

Question 2: Taxation of default interest on unpaid income

Under point 6 of Article 37(1) of the [ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?sop=2006-01-5013), income from employment also includes remuneration received as a result of a temporary non-payment of income from employment. Default interest on the late or retrospective payment of income from employment is treated as income from employment for tax purposes.

Under Article 30(1) of the [ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?sop=2006-01-5013), only default interest paid on the basis of a judicial or administrative decision is exempt from income tax. Under this provision, default interest is also deemed to be default interest if it is paid on the basis of a judicial or out-of-court settlement or a settlement in an administrative procedure that is not concluded for the purpose of concealing the parties’ true intention, provided that it does not exceed the amount of default interest that would be determined by a court or administrative authority in a similar case. The provision of this article only applies to income paid on the basis of a judicial or administrative decision. It does not apply to income not paid on the basis of a judicial or administrative decision, even if it relates to past years.

Question 3: Taxation of salary advances

When considering this question, a distinction must be made between labour-law and tax considerations. Labour law is regulated by the Employment Relationships Act [(ZDR‑1)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5944), which provides for remuneration for work in Articles 126 to 141. When a salary is paid, the employer must give the worker a written statement showing details of the salary, any reimbursements, income tax prepayments and social security contributions.

As regards the tax treatment of remuneration paid, due regard must be paid to the general rule under the [ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?sop=2006-01-5013), which states that all income is taxable, except that which is specified in the law as not being subject to or exempt from income tax. Under Article 36(1) of the ZDoh‑2, income from employment includes all remuneration and any employment-related bonuses. Article 37 of the [ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?sop=2006-01-5013) provides for income from employment, which includes, inter alia, salaries, salary allowances and any other remuneration for work performed, as well as annual leave allowances, the reimbursement of work-related expenses, bonuses and similar.

All payments made by an employer to an employee are treated as income from employment for tax purposes. The economic component of income is taken into account and, in view of this, payment of an advance (if so called by the employer) is treated as the partial payment of a salary for tax purposes. Notwithstanding the fact that the employer calls the income an advance, for tax purposes it is treated as income from employment on which the employer must calculate, withhold and pay income tax and social security contributions.

Question 4: Payment of wages in the form of shares

When considering this question, a distinction must be made between labour-law and tax considerations. A salary is determined by labour law, specifically Article 126 of the [ZDR-1](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5944), which provides that remuneration for work under an employment contract comprises a salary, which is always in monetary form, and any other types of remuneration if so provided for by the relevant collective agreement.

Under Article 37(1) of the ZDoh‑2, income from employment includes, in particular, salaries, salary allowances and any other remuneration for work performed, including commissions. According to point 4 of Article 37(1) of the [ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?sop=2006-01-5013), bonuses, which are defined in Article 39 of the ZDoh‑2 as any benefit in the form of a product, service or other benefit in kind provided to the employee or a member of their family by the employer or another person in connection with employment, is deemed to be income from employment. Shares provided by an employer to an employee are also deemed to be a bonus. If an employer provides an employee with remuneration for work in the form of shares, the amount of the bonus is determined on the basis of the comparable market price, in accordance with Article 43(1) of the [ZDoh-2](http://www.pisrs.si/Pis.web/pregledPredpisa?sop=2006-01-5013). If the comparable market price cannot be determined, the value is determined on the basis of the cost incurred by the employer in relation to the provision of the bonus.

2.2 Other income treated as income from employment

In order to ensure the equal tax treatment of income that is similar in substance but does not qualify as income from employment under the applicable labour law, Article 37(2) of the [Personal Income Tax Act (ZDoh‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697) also defines the following income as income from employment:

* income received for the management or management and supervision of a business entity that is a legal person, by virtue of a business relationship;
* the income of elected or appointed office-holders in legislative, executive or judicial bodies in Slovenia or in local self-government bodies, if they receive a salary for that office;
* income received in connection with the performance of the duties of a member of the European Parliament;
* income derived from works of authorship arising out of an employment relationship, from performances of works of authorship and folklore arising out of an employment relationship, and income derived from innovations arising out of an employment relationship, regardless of the form of the contract on which the income is based;
* benefits and other income from compulsory health insurance, compulsory unemployment insurance and compulsory parental care insurance received by natural persons carrying out an activity, farmers, partners in companies and other persons not in an employment relationship;
* payments made to a natural person pursuing an activity, a farmer, a partner and other persons not in an employment relationship, as compensation for loss of earnings under special regulations providing for the participation of certain natural persons in the performance of an activity of a government body or a self-governing local authority, such as participation in the relief of the consequences of natural or other disasters;
* pensions, allowances and other income from (compulsory, compulsory supplementary and voluntary supplementary) pension and disability insurance, except for the payment of the surrender value in accordance with the [Pension and Disability Insurance Act (ZPIZ‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280) and [the First Pension Fund of the Republic of Slovenia and the Conversion of Authorised Investment Companies Act](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO2078).

Regarding the tax treatment of the above-mentioned income, the provisions of the [ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697) on the recognition of reimbursements of expenses, the exclusion of certain remuneration from employment from the tax base and the determination of the tax base and the rate of income tax apply, mutatis mutandis, in the same way as for income from employment under labour law.

Question 5: Taxation of the income of a company owner for the management of a business entity

Income received by the sole owner-manager of a company for the performance of management functions is taxed as income from employment under point 1 of Article 37(2) of the [ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?sop=2006-01-5013). Income received from other work carried out for the company is taxed as income from another contractual relationship under Article 38 of the [ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?sop=2006-01-5013).

Any bonuses received by the sole shareholder and director in connection with the management of the business entity count towards the manager’s tax base. Reimbursements of expenses related to the performance of management functions (meals during working hours, travel expenses to and from work, reimbursements of expenses related to business travel) do not count towards the base under the conditions and up to the amounts determined by the government under Article 44 of the [ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?sop=2006-01-5013).

Question 6: Royalties in the context of an employment relationship

When determining how royalties are to be treated for tax purposes, the economic component of each transaction is relevant. The [Copyright and Related Rights Act](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO403) (ZASP) regulates which work performed by an individual is considered to be copyright work. Payment for completed copyright work is treated as salary if the performance of that work is laid down in the employment contract. The payment of royalties is treated as a salary payment when the copyright work performed is part of the tasks that the person is required to perform under the employment contract and such income is included in the basis for calculating and paying all compulsory contributions.

Royalties for work not agreed upon in an employment contract are taxed as income from employment under point 4 of Article 37(2) of the [ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?sop=2006-01-5013) regardless of the form of the contract that forms the basis for the payment of that income. Under this provision, where a person has an employment relationship and receives royalties from their employer in addition to a salary under an employment contract, the royalties are taxed as income from employment.

Royalties for work not covered by an employment contract are not included in the basis for calculating and paying social security contributions (hereinafter: contributions), which are payable on income from employment. The basis for the payment of contributions for insured persons/workers in an employment relationship is the salary or salary allowance and all other employment-related benefits, including bonuses and reimbursements of work-related expenses paid in cash, vouchers or in kind (Article 144(1) of the [Pension and Disability Insurance Act (ZPIZ‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280))). As a general rule, all payments made by an employer to an employee are treated as income for employment for tax purposes, and are included in the basis for the calculation and payment of contributions.

The calculation and payment of contributions when the income for the creation of a copyright work in an employment relationship is not paid on the basis of an employment contract but on the basis of another (copyright) contract is explained by the Ministry of Finance in letter no 428-01-7/2004/3 of 4  November 2004. As this explanation makes clear, no contributions are calculated and no payment is made when the income from copyright work is paid as additional income that exceeds the agreed remuneration for work performed under the employment contract. The payment of contributions must be based on a formal legal relationship on the basis of which the individual is included in the specific security scheme, and only those incomes that are directly linked to that formal legal relationship are included in the basis for the payment of contributions (salary, salary allowance and other employment-related benefits). Of the other income not included in the basis for contributions, contributions are paid from the bases and in the amounts set by law (e.g. from royalties not earned as part of an employment contract). An insured person’s contribution for health insurance is paid at the rate of 6.36%, for special insurance cases at the rate of 8.85% and for injury at work at the rate of 0.53%.

Question 7: Tax treatment of gratuities

A gratuity is an amount of money paid by a satisfied customer to an individual for good or excellent service rendered in a catering/hospitality establishment and paid for on the basis of a receipt. It is important that the amount of the gratuity is symbolic of the amount of the price paid for the catering/hospitality service.

Where a gratuity is received by the member of serving staff and is intended only for them, or where the member of waiting staff and the cook agree to share the gratuity (and the owner of the establishment does not have access to the gratuity), the gratuity received is not subject to taxation under the ZDoh‑2 (nor is it subject to taxation under the ZDDPO-2 nor ZDDV‑1), but is instead subject to taxation under the Inheritance and Gift Tax Act [(ZDDD)](http://pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4705).

However, where the owner of a catering/hospitality establishment requires all gratuities to be deposited in a specifically designated place and then distributed between waiting staff, cooks or other employees at the end of the day, week or month, the gratuities received represent an income of the legal entity or natural person that is pursuing the catering/hospitality activity, or of another entity pursuing the activity, and is treated in accordance with the Corporate Income Tax Act or the Personal Income Tax Act. In this case, the gratuity is also subject to VAT. If this gratuity is then received by the member of waiting staff or other employee of the above-mentioned persons/entities, it represents an income of the person receiving the gratuity and is taxable under the [ZDoh‑2](http://pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697).

In addition to the catering/hospitality industry, the above explanation also applies to gratuities in other activities in which customers offer them. However, it does not apply to gratuities regulated by special regulations, such as the Gaming Act (ZIS).

3.0 TAX BASE OF INCOME FROM EMPLOYMENT

The tax base of income from employment is the income received, including benefits (bonuses) and the reimbursement of expenses (during work, which count towards the tax base), reduced by the compulsory social security contributions that an employee is obliged to pay in accordance with special regulations (Article 41(1) of the [Personal Income Tax Act (ZDoh‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697).

3.1 Income from employment that does not count towards the tax base

The tax base does not include income from employment as defined in Article 44 of the [Personal Income Tax Act (ZDoh‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697), i.e.:

* compulsory **social security contributions** that the employer is obliged to pay under special regulations;
* voluntary supplementary pension and disability insurance **premiums** paid on behalf of an employee/insured person by the employer to a pension scheme provider established in Slovenia or in another Member State under a pension scheme approved and entered in the special register in accordance with the regulations governing voluntary supplementary pension and disability insurance, up to a maximum amount equal to 24% of the compulsory pension and disability insurance contributions for an employee/insured person and not exceeding EUR 2 903.66 a year (the amount applies from 1 January 2022 onwards). The amount of the premium that does not count towards the tax base is adjusted in accordance with Article 118 of the ZDoh‑2 (for individual years they are published together with the income tax scale and other allowances [on the FURS](https://www.fu.gov.si/davki_in_druge_dajatve/podrocja/dohodnina/letna_odmera_dohodnine/#c4618) website);
* the **reimbursement of work-related expenses**, such as meals while at work, travel costs to and from work and field allowances, under the conditions and up to amounts set by the government, and a separation allowance up to an amount set by the government;
* the **reimbursement of expenses** incurred in connection with business travel (under the conditions and up to amounts set by the government), such as:
	+ per diems,
	+ the reimbursement of travel costs, including the reimbursement of the expenses of using an employee’s car for business purposes (mileage);
	+ the reimbursement of overnight accommodation expenses;
* the **reimbursement of the cost** to the employee of the premiums paid for individual medical insurance with medical assistance abroad, in the case of insurance valid in all countries of the world, on condition that the taking out of this insurance is linked to the performance of duties on a business trip abroad or a temporary posting abroad, and such insurance is available to all employees and covers only emergency assistance, transport and services;
* the **reimbursement of meal, travel and overnight accommodation expenses in connection with a temporary posting abroad.** A detailed explanation of the tax treatment of reimbursements of expenses for workers posted abroad, effective since 1  January 2018, is published on the website in the [explanatory note](http://www.fu.gov.si/davki_in_druge_dajatve/podrocja/dohodnina/dohodnina_dohodek_iz_zaposlitve/) Tax treatment of income of workers posted abroad.
* the value of **uniforms** and personal protective equipment, including the costs of maintaining them, provided that they are required under specific regulations;
* **compensation for the use** of own tools, appliances and items (other than private cars) necessary for the performance of the work at the place of work, provided that they are determined by specific regulations or by a collective agreement or a by-law of the employer to be means that are specific, necessary and customary for the performance of the work in question, and provided that the employer has determined the allowance by calculating the real costs, and that it therefore represents a justified and reasonable amount – up to 2% of the employee’s monthly salary, but not more than 2% of the average monthly wage of employees in Slovenia;
* a long-service award for cumulative length of service or for cumulative length of service with the last employer, severance pay at retirement and one-off solidarity assistance up to an amount fixed by the government;
* payments to apprentices, school pupils and students for compulsory practical work, up to a limit set by the government;
* **redundancy pay** on account of the termination of an employment contract, which is determined as a right under an employment relationship and paid under the conditions laid down by the [Employment Relationships Act (ZDR‑1)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5944) and other laws (e.g. the Defence Act), in the amount of the redundancy pay provided for the termination of an employment contract on business grounds or grounds of incompetence, or for grounds comparable to business grounds or grounds of incompetence, which the employer is obliged to pay on the basis of these laws, but up to a maximum of ten average monthly wages of employees in Slovenia. However, redundancy pay provided as a result of the termination of any subsequent employment contract with the same employer or with a person who is related to the employer, and redundancy pay provided to an employee who is a related person of the employer, is not excluded from the tax base;
* **compensation for the use of** own resources for work from home, in accordance with regulations governing employment relationships, provided that they are determined by specific regulations or by a collective agreement or an ~~internal~~ general act of the employer, ~~to be means that are specific, necessary and customary for the performance of the work in question, and provided that the employer has determined the allowance by calculating the real costs, and that it therefore represents a justified and reasonable amount – up to 5% of the employee’s monthly salary, but not more than 5% of the average monthly wage of employees in Slovenia~~ up to 0.20% of the last known average annual wage of employees in Slovenia, converted to a monthly sum, for every day of work from home;
* **redundancy pay** on account of the termination of a fixed-term employment contract, which is determined as a right under an employment relationship and paid under the conditions laid down by the [ZDR‑1](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5944) or other laws in the amount of the redundancy pay that the employer is required to pay pursuant to those laws, but not exceeding three average monthly wages of employees in Slovenia. Redundancy pay provided as a result of the termination of any subsequent employment contract with the same employer or with a person who is related to the employer, and redundancy pay provided to an employee who is a related person of the employer, is not excluded from the tax base;
* an **annual leave allowance** determined as a right under an employment relationship in accordance with the law, up to 100% of the average monthly wage of employees in Slovenia. A detailed explanation concerning the annual leave allowance is published on the [FURS](http://www.fu.gov.si/davki_in_druge_dajatve/podrocja/dohodnina/dohodnina_dohodek_iz_zaposlitve/) website.

If an employer pays reimbursements of work-related expenses, reimbursements of business travel expenses, long-service awards and one-off solidarity assistance in excess of the amount laid down for those reimbursements and income by the [Decree on the tax treatment of reimbursements of expenses and other income from employment](http://www.pisrs.si/Pis.web/pregledPredpisa?id=URED4359), the amount of each reimbursement or income that exceeds the amount laid down in that decree count towards the tax base of the income from employment. When determining the amount of the average monthly or annual wage of employees in Slovenia, the most recent data from the Statistical Office of the Republic of Slovenia is taken into account.

A detailed explanation regarding the [reimbursement of expenses](http://www.fu.gov.si/fileadmin/Internet/Davki_in_druge_dajatve/Podrocja/Dohodnina/Dohodek_iz_zaposlitve/Opis/Podrobnejsi_opis_2_izdaja_Povracila_stroskov_in_drugi_dohodki_iz_delovnega_razmerja.pdf) and other income from employment is published on the [FURS](https://www.fu.gov.si/davki_in_druge_dajatve/podrocja/dohodnina/dohodnina_dohodek_iz_zaposlitve/#c4620) website.

Question 7: Tax treatment of supplementary collective insurance contributions

Under the provisions of Article 44 of the [ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?sop=2006-01-5013), voluntary supplementary pension and disability insurance premiums paid on behalf of an employee by the employer to a pension scheme provider established in Slovenia or in another Member State under a pension scheme approved and entered in the special register in accordance with the regulations governing voluntary supplementary pension and disability insurance does not count towards the tax base on income from employment, up to a maximum amount equal to 24% of the compulsory pension and disability insurance contributions for an employee and not exceeding EUR 2 903.66 a year (amount for 2022 and 2023).

Collective insurance contributions are regulated by Article 241 [of the Pension and Disability Insurance Act (ZPIZ‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280), which provides that a collective insurance contribution is a sum of money paid for the benefit of a member by the employer that employs the member or by a legal entity or public authority with which the member performs a particular function in a professional capacity (hereinafter: employer), in the manner and under the conditions laid down in the act and charged to the employer.

A worker may also contribute to the collective scheme in agreement with the employer, but the worker and the employer may not enter into an agreement whereby the amount of contributions to the supplementary pension insurance scheme is deducted from the worker’s gross (pre-tax) salary. This is because an employee can only make contributions to the supplementary insurance scheme from their after-tax income (net salary), as only they are permitted to dispose of this salary.

In addition to the above, the Employment Relationships Act ([ZDR‑1](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5944)) provides that a salary consists of basic pay, performance-related pay and supplementary payments, and must always be paid in monetary form. Taking this and the definition of the salary components into account in the [ZDR‑1](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5944), contributions to a supplementary pension insurance scheme cannot be defined as a salary component.

The funds paid into a collective insurance scheme by an insured person themselves is treated in the same way as the funds paid into an individual insurance scheme by the insured person. The provider maintains these funds separately from the funds paid by the employer. An employee is entitled, on an annual basis, on the basis of the premiums paid and within the limits set out in Article 117 of the [ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?sop=2006-01-5013), to an allowance for voluntary supplementary pension insurance.

Alternatively, an employer and employee may enter into a special agreement to reduce the gross salary and the employer undertakes to pay the agreed amount into a supplementary collective pension scheme, provided that the agreement is concluded before the employee’s gross salary is agreed, which means that the employer and the employee agree, at the time the employment contract is concluded or amended, on a salary that is lower as a result of contributions to the supplementary collective pension scheme. When concluding this agreement, it must be borne in mind that if an agreement is reached to reduce the gross wage, the employee’s wage must not be reduced below the minimum wage or the wage set by the collective agreement. An agreement between a worker and employer on the level of remuneration in relation to contributions to a collective insurance scheme is only possible above the minimum amount laid down by law or a collective agreement.

In this case the contributions are deemed to have been paid in full by the employer. Tax allowances for such contributions may be claimed only by the employer and not by the employee who has agreed to a reduction in their gross wage in exchange for contributions to a supplementary insurance scheme.

3.1.1 Performance-related pay

A detailed explanation on the tax treatment of performance-related pay is available on the [FURS](https://www.fu.gov.si/davki_in_druge_dajatve/podrocja/dohodnina/dohodnina_dohodek_iz_zaposlitve/#c4620) website.

3.2 Special tax base for civil servants posted abroad, seafarers and pension annuity recipients

The special tax base is defined in Article 42 [of the Income Tax Act (ZDoh‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697), as follows:

* only the income or parts of the income from employment that correspond, in content and scope, to the income from employment that they would have received for the same work in Slovenia count towards the tax base for the income from employment of a civil servant and public official posted to work abroad;
* 50% of the taxable person’s income counts towards in the tax base in respect of work performed on a long-distance merchant ship sailing on the high seas if the employment contract provides that the person is to be on board the ship for a period of at least six months or is absent from Slovenia for at least six months during the tax year as a result of such employment;
* 50% of the income count towards the tax base from the pension annuity as assessed in accordance with the law governing pension and disability insurance, under the voluntary pension insurance scheme and from a comparable pension annuity received from abroad.

The special tax base for civil servants means that the tax base from the income from employment of such employees does not include that part of the income from employment that they receive solely as a result of the posting abroad, including allowances and bonuses connected with the posting abroad and to which civil servants posted abroad are entitled under other regulations.

The salaries and allowances of civil servants working abroad are set out in more detail in the [Decree on the salaries and other receipts of civil servants for work abroad](http://www.pisrs.si/Pis.web/pregledPredpisa?id=URED5028). Under Article 4 of this decree, a civil servant receives a salary for working abroad for the duration of the assignment to work abroad. Under Article 5(2), the salary for work in Slovenia is the salary that the civil servant would have received had they been working in Slovenia, and changes if the civil servant is promoted. The salary for work in Slovenia is the basis for the calculation of contributions, taxes and other charges and liabilities charged against salaries during work abroad.

Under Article 42 of the [ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697), the payment of a part of the salary in the form of performance-related pay for an increased volume of work or performance-related pay in the form of market stimulation received by a civil servant posted abroad for the purpose of carrying out work abroad does not count towards the tax base on income from employment.

3.3. Special tax base for workers posted to carry out transnational work

Article 45a has been added to the ZDoh‑2S (an amending act, UL RS, No 69/17), and provides that, as from 1  January 2018, a special tax base is established for income from an employment relationship earned by a worker in the context of a transnational posting. A detailed explanation of the special tax base for transnational postings can be found on the FURS website in the detailed description [Tax treatment of income of workers posted abroad](https://www.fu.gov.si/davki_in_druge_dajatve/podrocja/dohodnina/dohodnina_dohodek_iz_zaposlitve/#c4620).

4.0 INCOME TAX PREPAYMENT ON INCOME FROM EMPLOYMENT

The calculation and payment of the prepayment of income tax on income from employment is laid down in Article 127 [of the Personal Income Tax Act (ZDoh‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697), i.e. the prepayment of income tax on income from employment is calculated on the basis of the tax bases set out in Chapter 3 of this document, whereby the calculation of the prepayment of income tax depends on whether the payer of tax is considered to be the principal employer or not.

The **principal employer** is deemed to be the employer that pays the bulk of a worker’s income from employment. It follows from the purpose of the provision that the determination or delimitation of the principal/non-principal employer must be applied to cases in which taxable person derives income from employment with several employers within a period of one calendar month. For the purposes of determining the principal employer, the concept of employer set out in Article 35(4) of the [ZDoh-2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697) should be limited to a person that regularly pays income from employment, as Article 127(3) of this act can be applied only to such income.

If a taxable person earns income from an employment relationship with only one employer, only that employer can be the principal employer. If a taxable person earns income from two or more employers but only one of them pays income on the basis of a long-term relationship (i.e. where there are no one-off, extraordinary payments of income from employment), both the linguistic interpretation and the interpretation of the purpose of the provision of Article 127(2) of [ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697) should be applied. An employer that pays income from employment on the basis of a long-term relationship (full-time employer) must be provided with legal certainty when fulfilling its legal obligations. For example, a person that pays income from employment on the basis of a court order is not deemed to be the principal employer even if they pay the bulk of that income to the employee in that month, provided that the employee earns income from employment continuously from another (principal or full-time) employer on the basis of a longer-term relationship.

When paying the tax, the payer of tax must comply with the legal provisions on the calculation and payment of the income tax prepayment. The applicable legislation does not allow the taxable person to decide or choose at what rate the income tax prepayment is calculated on the income paid, even if it is more favourable for them.

A provision was added to Article 127(2) of the ZDoh‑2V (an amending act, UL RS, No 66/2019), effective from 1  January 2020, requiring the employer, as the payer of tax, to ask the taxable person/employee to specify whether or not they are the principal employer. The principal employer is the employer with which the taxable person earns the bulk of their income from employment (whether full-time, part-time or supplementary). The law also imposes an obligation on the taxable person to inform the employer of any change to this status.

The rule that payers of tax calculate the income tax prepayment on income from employment in two ways, either as the principal employer (at the income tax rates and scales provided for in Article 127(2) of the ZDoh‑2) or as the employer with whom the taxable person does not earn the majority of their income (at a rate of 25% as provided for in Article 127(6) of the ZDoh‑2), aims to achieve as much consistency as possible between the income tax prepayment calculated and deducted during the year and the income tax assessed on an annual basis. However, a prerequisite for the correct calculation and withholding of an income tax prepayment is that the employer knows whether or not it is the taxable person’s principal employer, i.e. whether or not the taxable person earns a substantial part of their income from it. To this end, Article 127(2) of the ZDoh‑2 has been amended to require the employer/payer of tax to ask the taxable person to identify their status in terms of who their principal employer is. In order to enable the income tax prepayment to be calculated correctly, it is essential that the employer knows this status, which can only be correctly determined with the taxable person’s help; the taxable person is therefore required to inform the employer of this status. This also provides greater legal certainty or clarity in resolving disputes over whether the income tax prepayment has been calculated correctly.

4.1 Income tax prepayment calculation – principal employer

When calculating the income tax on monthly income from employment, the tax base is reduced by the employee’s compulsory contributions (at a rate of 22.1%), the general allowance and any other allowances claimed by the taxable person (such as the dependent family member/child allowance). The principal employer calculates the income tax prepayment by applying the income tax rates and scale referred to in Article 122 of the [Personal Income Tax Act (ZDoh‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697) to the income, calculated on a monthly basis. In the calculation of the income tax prepayment on income from employment received by a resident, one-twelfth of the amount of the allowances set out in the [ZDoh-2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697) is also taken into account.

The general allowance is granted to every resident. The general allowance increases in inverse proportion to the amount of income from employment.

Under the ZDoh‑2AA (an amending act, UL RS, No 158/22), which has been effective since 1  January 2023, the general allowance granted to each resident is EUR 5 000 per year. Taxable persons receiving a total income of up to EUR 16 000 are entitled to an additional general allowance that varies linearly depending on the amount of the total income. The additional general allowance is determined using the following equation: EUR 18 761.40 - 1.17259 x total income.

|  |  |
| --- | --- |
| **If the total income in EUR amounts to** | **The general allowance in EUR amounts to** |
| **Over** | **Up to** |   |
|   | 16 000 |  5 000 + (18 761.40 - 1.17259 x total income) |
| 16 000 |   | 5 000 |

In the calculation of the monthly income tax prepayment on the income from employment with the principal employer, the following general allowance is taken into account:

|  |  |
| --- | --- |
| **If the gross income from employment in EUR per month amounts to** | **The general allowance in EUR amounts to** |
| **Over** | **Up to** |   |
|   | 1 333.33 | 416.67 + (1 563.45 - 1.17259 x total income) |
| 1 333.33 |   | 416.67  |

The assessment scale for income tax and allowances applicable to individual assessment years is published on the [FURS](https://www.fu.gov.si/davki_in_druge_dajatve/podrocja/dohodnina/letna_odmera_dohodnine/#c4618) website.

If the employee does not want the increased general allowance to be taken into account in the calculation of the income tax prepayment (because they estimate that they will otherwise have to pay an annual income tax surcharge), they inform their employer and their tax base is reduced by the amount of the general allowance.

In addition to the general allowance, a resident may be entitled to a personal allowance (for a disabled person with a 100% physical impairment, for a taxable person over the age of 70 and for a taxable person who has been carrying out voluntary and non-professional operational tasks of protection and rescue for at least ten years) and a special personal allowance for dependants. A taxable person who wishes to have a special allowance for a dependent family member taken into account in the calculation of the income tax prepayment (example of a notification on the [eDavki](https://edavki.durs.si/EdavkiPortal/OpenPortal/CommonPages/Opdynp/PageD.aspx?category=uveljavljanje_olajsave_vdc_pri_akontaciji_dohodnine_preb) system) or an allowance for performing operational protection and rescue tasks for at least ten years (example of a notification on the [eDavki](https://edavki.durs.si/EdavkiPortal/OpenPortal/CommonPages/Opdynp/PageD.aspx?category=uveljavljanje_olajsave_zrp_preb) system) will inform their employer of this wish. A taxable person may claim the dependants’ allowance on the annual return regardless of whether they have claimed it during the year.

The ZDoh‑2AA (an amending act) provides that a resident who receives an income from employment may, up to the age of 29, including the year in which they reach the age of 29, be granted a reduction in the tax base on income from employment of EUR 1 300 per year. The allowance is granted on an annual basis, in proportion to the number of months of employment in the tax year and taking each full month of employment into account. Article 113(6) of the ZDoh‑2 sets out the new allowance for young people. The allowances to be recognised in the calculation of the income tax prepayment on income from employment are set out in Article 127(3) of the ZDoh‑2. The provision of Article 127(3) of the ZDoh‑2 lists the following allowances under Article 111(1), Article 112(1), Article 112(8) and Article 114 of the act (+/12 of the amount of the allowance determined by applying the formula under Article 111(3) of the act, taking into account the income under the second paragraph of that article paid by the principal employer, annualised, provided that this income does not exceed 1/12 of the income under Article 111(3) of the act).

In view of the above, the allowance for young people is not taken into account in the calculation of the income tax prepayment.

If the income from employment relating to a monthly period is paid in several instalments, the amount of the monthly income from employment is determined when the last instalment is paid, the income tax prepayment is calculated, and the income tax prepayment already paid on the individual instalments is adjusted.

If income from employment that count towards the tax base is paid for several months together (for example, an annual leave allowance), the income tax prepayment is calculated on the total payment of that income at the average income tax rate on the one-month income. To determine **the income tax rate** on one-month income, income received that relates to several months is divided into as many equal parts as the number of months to which it relates, but not more than 12 months.

4.2 Income tax prepayment calculation – other employer

If the employer is not the employee’s principal employer, the income tax prepayment on income from employment is calculated at the rate of 25%, excluding any allowances. Under Article 282 of the [Tax Procedure Act (ZDavP‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4703), the other employer does not withhold or pay income tax on the income of a resident on which an income tax prepayment is payable by way of withholding tax if the calculated amount of the income tax prepayment does not exceed EUR 20. A taxable person (income recipient) who does not wish to have the above-mentioned withholding tax exemption taken into account in the calculation of the income tax prepayment on income from employment earned with another employer will inform that employer.

Question 8: Change in the percentage of the income tax prepayment when income is paid

When paying the tax, the payer of tax must comply with the legal provisions on the calculation and payment of the income tax prepayment.

The applicable legislation does not allow the income recipient to decide or choose at what rate the income tax prepayment on the income paid is calculated. Article 127 of the [ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?sop=2006-01-5013) lays down the calculation of the income tax prepayment on income from employment.

In the calculation of the income tax prepayment on the monthly income from employment, the tax base is reduced by the compulsory contributions (at the rate of 22.1%), the general allowance and any other allowances claimed by the taxable person (such as the allowance for a dependent family member/child). The general allowance due to each taxable person increases in inverse proportion to the amount of income from employment. This ensures that low-income taxable persons do not pay excessive amounts of income tax during the year, but that the income tax prepayment is as close as possible to the annual income tax assessment. If the employee does not want the increased general allowance to be taken into account in the calculation of the income tax prepayment (because they estimate that they will otherwise have to pay an annual income tax surcharge), they inform their employer and their tax base is reduced by the amount of the general allowance.

It is also up to the income recipient to decide whether the allowance for a dependent family member is taken into account in the calculation of the income tax prepayment, and to inform the employer. This decision also affects the amount of the income tax prepayment on each item of income from employment.

4.3 Averaging

Averaging under Article 120 [of the Personal Income Tax Act (ZDoh‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697) applies to income from employment paid for previous years on the basis of a judicial decision. Income tax is levied on the net annual tax base, which also includes income from the preceding years, of a taxable person who has received income from employment on the basis of a judicial decision for the preceding year or several preceding years, at the taxable person’s specially calculated average individual rate. It is important to distinguish between averaging and calculating the income tax prepayment at the average rate.

The provisions concerning averaging contained in Article 120(1) of the [ZDoh-2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697) also apply to the income from employment paid to the taxable person for the previous year or several preceding years as a claim established by a decision confirming compulsory settlement. In the case of an out-of-court settlement, it depends on whether it regulates the right to payment to the extent guaranteed by the judicial decision:

* if an out-of-court settlement is designed to enforce a judicial decision and regulates the right to payment to the extent provided to the claimant by the judicial decision, payments under the out-of-court settlement are deemed to be payments based on a judicial decision from which income tax is assessed on the basis of a specifically calculated average rate in accordance with Article 120(1) of the [ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697);
* however, if the out-of-court settlement provides for the right to a higher payment than the payment to which the claimant is entitled under the judicial decision, only the amount up to the amount also provided to the claimant by the judicial decision is deemed to be a payment under the judicial decision as far as the application of Article 120 of the [ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697) is concerned. Upon payment, the income tax prepayment is calculated at the average rate determined in accordance with Article 127(5) of the [ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697).

The provision of Article 120 of the ZDoh‑2 only applies to income from employment paid on the basis of a judicial decision or out-of-court settlement (for the enforcement of a judicial decision) for previous years. It does not apply to income from employment not paid on the basis of a judicial decision, even if it relates to previous years, nor to income relating to the current year, even if it is paid pursuant to a judicial decision.

5.0 SOCIAL SECURITY CONTRIBUTIONS

The calculation, payment and contribution rates for compulsory pension and disability insurance, compulsory health insurance, parental care insurance and employment insurance are determined by the following laws:

* the [Social Security Contributions Act (ZPSV)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO984);
* the [Pension and Disability Insurance Act (ZPIZ‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280);
* the [Healthcare and Health Insurance Act (ZZVZZ)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO213);
* the [Parental Protection and Family Benefits Act (ZSDP‑1)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6688);
* the [Labour Market Regulation Act (ZUTD)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5840).

The obligation to register an employee for compulsory social insurance is imposed on Slovenian employers by Article 11 of the [Employment Relationships Act (ZDR‑1)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5944).

5.1 Persons required to pay contributions

As a general rule, workers are required to pay the contributions of an insured person/worker in employment themselves, while employers are required to pay the employer contributions.

Slovenia has a gross income system, which means that the income recipient has the right to income before paying taxes and contributions, which are deducted from and paid out of that income in the form of withholding tax. However, the law imposes an obligation on part of the payer of the income not to pay the income due to the recipient in the full (gross) amount, but to reduce the income by the statutory amount of tax and contributions and to pay it on behalf and for the account of the recipient. The income recipient thus receives the income directly (or has it paid into their account), less the amount of tax and contributions.

Compulsory social security contributions determined by the laws governing pension and disability insurance, healthcare and health insurance, parental care and family benefits, and employment insurance (hereinafter: contributions) are calculated by the persons responsible for the contributions in the calculation of the social security contributions. The calculation of social security contributions is made by the employer in the withholding tax return. The employer therefore calculates, deducts and pays the social security contributions for which the worker is liable.

5.2 Basis for the payment of contributions

The basis for the payment of contributions for insured persons/workers in an employment relationship is the salary or salary allowance and all other employment-related benefits, including bonuses and reimbursements of work-related expenses paid in cash, vouchers or in kind (Article 144(1) of the [Pension and Disability Insurance Act (ZPIZ‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280))).

For certain income from employment, the bases on which social security contributions are payable are specifically defined (Article 144(3) of the [ZPIZ‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280)), namely:

* in the case of long-service awards, severance pay at retirement, solidarity assistance, reimbursements of expenses, bonus payments and redundancy pay following termination of an employment contract, social security contributions are payable on the income from which the income tax is payable in accordance with the law governing personal income tax;
* in the case of compensation for the use of own resources for work at home and compensation for use of own tools, devices and items (except private cars) needed for work at the place of work, social security contributions are payable on the income from which income tax is paid under the law governing personal income tax;
* in the case of the amounts of the supplementary insurance premium paid by the employer for the benefit of the worker pursuant to Article 241 of the [ZPIZ‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280), social security contributions are payable on the income from which income tax is paid under the law governing personal income tax;
* for **annual leave allowances**, social security contributions are payable on that part of the income that exceeds 100% of the average wage of employees in Slovenia in the month before last. If the annual leave allowance is paid in two or more tranches, the total amount of the allowance is determined and the contributions from the individual tranches of the annual leave allowance calculated upon payment of the next or final tranche of the allowance.

The bases for pension and disability insurance contributions set out in Article 144 of the [ZPIZ‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280) are also taken into account as the bases for health insurance contributions (in accordance with Article 50 [of the Healthcare and Health Insurance Act (ZZVZZ))](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO213), as the bases for the payment of parental care contributions (in accordance with Article 10 [of the Parental Care and Family Benefits Act (ZSDP‑1))](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6688) and as the bases for the payment of employment contributions (in accordance with Article 135 [of the Labour Market Regulation Act (ZUTD))](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5840).

Article 144(1) of the [ZPIZ‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280) sets out the general basis, while the remaining paragraphs of the article provide for exceptions to the general basis. The basis set out in Article 144(1) of the [ZPIZ‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280) and the exceptions set out in the remaining paragraphs of that article are not explicitly linked to the basis laid down in the Personal Income Tax Act ([ZDoh‑2](https://www.google.si/search?hl=sl&source=hp&q=zdoh-2+pisrs&gbv=2&oq=zdoh-2+&gs_l=heirloom-hp.1.0.0l7.1234.3750.0.5219.9.7.1.1.1.0.109.672.6j1.7.0.msedr...0...1ac.1.34.heirloom-hp..0.9.688.ctpkkWEm6E8&gws_rd=ssl)) for income tax or to the substantive definition of income from employment under the ZDoh‑2. Exceptions (certain benefits, reimbursements of expenses and bonuses) defined by direct reference to the ZDoh‑2 are set out in the first, second and fourth indents of Article 144(3) of the [ZPIZ‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280).

Question 9: Calculation of contributions on the value of uniforms and personal protective equipment

The basis for the payment of pension and disability insurance contributions (which also applies to other contributions) is broadly laid down in Article 144(1) of the [ZPIZ‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280), while the remaining paragraphs of that article provide for exceptions to the generally determined basis. The basis laid down in Article 144(1) of the [ZPIZ‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280) and the exceptions laid down in the remaining paragraphs of that article are not explicitly linked to the basis laid down in the Personal Income Tax Act ([ZDoh‑2](https://www.google.si/search?hl=sl&source=hp&q=zdoh-2+pisrs&gbv=2&oq=zdoh-2+&gs_l=heirloom-hp.1.0.0l7.1234.3750.0.5219.9.7.1.1.1.0.109.672.6j1.7.0.msedr...0...1ac.1.34.heirloom-hp..0.9.688.ctpkkWEm6E8&gws_rd=ssl)) for income tax or to the substantive definition of income from employment under the ZDoh‑2.

Uniforms that are necessary and required for work and that must be provided by the employer in accordance with specific regulations are **not** considered as other remuneration from the employment relationship on which contributions are calculated and paid under Article 144(1) of the [ZPIZ‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280). Personal protective equipment, which is defined by special regulations, is equipment necessary and indispensable for work (similar to working equipment such as a machine, a computer, a telephone, etc.). These resources must be provided by the employer under special regulations to enable the employee to do their job.

A uniform is standardised clothing specific to a particular occupation and worn during the course of the performance of the occupation. A uniform is used for official purposes because of its characteristics (standardisation and special markings). When these conditions are met, they are work resources that are not intended for private but for professional use. They are therefore not deemed to be another employment-based benefit. The assessment is carried out on the basis of the circumstances and facts of each case.

Uniforms and personal protective equipment necessary for work are also not subject to income tax under the [ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697), and are not deemed to be remuneration from employment on which compulsory contributions are payable.

5.2.1 Minimum basis for the calculation of contributions

The minimum basis for the calculation of employee contributions is, under Article 144(4) [of the Pension and Disability Insurance Act (ZPIZ‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280), 60% of the last known average annual wage of employees in Slovenia, converted to a monthly sum (hereafter: average salary). If the salary or salary allowance paid is less than the minimum basis, all contributions are calculated and paid on the difference up to the minimum basis.

The position of the Ministry of Labour, Family, Social Affairs and Equal Opportunities is that the average wage of the year before last is to be used to calculate the minimum basis for persons insured under an employment relationship for all payments between 1  January and 28  February, and the average wage of the previous year to be used as the minimum basis for persons insured under an employment relationship for all payments from 1  March onwards.

The persons required to pay contributions on the difference between the minimum basis and the salary or salary allowance are employees and employers, except for pension and disability insurance contributions and health insurance contributions, where employers are also required to pay the insured person's contributions (Article 152 of the [ZPIZ‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280) and Article 50 [of the Healthcare and Health Insurance Act (ZZVZZ))](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO213).

If the health insurance contribution and the pension and disability insurance contribution are paid on the minimum contribution basis as defined by the [ZPIZ‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280), the employer is liable for the insured person’s health insurance contribution on the difference between the minimum contribution basis and the salary or salary allowance, and the insured person is liable for the part of the contribution that falls on the salary or salary allowance.

The provision of Article 144 of the [**ZPIZ‑2**](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280) concerning the minimum basis for the calculation of contributions refers to the salaries and all salary allowances, and is also applied when paying the furlough allowance under Article 138 of the [Employment Relationships Act – **ZDR‑1**](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5944). If an employer is unable to provide work to a worker temporarily, but for a period not exceeding six months in one calendar year, the employer may, with the aim of preserving employment, lay the worker off by written notice. According to Article 138(2) of the [**ZDR‑1**](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5944), in the event of furlough the worker is entitled to a salary allowance equal to 80 per cent of the basis referred to in Article 137(7) of the [**ZDR‑1**](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5944).

In view of the above, when a salary allowance is paid under Article 138 of the [**ZDR‑1**](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5944), contributions must be calculated and paid, in accordance with the provisions of Article 144 of the [**ZPIZ‑2**](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280), on the amount of the allowance paid or, if the amount of the allowance paid does not reach the amount of the minimum contribution basis, on the minimum contribution basis.

5.3. Calculation of contributions on the basis of judicial proceedings

For insured persons insured on the basis of an employment relationship, the basis for the calculation and payment of contributions is laid down in Article 144 of the [Pension and Disability Insurance Act [(ZPIZ‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280).

The Financial Administration of the Republic of Slovenia is responsible for collecting social security contributions, with payers being linked to data on the social security coverage of individuals provided by the competent institutions. The calculation and payment of contributions must be based on a formal legal relationship on the basis of which the individual is included in the social security scheme, and only those incomes that are directly linked to that formal legal relationship are included in the basis for the payment of contributions. This means that if the individual is insured on the basis of an employment relationship, the basis for calculating the contributions includes the salary, salary allowances and other employment-related benefits. However, if the individual is not covered by an employment relationship with the payer during the relevant period (e.g. they work under another legal relationship or are covered by insurance as a self-employed person), no contributions are calculated and paid under Article 144 of the ZPIZ‑2 on the income relating to the period during which they were not covered by an employment relationship with the payer.

With regard to the establishment of the characteristics of retroactive insurance, we summarise the explanation provided by the Pension and Disability Insurance Institute (ZPIZ) below. In cases where a court judgment, court settlement or mediation process establishes the existence of an employment relationship retrospectively or for a closed period, the insured person or employer is instructed by the court to file a Request for Establishment of the Insured Person’s Insured Relationship or Insured Person’s Particulars with the ZPIZ, which issues a decision in the process of establishing the insured person’s insured relationship or particulars.

The ZPIZ decides on the request in accordance with the provisions of the Register of Insured Persons and those Entitled to Pension and Disability Benefits Act [(ZMEPIZ‑1)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6784), Article 83(1) of which provides that, in cases where the existence of an employment relationship has been established by a final judgment, court settlement or mediation procedure, the insured person’s status is acquired on that basis for the periods during which they were not covered by compulsory insurance. Under the same article, in the event of an enforced judgment or court settlement regarding the payment of contributions, the insured person’s status is also established for periods during which the insured person was voluntarily covered by compulsory insurance or was compulsorily insured as a person entitled to temporary incapacity for work benefits following the termination of their employment relationship, in accordance with the regulations governing health insurance (Article 83(2) of ZMEPIZ‑1).

If the employment relationship has also been established on the basis of a judgment, court settlement or mediation for periods when the insured person was covered by compulsory insurance on the basis of the receipt of unemployment benefit (insurance basis 028) or was covered by insurance as a beneficiary of the PIZ contributions from the Employment Service of Slovenia, the ZPIZ issues a decision, after prior coordination with the Employment Service, in order to establish the insurance relationship or the insured person’s status.

However, for all other periods of insurance in which the insured person was covered by compulsory insurance on other bases and the employment relationship was recognised for these periods after the judgment, the insured person’s insurance relationship or status are not established under Article 83 of the ZMEPIZ‑1.

The key **condition for incurring the obligation to calculate and pay contributions is, in addition to the insured person’s status, the individual payment or receipt of income from which contributions are paid.** Pursuant to the regulations on contributions, the obligation to calculate and pay contributions for insured persons employed by an employer established in Slovenia is linked to the actual income payment and is imposed on the employer. In addition, the current social security insurance system in Slovenia does not allow an insured person to decide freely on the amount of contributions they will pay.

Slovenia has a gross income system, which means that the income recipient has the right to income before paying taxes and contributions, which are deducted from and paid out of that income in the form of withholding tax. However, the law provides the basis and imposes an obligation on part of the payer of the income not to pay the income in the full (gross) amount, but to reduce the income by the statutory amount of tax and contributions and to pay it on behalf and for the account of the recipient. The recipient therefore receives the income (can dispose of it or have it paid for their account), less the amount of tax and contributions provided for by law.

This means that the recipient is entitled to the full amount of the income, but in reality only disposes of the income less tax and contributions (net). In view of the above, the contributions cannot be considered as an independent obligation of an employer towards an employee. An employer is obliged to provide an employee with the agreed amount of gross income and, depending on this, to pay the employee’s contributions and income tax on the employee's behalf and for the employee’s account (charged against the gross income). They are also obliged to pay the employer contributions. With due regard to the above, **cases of court settlements in which the payment of social security contributions is agreed without a net payment of income** (or only a partial payment) can only be dealt with on the basis of a presumption that the employee has waived the actual payment of the net wage in the court settlement, and the gross wage has actually been received or made available, since the employee, by accepting the decision in the court settlement regarding the net wage, has actually disposed of the net wage as part of the gross wage. An obligation to calculate, withhold and pay the employee and employer contributions, as well as the income tax prepayment and return, arises on this basis.

Question 10: Examples of contribution calculations based on a Labour and Social Court judgment

**Example 1**: In accordance with a court judgment, the employer arranged for the worker to be covered by insurance at the ZPIZ on the basis of the employment relationship, and calculated and paid their wages retroactively. The employer calculates and pays the salary in accordance with the judgment, and also calculates and withholds the income tax prepayment and contributions, which are shown in the withholding tax return (hereinafter: REK form), in which they also calculate the contributions under Article 352(2) and (3) of the Tax Procedure Act [(ZDavP‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4703). A detailed explanation regarding the filing of REK forms is published on the [FURS](https://www.fu.gov.si/davki_in_druge_dajatve/podrocja/dohodnina/rek_obrazci/) website.

**Example 2**: In accordance with a court judgment, **the employer arranged for the worker to be covered by insurance at the ZPIZ on the basis of the employment relationship**, and calculated and paid their wages retroactively, taking into account the income already paid on the basis of another legal relationship.

Under Article 57 of the [ZDavP‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4703), a payer of income that is a payer of tax calculates the withholding tax on the REK form. In the case in question, the employer paid the income under another legal relationship, and filed the REK‑2 form (for payments from 1 January 2023, the REK-O form), and will have to take these earnings into account when paying the salary and reclassify them. The employer will also submit corrections to the originally submitted REK‑2 (REK‑O) forms for the reclassified income, with a reduction, in the manner described in Section 3.2 of the document [Detailed description of REK forms](https://www.fu.gov.si/davki_in_druge_dajatve/podrocja/dohodnina/rek_obrazci/) and the submission procedure, or for the REK‑O in section 3.5 of the detailed description [Withholding tax return REK-O form and the submission procedure via eDavki](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.fu.gov.si%2Ffileadmin%2FInternet%2FDavki_in_druge_dajatve%2FPodrocja%2FDohodnina%2FREK_obrazci%2FOpis%2FObracun_davcnega_odtegljaja_REK-O_obrazec_in_postopek_oddaje_prek_eDavkov.docx&wdOrigin=BROWSELINK). At the same time as the REK forms are corrected, the employer must provide evidence justifying the reduction of tax liabilities. In the case in question, since the individual will not repay the income paid (instead the income will be reclassified as a salary), the evidence may be a judicial or out-of-court settlement and an agreement with the taxable person on taking the amounts paid into account for the purposes of the salary payments.

At the same time, the employer will submit an REK‑1 to the tax authority for the wages paid (taking into account amounts received by the employee on the basis of another legal relationship), or for payments made from 1 January 2023 onwards an REK-O form, submitted by applying Article 54a of the ZDavP‑2, which entered into force on 1  July 2019. Instructions for submitting the REK‑O form in this case are published in Section 3.3 of the detailed description [Withholding tax return REK-O form and the submission procedure via eDavki](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.fu.gov.si%2Ffileadmin%2FInternet%2FDavki_in_druge_dajatve%2FPodrocja%2FDohodnina%2FREK_obrazci%2FOpis%2FObracun_davcnega_odtegljaja_REK-O_obrazec_in_postopek_oddaje_prek_eDavkov.docx&wdOrigin=BROWSELINK).

**Example 3**: In accordance with a court judgment, **the employer arranged for the worker to be covered by insurance at the ZPIZ on the basis of the employment relationship**, and calculated and paid their wages retroactively, taking into account the income already paid on the basis of the performance of student work.

As a general rule, a court or out-of-court settlement provides that the income already paid from the other contractual relationship is to be considered as income from employment; therefore, a natural person does not have to return the income received to the student service as the taxable person will take it into account for the net payment. However, there needs to be mutual cooperation and an agreement between the student service and the employer. In the case in question, the student service will have to submit to the tax authority a correction of the submitted REK‑2 or REK‑O forms (correction with reduction), and will be able to claim a refund of the overpaid taxes on the basis of the corrections.

However, the taxable person who is ordered by the judgment to enrol the person in insurance on the basis of an employment relationship (the employer) will deliver the REK‑1 or REK‑O forms for the payment of salaries respectively to the tax authority for the income from employment. In carrying out the net transfer of the income from employment to the natural person, the employer will also take into account the net income already received from the student employment service.

**Example 4**: According to a court ruling, the employer should have enrolled the employee in insurance on the basis of an employment relationship and should have retroactively calculated and paid their wages, but **the Pension and Disability Insurance Institute refused the request to establish insured person status on the basis of an employment relationship in accordance with the provision of Article 83 of the ZMEPIZ-1.**

The Financial Administration of the Republic of Slovenia is responsible for collecting contributions, with payers being linked to data on the social security coverage of individuals provided by the competent institutions. If, irrespective of a court decision, the ZPIZ issues a decision stating that the worker (claimant) does not meet the conditions for obtaining the status of an insured person under an employment relationship, there is no basis for paying contributions from income from employment for the period during which the person is not covered by insurance on the basis of an employment relationship with that undertaking. Regardless of the ZPIZ decision, the undertaking is obliged, pursuant to the judgment, to pay the income, submit a REK form for the income paid, and to calculate and pay the income tax prepayment.

5.4 Social security contribution rates

The rates for social security contributions to be calculated and paid on remuneration from an employment relationship are set out in Articles 8 to 14 of the [Social Security Contributions Act (ZPSV)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO984).

a) Contributions from employees (insured persons)

|  |  |
| --- | --- |
| Pension and disability insurance contribution | 15.50% |
| Compulsory health insurance contribution | 6.36% |
| Parental care contribution | 0.10% |
| Unemployment insurance contribution | 0.14% |
| **Total** | 22.10% |

b) Contributions from employers

|  |  |
| --- | --- |
| Pension and disability insurance contribution | 8.85% |
| Compulsory health insurance contribution | 6.56% |
| Contribution for insurance against injury at work and occupational disease | 0.53% |
| Parental care contribution | 0.10% |
| Unemployment insurance contribution | 0.06% |
| **Total** | 16.10% |

6.0 EXEMPTIONS AND PARTICULARITIES RELATING TO THE PAYMENT OF CONTRIBUTIONS

6.1 Disabled enterprises

Article 74(1) of the [Vocational Rehabilitation and Employment of Persons with Disabilities Act (ZZRZI)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO3841) provides for an exemption from the payment of contributions (except for the employment contribution) for disabled enterprises and employment centres. Disabled enterprises are companies with a workforce comprising at least 40% employees with disabilities. Pursuant to that provision, disabled enterprises are only exempt from the payment of social security contributions for those of its employees who have disabilities.

The [ZZRZI](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO3841) provides the following exceptions to which the exemption from the payment of contributions applies to all employees in a disabled enterprise (i.e. disabled and non-disabled workers):

* employment centres;
* disabled enterprises at which more than one third of the employees are not workers with a category II or category III disability or at which more than one third of the employees have disabilities and an additional period for obtaining and assessing entitlements on the basis of personal circumstances;
* disabled enterprises with a workforce comprising at least 50% employees with disabilities.

Disabled enterprises that are exempt from the payment of contributions for all employees must comply with the above conditions throughout the month to which the payment of income from employment relates and at least until the date on which they pay that income.

If in any month the proportion of employees with disabilities falls below 50%, or the proportion of persons with disabilities other than persons with a category II or category III disability, or the proportion of persons with disabilities with an additional period for obtaining and assessing entitlements on the basis of personal circumstances falls below one third, the disabled enterprise must pay contributions for its ‘non-disabled’ workers in respect of that month.

As of 1  January 2015, for the payment of income from employment, disabled enterprises that are entitled to claim an exemption for all employees are exempt from paying social security contributions for employees who are not disabled only up to three times the minimum wage in Slovenia at the time. For all employees who are not disabled and whose income from employment is higher, disabled enterprises must pay social security contributions (employee and employer contributions) from the difference between the actual income from employment of a worker who is not disabled and three times the minimum wage. The rules regarding exemption from the payment of social security contributions apply to all income from employment.

Under Article 61(1) of the [ZZRZI](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO3841), employers are obliged to show the funds from exemptions and benefits from contributions obtained as a result of the employment of persons with disabilities in a separate account, and may use them as assigned funds for the purposes set out in Articles 33 and 34 of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187, 26. 6. 2014).

6.2 Persons with disabilities above the prescribed quota

Under Article 74 of the [Vocational Rehabilitation and Employment of Persons with Disabilities Act (ZZRZI)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO3841), an employer, pursuant to a decision of the Public Guarantee, Maintenance and Disability Fund of the Republic of Slovenia, is exempt from paying employee and employer contributions for pension and disability insurance on the income of employees with disabilities in excess of the prescribed quota. This applies to all income from employment on which pension and disability insurance contributions are payable (salary, salary allowances, the difference up to the minimum basis, unpaid leave, bonuses, reimbursements of expenses and voluntary supplementary pension insurance premiums above the tax-free amount), except for allowances paid by the employer under the pension and disability insurance regulations.

The chapter of the [ZZRZI](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO3841) on the quota system lays down the conditions under which an employee with a disability is deemed to be above the quota. The Public Guarantee, Maintenance and Disability Fund is responsible for monitoring compliance with the quota.

6.3 Unpaid leave

Unpaid leave is defined in Article 132 of the [Pension and Disability Insurance Act (ZPIZ‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280) (extended insurance). Under this article, the period of insurance includes periods during which an insured person is absent from work during the employment relationship without entitlement to a salary allowance, or when they participate in a strike in accordance with the rules governing industrial action, provided that the compulsory pension and disability insurance contribution has been paid.

In the event of unpaid absence from work, all the employee’s and employer’s social security contributions are calculated and paid from the basis laid down in Article 150 of the [ZPIZ-2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280). The persons required to pay these contributions are employees and employers, except for the pension and disability insurance contribution, where, pursuant to Article 152(1) of the [ZPIZ-2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280), the employer is required to pay the employee and employer contribution.

6.4 Posted workers

Posted workers are workers who are temporarily posted by their Slovenian employer to work in a country other than the one in which they habitually reside. During the period of posting to another country, these workers remain covered by compulsory social insurance in Slovenia.

For the purposes of determining the correct contribution basis, the compulsory insurance coverage of workers posted abroad must be taken into account according to the insurance basis:

* workers who are posted abroad under Article 13 of Regulation (EC) No 883/2004, which regulates simultaneous employment and where the work is habitually carried out in two or more EU countries, are covered under insurance basis 001 of the compulsory insurance scheme, even during their posting (workers in an employment relationship in the territory of Slovenia);
* workers posted abroad under Article 12 of Regulation (EC) No 883/2004 are covered by insurance under insurance basis 002 during the period of posting (workers in an employment relationship with an employer established in Slovenia, posted abroad and not insured on a compulsory basis under the regulations of the country to which they have been sent), whereby Article 144(2) of the ZPIZ‑2 is taken into account when determining the basis for the calculation and payment of contributions.

For posted workers, Article 144(2) of the [Pension and Disability Insurance Act (ZPIZ‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280) provides that social security contributions are paid on the salary that would have been received for the same work in Slovenia. This provision applies to workers posted abroad who, during the period of posting, are covered by social insurance under insurance basis 002. These persons pay social security contributions on all other remuneration from employment, including incentives, bonuses and reimbursements of work-related expenses, paid in cash, vouchers or in kind, and on all income. For more detailed explanations, see the detailed description [Tax treatment of income of workers posted abroad](https://www.fu.gov.si/davki_in_druge_dajatve/podrocja/dohodnina/dohodnina_dohodek_iz_zaposlitve?type=%3Dfd27ad427d79dc50ae3f9eed02d4ec1a%3D89cef4b192881d75db0c6b15dbf01c7ec5022#c4620).

The correct definition of the basis for the payment of social security contributions for employees who are employed by an employer established in Slovenia and sent to work abroad, which is set at the level of the **salary for the same work in Slovenia**, depends on the definition of the salary of these persons, in accordance with the regulations on employment relationships. The amount of the salary must also be stated in the employment contract, as the amount of the basic salary, other components of the salary and any other payments are mandatory elements of an employment contract.

7.0 EXEMPTIONS FROM THE PAYMENT OF CONTRIBUTIONS

7.1 Partial exemption from the payment of employers’ contributions for older workers

Under Article 156 of the [Pension and Disability Insurance Act (ZPIZ‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280), employers liable to pay the employers’ contributions referred to in the first indent of Article 153(1) of the [ZPIZ‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280) are exempt from the payment of employers’ contributions at the rate of 30% for employees in an employment relationship. The exemption from the payment of contributions is conditional upon these workers being aged 60 or over.

Between 1  January 2016 and 31  December 2019, when the Labour Market Intervention Measures to Promote the Employment of Older Unemployed Persons Act was in force, the provision of Article 156 of the ZPIZ‑2 did not apply. Application of this provision resumed on 1 January 2020. The exemption may be taken into account for the January 2020 payroll but not for the January salary payment.

Partial exemption from the payment of employer contributions may only be claimed for workers in an employment relationship, not for workers engaged in supplementary work (insurance basis code 036). Partial exemptions for older workers also do not apply to:

• persons employed by an employer established abroad to which Slovenian legislation applies under the rules of the European Union; and

• persons in an employment relationship who, at the same time as working for a legal entity that is the employer, also meet the conditions for inclusion in the insurance under Article 16 of the ZPIZ‑2 (partners/managers), but are preferentially insured on the basis of their employment relationship (in a one-person company, the employment relationship of a partner may be concluded for the performance of the function of a manager, but in a multi-person company, it may also be concluded for the performance of other works).

The law provided for an exemption from 50% of the employer contribution for workers who met the age condition for an early retirement pension during the transitional period, when that condition was below 60 years of age. The transitional period has expired and the exemption is no longer available in this amount.

If the insured person reaches the age of 60 in the middle of the month, the allowance applies for the whole month as if the insured person had reached the age of 60 at the beginning of the month (the allowance applies to the whole salary payment and the salary payment does not have to be split into two parts).

Article 3 of the Labour Market Intervention Act [(ZIUPTD)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO7299) provides that the provision of Article 156 of the [ZPIZ‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280) does not apply during the period of validity of the ZIUPTD, which means that employers cannot claim partial exemption from the payment of contributions under Article 156 of the ZPIZ‑2 when paying income relating to the period from 1 January 2016 to 31 December 2019.

Question 11: Claiming exemption under the ZIUPTD and compliance with Article 39 of the ZUTD

The Labour Market Intervention Act [(ZIUPTD)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO7299) provides for a temporary incentive for the employment of older unemployed persons (over 55 years of age) between 1  January 2016 and 31  December **2019**. The incentive takes the form of an exemption from all employer contributions for the first 24 months. In the case of permanent employment, the employer may not claim the exemption under the ZIUPTD at the same time as the exemption under Article 39 of the Labour Market Regulation Act (ZUTD‑A). This is because claiming both exemptions would result in a twofold exemption from the payment of the insurance against unemployment contribution. With regard to this, the employer does not indicate the claiming of both exemptions in the REK form, but only one (usually under the ZIUPTD).

7.2 Refunding of employer contributions for first employment

According to Article 157 of the [Pension and Disability Insurance Act (ZPIZ‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280), employers may claim a refund of employer contributions of 50% for the first year of employment and 30% for the second year of employment for employees. This applies to the employment of employees under 26 years of age or mothers caring for a child under the age of three.

Employers may claim this benefit only if it is the worker’s first permanent employment and provided that the worker remains employed for at least two years. The method of reimbursement of contributions is determined by the [Rules on the reimbursement of part of employers contributions for first employment](http://www.pisrs.si/Pis.web/pregledPredpisa?id=PRAV11777). Employers claim the exemption from the Pension and Disability Insurance Institute.

7.3 Payment of the employment contribution pursuant to Article 39 of the ZUTD‑A

The transitional provision of Article 39 of the Labour Market Regulation Act [(ZUTD-A)](http://pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5840) is designed to encourage employers to employ workers for an indefinite period of time and to limit fixed-term employment; therefore, its application in practice is only conditional upon the fact of the conclusion of a new employment contract (for an indefinite or fixed period of time) after the entry into force of the [ZUTD‑A](http://pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5840), i.e. from 12  April 2013, i.e. it is immaterial whether this is the first or subsequent conclusion of an employment relationship.

The provision of Article 39 of the [ZUTD‑A](http://pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5840) provides:

* exemption from the payment of the employer contribution for insurance against unemployment for two years if the employer concludes a permanent employment contract with the worker;
* the obligation to pay the employer contribution for insurance against unemployment equal to five times the amount laid down in the law governing social security contributions for the entire duration of the fixed-term employment, if the employer enters into a fixed-term employment contract with the worker.

Every time an employer concludes a fixed-term employment contract with a worker, the employer is additionally required to pay insurance against unemployment contribution regardless of whether it is the first conclusion of an employment relationship or the re-conclusion of a fixed-term employment contract after the expiry of a previous fixed-term employment contract.

This provision applies in all cases of fixed-term contracts, except in that of the conclusion of a fixed-term employment contract for the purpose of enrolling the unemployed person in a public works programme under the tenth indent of Article 54(1) of the [Employment Relationships Act (ZDR‑1)](http://www.durs.gov.si/si/davki_predpisi_in_pojasnila/dohodnina_pojasnila/obracuni_davcnega_odtegljaja_rek/predlaganje_rek_1_obrazcev_skladno_z_novelo_zutd_a/).

The employer is exempt from the payment of the insurance against unemployment contribution when it concludes an employment contract with the worker for an indefinite period of time, regardless of whether it is the first conclusion of an employment relationship or not. This means that if an employee had a fixed-term employment contract and, following the entry into force of [ZUTD‑A](http://pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5840), enters into a permanent employment contract with the same employer, the exemption from the payment of the employer insurance against unemployment contribution is taken into account for a period of two years.

In the case of termination of an employment contract with an offer of a new contract with the same employer, the provision of Article 39(1) of the [ZUTD‑A](http://pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5840) should not be applied, since in this situation there is a certain continuity of the employment relationship that does not guarantee achievement of the purpose of this provision, i.e. the promotion of permanent employment.

According to the explanation of the Ministry of Labour, Family, Social Affairs and Equal Opportunities, it makes sense, from the point of view of the calculation of contributions in the case of Article 39 of the ZUTD‑A, that in the event of a transition from fixed-term to permanent employment in the course of the month, the status of the employment contract on the first day of the month for which the social security insurance contribution calculation is submitted should be taken into account. In this case, the employer will pay the employment contribution for the whole month at five times the amount. At the same time, this means that the employer is not required to submit two separate withholding tax returns for income from employment for this month/REK forms, i.e. separately for the period before the conclusion and the period after the conclusion of the new contract, but one return for the whole month.

7.4 Exemption from the payment of employer contributions for persons aged over 55

The Labour Market Intervention Act (ZIUPTD) provided for a temporary incentive for the employment of older unemployed persons. An employer who, in the period between 1 January 2016 and 31 December 2019, concluded a fixed-term or permanent employment contract with an unemployed person aged 55 or over who had been entered in the unemployment register for at least six months prior to the conclusion of the employment contract, was exempt from the payment of all employer contributions (16.1% of the contribution basis) for the first 24 months of employment. This meant that the exemption from the payment of contributions under the ZIUPTD could be claimed for periods from 1  January 2020 onwards, if the employment contract was concluded by 31  December 2019 and the statutory conditions were met at the time the employment contract was concluded. The exemption from the payment of contributions could apply until the expiry of 24 months from the date of conclusion of the employment contract. The exemption could be claimed up to the salary payment for the December 2021 period.

8.0 SUBMISSION OF WITHHOLDING TAX RETURNS

At the time of each salary payment, the employer is required, pursuant to Article 135 of the [Employment Relationships Act (ZDR‑1)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5944), to issue a written statement to the employee of the salary and salary allowance for the payment period that also shows the calculation and payment of taxes and contributions. The submission of information (information on income, the calculation and payment of the income tax prepayment and social security contributions) by the employer to the income recipient is also provided for in the [Tax Procedure Act (ZDavP‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4703) (Article 57(5) and Article 353(2)).

Compulsory contributions determined by the laws governing pension and disability insurance, healthcare and health insurance, parental care and family benefits, and employment insurance are calculated by the persons responsible for the contributions in the calculation of the social security contributions. A person liable for the payment of contributions who is not also an insured person but is a payer of tax (in accordance with Article 58 of the [ZDavP‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4703)) calculates the contributions in the withholding tax return (Article 352(2) of the [ZDavP‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4703)).

The format of the withholding tax return for payments up to 31 December 2022 is regulated by the [Rules on the content and format of the withholding tax return and the method of submission to the tax authority](http://www.pisrs.si/Pis.web/pregledPredpisa?id=PRAV8815). The Rules provide that the payer of the income from employment will submit, via the eDavki system, a Withholding tax return for income from employment (REK-1 form) for income that count towards the tax base (i.e. from which social security contributions are paid) no later than by the day the income is paid. The payer of the income will calculate the withholding tax on the REK‑1 form and calculate the social security contributions according to the rates applicable on the day the income is paid.

Up to 31  December 2016, the deadline for payment of the liability was the day the income was paid. With the amendments to Articles 283, 325 and 374 of the ZDavP‑2, a five-day delay was introduced, from 1 January 2017, for the payment of withholding tax and compulsory social security contributions, which are paid using the REK form. The five-day delay in payment of the liability applies to all income payments from 1  January 2017 onwards.

For payments from 1  January 2023 onwards, the REK-O is used and its format is regulated in more detail by the [Rules on the content and format of the withholding tax return](http://www.pisrs.si/Pis.web/pregledPredpisa?id=PRAV14693).

Explanations regarding the REK-O are published on the [FURS](https://www.fu.gov.si/davki_in_druge_dajatve/podrocja/dohodnina/rek_obrazci?type=%2F%3Ftype%3D555#c4632) website.

Question 12: Payment of income relating to a deceased worker

Income from employment (e.g. salary, solidarity assistance, other income, etc.) relating to a deceased employee is treated as income of that employee for tax purposes when it is paid. Article 127 of the Personal Income Tax Act [(ZDoh‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?sop=2006-01-5013) is applied to the calculation of the income tax prepayment. The payer of tax reports the income paid on the REK‑O form, whereby the individual REK form refers to the deceased worker.

If the taxable person (worker) died before the dispatch of the provisional income tax statement in accordance with Article 268(8) of the Tax Procedure Act [(ZDavP‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?sop=2006-01-5018), income tax is not calculated and adjusted at the annual level. If the income is paid for previous years on the basis of a judicial decision, the averaging under Article 120 of the [ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?sop=2006-01-5013) may not be applied in this case, with the income tax prepayment being considered to be the final tax.

8.1 Submission of REK forms for disabled enterprises

A detailed description of the REK-O forms for employees of disabled enterprises is published in Chapter 5.0 of the [detailed description](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.fu.gov.si%2Ffileadmin%2FInternet%2FDavki_in_druge_dajatve%2FPodrocja%2FDohodnina%2FREK_obrazci%2FOpis%2FObracun_davcnega_odtegljaja_REK-O_obrazec_in_postopek_oddaje_prek_eDavkov.docx&wdOrigin=BROWSELINK) Withholding tax return (REK-O form) and the procedure for submission via eDavki.

8.2 Submission of the REK form for performance-related pay

A more detailed explanation of the submission of the REK form for the payment of performance-related pay is available on the [FURS](https://www.fu.gov.si/davki_in_druge_dajatve/podrocja/dohodnina/dohodnina_dohodek_iz_zaposlitve?type=%3Dfd27ad427d79dc50ae3f9eed02d4ec1a%3D89cef4b192881d75db0c6b15dbf01c7ec5022#c4620) website.

8.3. Submission of the REK form for workers posted abroad

More detailed instructions on the submission of REK forms are included in the detailed description [Tax treatment of income of workers posted abroad.](https://www.fu.gov.si/davki_in_druge_dajatve/podrocja/dohodnina/dohodnina_dohodek_iz_zaposlitve?type=%3Dfd27ad427d79dc50ae3f9eed02d4ec1a%3D89cef4b192881d75db0c6b15dbf01c7ec5022#c4620)

Question 13: Payment of contributions from bonuses paid by a foreign parent undertaking

Description of situation: The recipient of a bonus (resident of Slovenia) has a full-time employment relationship (insurance basis 001) with a Slovenian employer and carries out work exclusively for that employer and in the territory of Slovenia. The owner of the Slovenian undertaking is a foreign undertaking established abroad that wishes to pay a performance-related bonus directly to an employee of the Slovenian subsidiary. The cost of this bonus would not be borne by the Slovenian undertaking. Under the Personal Income Tax Act ([ZDoh‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697)), this is income from employment paid by a foreign undertaking other than the payer of tax, which raises a dilemma regarding the calculation and payment of contributions.

**Answer:** Assuming that the relationship and the payment based on that relationship are economically justified and applied within the context of a bonus scheme within related undertakings or an intra-group bonus scheme, such income should be treated accordingly under the applicable rules. In this case, from the income tax perspective, income is defined as income related to an employment relationship on the basis of which the income recipient performed their work and was also rewarded for that work. The obligation to pay the income tax prepayment is established by a decision of the tax authority on the basis of the taxable person’s return (because it is paid by a foreign undertaking that is not a payer of tax).

In terms of contributions, due regard should be paid to the fact that this is additional income for work performed under an employment contract with a Slovenian employer, which means that this income is included in the basis for contributions in accordance with Article 144 of the Pension and Disability Insurance Act [(ZPIZ‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6280). The person required to pay the insured person’s contributions from this income is the worker, while the person required to pay the employer contributions is their employer. As regards the method of calculating contributions, Article 352(4) of the Tax Procedure Act [(ZDavP‑2)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4703), which provides for the calculation of contributions in cases where the employer is not the payer of the tax in respect of the specific income which forms the basis for the contributions, applies in this case. The provision in question therefore also covers situations where the procedure for calculating contributions is not linked to the payer of the income but to the person required to pay the contributions, i.e. the employer, and its definition from the point of view of the payer of tax under the ZDavP‑2.

Therefore, according to the definition of an employer under the ZPIZ‑2 (point 5 of Article 7), according to which an employer is a legal entity or natural person for whom another person carries out work in accordance with the regulations on employment relationships or on another legal basis, Article 352(4) of the ZDavP‑2 applies in this case. This means that for the payment in question, the employer must submit to the tax authority a calculation of the contributions (in accordance with Article 353(1) of the ZDavP‑2) no later than by the 15th day of the month for the preceding month, on the REK-O form, in accordance with Article 1(2) of the [Rules on the content and format of the withholding tax return](http://www.pisrs.si/Pis.web/pregledPredpisa?id=PRAV14693), and pay the liabilities no later than by the 20th day of the month for the preceding month.

Question 13a: Payment of income tax prepayments and contributions on a bonus paid by a foreign parent undertaking at a Slovenian employer’s expense

Description of situation: The recipient of a bonus (resident of Slovenia) has a full-time employment relationship (insurance basis 001) with a Slovenian employer and carries out work exclusively for that employer and in the territory of Slovenia. The Slovenian employer’s parent undertaking is a foreign undertaking established abroad that has an organised bonus scheme under which employees of the Slovenian employer are also eligible for bonuses. In addition, the total costs of the bonuses are charged to the Slovenian undertaking. The costs of bonuses for its employees are therefore borne by the Slovenian undertaking (employer of the bonus recipients), who receive the bonus from the foreign parent undertaking.

**Answer:**

Point 1 of Article 58(1) of the ZDavP‑2 provides that a payer of tax is deemed to be the person that pays, at their own expense, the income from which the withholding tax is calculated, withheld and paid under that act or the law governing taxation. This provision does not make the definition of the payer of tax conditional on the direct payment of income to the beneficial owner of the income (taxable person), but on the fact that the person is paying the income at its own expense. The condition for the definition of the payer of tax is therefore met even in the case where the income chargeable to them is paid indirectly to the beneficial owner, as in the case described above (the bonus is remitted to the recipient/employee of the Slovenian undertaking by the foreign parent undertaking).

The Slovenian employer that pays the income transferred to its employee by the parent (foreign) undertaking is obliged, as the payer of tax, to calculate and withhold the income tax prepayment on the income from employment as a withholding tax in the withholding tax return at the same time as the income from employment return, in accordance with Article 285(1) of the ZDavP‑2. The Slovenian employer is therefore considered to be the payer of tax and is obliged to calculate and pay the income tax prepayment and compulsory social security contributions on the bonus received on the REK form for the recipient of the bonus, as well as the compulsory social security contributions payable on the income from employment. In this case, an employee of a Slovenian employer who has received a bonus remitted by a foreign parent undertaking is not obliged to file an assessment of the income tax prepayment themselves, as the income is income received indirectly from their employer, who is deemed to be the payer of tax.

Question 14: Payment of salary for a period other than a calendar month

When considering this question, a distinction must be made between labour-law and tax considerations. Article 134(1) of the Employment Relationships Act ([ZDR‑1](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO5944)) provides that a salary is to be paid for payment periods that may not exceed one month and no later than 18 days after the end of the payment period. While that provision does not relate to a period of a calendar month, it has become established practice among employers that a calendar month is the unit used for the purposes of calculating and paying salaries. This is also linked to Article 135(4) of the ZDR‑1, which provides that an employer is obliged, no later than by 31 January, to issue a worker with a written statement showing the salary and salary allowances paid in the previous calendar year, as well as the calculation and payment of taxes and contributions. Under this provision, the employer is obliged to provide salary data at the level of the calendar year.

The obligation to submit data on income paid to the tax authority is provided for in Article 57(1), Article 57(4) and Article 353(2) of the Tax Procedure Act ([ZDavP‑2](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4703)). The format of the withholding tax return is regulated in detail in the Rules on the content and format of the withholding tax return and the method of submission to the tax authority [(the Rules)](http://www.pisrs.si/Pis.web/pregledPredpisa?id=PRAV8815).

When reporting information on salary payments to the tax authority, the rule is that payment information relating to a calendar month should be reported on the REK form; this is also in line with the general and most common practice of employers, who pay wages for a calendar month. An employer that is a payer of tax must use the withholding tax return for the payment of salaries and salary allowances (REK form) to report all information on salaries paid that affects taxation, including the month and year to which the salary payment relates in field 011. In reporting this information, there is therefore no provision for entering a period that differs from the calendar month, as the information is reported in MM/YYYY format.

This rule of filing REK forms for payments relating to a calendar month is also followed by the provision of Article 20(3) of the ZDavP‑2, which provides for the public disclosure of those that fail to file returns. In the list of those that fail to file returns, the tax authority publishes information on taxable persons (employers) that have not filed a withholding tax return for the payment of salaries and salary allowances to the tax authority by the 25th day of the month preceding the month of disclosure for the month preceding that month. In the same way the tax authority reports information from the filed REK forms to other authorities that require information on whether a taxable person that employs workers regularly pays the salaries of its workers in order to carry out their tasks (e.g. to the Health Insurance Institute of Slovenia for the issuing of A1 certificates, participation in public procurement procedures, etc.).

In the light of the above, in the case of a salary payment for a period other than the calendar month, an employer that is a payer of tax is required to report to the tax authority by separately reporting the salary paid for individual periods within the calendar month. Example: If the payer of tax has a payroll period set to run from 20 October to 19 November, it will have to submit a separate REK form for the payment of salaries relating to October (showing information on the part of the salary relating to the period from 20 to 31 October) and a separate REK form for the payment of salaries relating to November (showing information on the part of the salary relating to the period from 1 to 19 November).