

SLOVENIA

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I. SUMMARY

A. TYPES OF ORGANIZATIONS

The Republic of Slovenia is a civil law country with three primary forms of not-for-profit organizations (NPOs):

- Associations;
- Institutes, which can be private or public; and
- Foundations.

Other not-for-profit legal forms, which are outside the focus of this Note due to their limited interactions with foreign grantmakers, include religious organizations, political parties, political movements, interest associations, trade unions, and professional chambers.

B. TAX LAWS

Associations, institutes, and foundations do not pay corporate income tax on their not-for-profit activities, if they are established for not-for-profit purposes in accordance with the law. All of these organizations, however, must pay corporate income tax on income derived from for-profit activities, including activities related to the organization's statutory purposes and activities. The VAT general rate is 22 percent. Certain goods and services are taxed at a lower rate of 9.5 percent; others, supplied by NPOs, are VAT-exempt.

Generally, corporate donors can deduct contributions to NPOs that: 1) pursue humanitarian, social, scientific, sport, cultural, health, educational, environmental, religious or other general public benefit purposes; and 2) are registered to do so. The maximum deduction is 0.3 percent of all taxable income. Additionally, they can deduct up to 0.2 percent of all taxable income for contributions to voluntary associations with public benefit status in the field of protection against natural and other disasters.

Individuals can designate up to 0.5 percent of their income tax for financing public interest purposes. Gifts to NPOs are not subject to inheritance and gift tax.

C. IMPORT DUTIES

The European Union sets customs duties and exemptions for member states, including Slovenia, which has adopted an Act on the Implementation of the European Union Customs Provisions. Charitable and philanthropic organizations are allowed to import goods without paying customs duties. In addition, foundations and organizations are exempt from customs duties on articles imported for needy persons' education, employment, or social advancement.

II. APPLICABLE LAWS

- [Constitution of the Republic of Slovenia](#), December 23, 1991, Official Gazette of the Republic of Slovenia nos. [33/91-I](#), [42/97](#), [66/00](#), [24/03](#), [69/04](#), [69/04](#), [69/04](#), [68/06](#),[140,143](#), [47/13](#), [47/13](#), [75/16](#)
- Non-Governmental Organizations Act, Official Gazette of the Republic of Slovenia no. 21/18
- Societies Act, Official Gazette of the Republic of Slovenia no. 64/11
- Institutes Act, Official Gazette of the Republic of Slovenia nos. 12/91 and 8/96
- Humanitarian Agencies Act, Official Gazette of the Republic of Slovenia no. 98/03

- Disabled People's Organizations Act, Official Gazette of the Republic of Slovenia no. 108/02
- Public Interest in Youth Sector Act, Official Gazette of the Republic of Slovenia no. 42/10
- Consumer Protection Act, Official Gazette of the Republic of Slovenia nos. 98/04, 114/06, 126/07, 86/09, 78/11, 38/14, 19/15 and 31/18
- Foundations Act, Official Gazette of the Republic of Slovenia nos. 70/05 and 91/05
- Value Added Tax Act, Official Gazette of the Republic of Slovenia nos. 13/11, 18/11, 78/11, 38/12, 83/12, 86/14, 90/15 and 77/18
- Act implementing the Customs Legislation of the European Union, Official Gazette of the Republic of Slovenia no. 32/16
- Corporate Income Tax Act, Official Gazette of the Republic of Slovenia nos. 117/06, 56/08, 76/08, 5/09, 96/09, 110/09 – ZDavP-2B, 43/10, 59/11, 24/12, 30/12, 94/12, 81/13, 50/14 23/15, 82/15, 68/16 and 69/17
- Personal Income Tax Act, Official Gazette of the Republic of Slovenia nos. 13/11, 24/42, 75/12, 94/12, 96/13, 23/15, 55/15, 63/16 and 69/17
- Real Property Transaction Tax Act, Official Gazette of the Republic of Slovenia nos. 117/06 and 25/16 – odl. US
- Rules Concerning Definitions of Profitable and Non-Profitable Activity, Official Gazette of the Republic of Slovenia nos. 109/07 and 68/09
- Decree of the appropriation of the personal income tax for donations, Official Gazette of the Republic of Slovenia nos. 30/07, 36/07, and 37/10
- Inheritance and Gift Taxation Act, Official Gazette of the Republic of Slovenia nos. 117/06 and in 36/16 – odl. US
- Integrity and Prevention of Corruption Act, Official Gazette of the Republic of Slovenia no. 69/11
- Social Entrepreneurship Act, Official Gazette of the Republic of Slovenia nos. 20/11, 90/14 – ZDU-1I and 13/18

III. RELEVANT LEGAL FORMS

A. GENERAL LEGAL FORMS

Associations are the predominant NPO form in Slovenia. However, institutes and foundations are also common.

Associations

Associations are independent, not-for-profit, membership-based organizations established by founders to pursue common interests (Associations Act Article 1). In general, associations are regulated by the Associations Act, although specialized associations such as political parties, political movements, churches, and religious organizations are regulated under separate legislation. Associations cannot be established for the purpose of generating a profit, although they may

engage in economic activities that are related to their objectives and to the extent necessary to pursue their objectives (Societies Act Articles 1, 22).

Institutes

Institutes are non-membership organizations that can conduct activities in the areas of education, science, culture, sports, health, social welfare, children’s care, care of the disabled, social security, or other not-for-profit activities (Institutes Act Article 1). Institutes fall into two categories: private institutes and public institutes.

Private institutes may be established by domestic or foreign legal entities (Institutes Act Article 2). They may engage in economic activities intended to further their objectives (Institutes Act Article 18).

Public institutes are required to engage in “public services,” a term not defined in the law but construed to mean services available to the general public. Public institutes must be established by a public entity, such as a local municipality, and other legal or natural persons may serve as co-founders (Institutes Act Article 3). Public institutes are legal entities unless otherwise provided by law or by a municipal or city decision (Institutes Act Article 4). [\[1\]](#)

Foundations

Foundations are grant-making, asset-based organizations established by foreign or domestic legal or natural persons (Foundations Act Article 4) for generally beneficial or charitable purposes (Foundations Act Article 2). “Generally beneficial” activities are those in the fields of science, culture, sport, education, health care, child and disabled care, social welfare, environmental protection, conservation of natural and cultural heritage, or religion (Foundations Act Article 2). A foundation may engage in all activities necessary to advance its objectives or to promote itself, including economic activities (Foundations Act Article 2).

B. PUBLIC BENEFIT STATUS

Article 6 of the Non-Governmental Organizations (NGO) Act, passed in March 2018, establishes uniform criteria for NPOs seeking to obtain public benefit status. To obtain public benefit status, an organization must:

- Ensure that its members are not public legal entities (if the NPO is a membership organization);
- Be registered and active for at least two years before applying for public benefit status;
- Define in its statute the public benefit activities it will undertake;
- Demonstrate the impact of its public benefit activities;
- For the two years preceding the application, have used its resources predominantly and regularly to fund its statutory public benefit activities as well as other activities and programs that are in the public interest;
- Adopt a strategy to continue undertaking public benefit activities for at least two years after receiving public benefit status;
- Not have been penalized with a fine for a serious tax offense or other serious offence;
- Not have been convicted for a criminal offence;
- Not begun bankruptcy or liquidation proceedings; and

- Other conditions, if provided by law.

The ministry that oversees the NPO's activities has the authority to grant it public benefit status. Obtaining public benefit status can facilitate an NPO's application for grants from national and local actors (NGO Act Article 16).

Laws other than the NGO Act create special categories of public benefit organizations, such as humanitarian organizations, organizations for disabled, and youth organizations.

IV. SPECIFIC QUESTIONS REGARDING LOCAL LAW

A. INUREMENT

An association may expend surplus funds from its statutory activities, or income derived from economic activities, only to advance its statutory activities (Societies Act Article 23). No explicit restrictions aimed at preventing improper use of the organization's assets exist for institutes (whether public or private). In addition, no legal limitations apply to associations or institutes regarding compensation rates or other indirect forms of inurement.

The income of a foundation must be spent exclusively on the realization of the foundation's purposes (Foundations Act Article 27). A foundation board member is forbidden from participating in matters in which that person or his/her spouse or close relatives have an interest (Foundations Act Article 25). Foundations are limited in how much they may remunerate board members for their work as well as for reimbursement of travel and related expenditures, as stipulated in the foundation's governing documents. The ministry overseeing the foundation may determine the limit of these expenditures. Other expenditures related to the foundation's operations must not exceed the limits determined for public bodies (Foundations Act Article 26).

B. PROPRIETARY INTEREST

Distribution of any part of an association's assets among its members is prohibited (Societies Act Article 21). The Institutes Act and Foundations Act are generally interpreted to preclude the existence of proprietary interests, but this is not explicitly prohibited by the law.

C. DISSOLUTION

The resolution of an association commencing dissolution must name another association, institute, foundation, or other not-for-profit legal person with a similar purpose to which any remaining assets will be transferred (Societies Act Article 38). If a successor is not determined, the remaining assets are to be transferred to the local government. Assets may not be distributed among the association's members (Societies Act Article 24).

The Institutes Act does not address the distribution of an institute's assets upon liquidation. The founders may indicate in the governing documents how assets should be distributed. In the absence of directions in the governing documents, however, any remaining assets of an institute revert to the founder. The same dissolution practices apply to both private institutes and public institutes.

In the case of foundations, remaining assets are distributed to another foundation dedicated to the same purpose. In the absence of such a foundation, the assets should be distributed to one with

a *similar* purpose (Foundations Act Article 32). If no other foundation has similar objectives, the remaining assets could be absorbed by the local government, given that the money was obtained for public benefit or charitable purposes. Given some ambiguity in the law, it is also possible that the assets could be distributed to a private interest organization.

D. ACTIVITIES

1. GENERAL ACTIVITIES

Associations may engage in both mutual benefit and public benefit activities (Societies Act Article 3). Institutes may engage in any lawful not-for-profit activities that advance the goals listed in the Institutes Act: education, science, culture, sports, health, social welfare, children's care, care of the disabled, social security, or other not-for-profit goals (Institutes Act Article 1). Public institutes are required to provide services to the general public; private institutes ordinarily are not. Foundations are required to pursue public benefit or charitable objectives.

2. PUBLIC BENEFIT ACTIVITIES

An NPO that engages in public benefit activities may apply to the appropriate ministry for the status of "NPO in the public interest" (Non-Governmental Organizations Act Article 6). Criteria for obtaining this status can vary depending on the ministry, though basic criteria are defined in the Act, as described above.

Foundations and public institutes must pursue public benefit objectives as their primary activities. Specifically, foundations must pursue either charitable or "generally beneficial purposes," defined as activities in the fields of science, culture, sport, education, health care, child and disabled care, social welfare, environmental protection, conservation of natural and cultural heritage, or religion (Foundations Act Article 2). Public institutes must provide "public services" in the spheres of education, science, culture, sports, health, social welfare, children's care, care of the disabled, social security, or other not-for-profit activities (Institutes Act Articles 1, 3). Private institutes are obliged to provide public services only if they receive special authorization.

Some public benefit activities are regulated by special legislation, such as the Humanitarian Agencies Act and the Disabled People Organization's Act, which set forth special procedures for attaining public benefit status and define some of the rights and obligations that accompany such status.

3. ECONOMIC ACTIVITIES

Associations may not be founded for the purpose of gaining profit (Societies Act Article 1). They may only engage in economic activities to the extent necessary to achieve their primary purposes, and the economic activities must be specifically indicated in the association's governing documents and be related to the primary purposes of the organization (Societies Act Article 22). Any earnings from economic activities must be used to promote the association's statutory activities (Societies Act Article 23). An institute, public or private, may engage in economic activities provided that they are intended to further the objectives for which the institute was formed (Institutes Act Article 18). A foundation may engage in any activities necessary to promote or realize the purposes for which it was founded, including economic activities (Foundations Act Article 2).

Under the Social Entrepreneurship Act, an NPO may engage in social entrepreneurship if it is established and operates for public benefit purposes. The profit and excess revenue generated by social enterprise activities must be used by a social enterprise to fund its main activities or implement permitted activities specified in the Social Entrepreneurship Act.

E. POLITICAL ACTIVITIES

The Societies Act prohibits the establishment of an association whose purpose, aims or activities encourage constitutional revision by violence (Societies Act Article 3). This is the only restriction in the Societies Act that relates to political activities of NPOs.

The Integrity and Prevention of Corruption Act provides that legal or elected representatives of an interest organization may engage in lobbying on behalf of the organization (Integrity and Prevention of Corruption Act Article 58). NPOs thus do not need to hire registered lobbyists if the lobbying activity is carried out by their employees or legal representatives.

F. DISCRIMINATION

Article 14 of the Constitution guarantees individuals equal rights regardless of national origin, race, sex, language, religion, political or other beliefs, financial status, birth, education, or social status. The Associations Act further prohibits the establishment of an association whose purpose, aims or activities encourage national, racial, religious or other forms of inequality (Societies Act Article 3).

G. CONTROL OF ORGANIZATION

Natural and legal persons may be founders or members of an association (Societies Act Article 8). Foreign natural and legal persons are explicitly allowed to establish foundations (Foundations Act Article 4) and private institutes (Institutes Act Article 2), and to co-found public institutes with a public entity. Slovenian legislation does not in any way restrict for-profit entities from establishing or controlling institutes or foundations. Therefore, it is possible that a Slovenian NPO may be controlled by a for-profit entity or an American grantor charity.

V. TAX LAWS

The following section discusses relevant tax legislation, recognizing that taxes may affect the amount of the grant actually flowing to the grantee.

A. TAX EXEMPTIONS

Institutes, associations, and foundations do not pay corporate income tax on their not-for-profit activities, if they were established for not-for-profit purposes in accordance with the applicable law, and if their activities are carried out in accordance with their purposes (Corporate Income Tax Act Article 9). Each of these organizations, however—including public institutes—must pay corporate income tax on income derived from for-profit activities, even if the activities are related to the organization's statutory purposes and activities (Corporate Income Tax Act, Article 9).

Income from profit and not-for profit activities is defined by special rules adopted by the Ministry of Finance. Under these rules, an activity is considered for-profit, if at least one of the following

conditions is fulfilled: 1) the activity is performed on the market with the goal of generating a profit; or 2) by engaging in the activity, the organization competes on the market with other taxpayers (Corporate Income Tax Act Article 9).

Income from not-for-profit activities includes, *inter alia*, income from donations, membership fees, the performance of public services (depending on the type of contract) and the allocation of public funds (for projects and programs of NPOs).

Income earned from the following sources is considered for-profit: dividends, the sale of goods and services (including the sale of food and drink to members and non-members of an organization), rent, the sale of underlying assets, participation fees for events organized by NPOs, and income from lotteries and other gaming activities organized by NPOs.

Personal income tax is not paid on the following: aid received from humanitarian organizations, which have public benefit status in the field of social, healthcare, or disability issues; and aid intended for needy persons that is received from charitable foundations.

B. DEDUCTIBILITY OF CHARITABLE CONTRIBUTIONS

Entities can deduct donations to organizations that: 1) pursue humanitarian, disabled persons' assistance, social, charity, scientific, sport, cultural, health, educational, ecological, religious, or public benefit purposes; and 2) are registered to pursue said activity as not-for-profit activity (Corporate Income Tax Act Article 59). Donations can be given in monetary form or other property. The maximum deductible amount is 0.3 percent of the donor's taxable income for the fiscal year in question; though the deductible amount cannot exceed the amount of the total tax base. An additional deduction of up to 0.2 percent of taxable income can be taken if the donation is made for cultural purposes or is given to a public benefit organization established for protection from natural and other disasters. Donations that exceed this percentage are not treated as tax deductible, but can be deducted within three years. Individuals liable for personal income tax (i.e., private entrepreneurs) can designate 0.5 percent of their tax owed for financing activities in the public interest or for financing political parties or representative trade unions. [\[2\]](#)

Beneficiaries exempt from inheritance and gift tax include any "legal private person established for religious, humanitarian, charity, health, social, educational, research, cultural, protection or rescue activities if gift or inheritance is given to perform such activities." Other taxes, including value added tax and motor vehicle tax, may be owed even when a gift is exempt from inheritance or gift tax.

C. CUSTOMS DUTIES

As a member of the EU, Slovenia adheres to Regulation (EU) No. 952/2013 of the European Parliament and of the Council of 9 October 2013, implementing the Union Customs Code and its delegated regulations.

D. VALUE ADDED TAX

1. EXEMPTIONS

Foreign donations are exempt from VAT. In addition, several categories of goods and services are exempt from VAT:

a) Activities of public interest, including but not limited to, the following:

- Hospital and medical care and directly related activities carried out by the public health service or its concessionaires;
- Social services and directly related goods provided by public social institutions, their concessionaires, or not-for-profit organizations such as charities and organizations for self-help for handicapped people;
- Goods and services closely related to child and youth care provided by public institutions, their concessionaires, or charitable organizations;
- Vocational training and nursery, school, and university education, including closely related goods and services, provided by public institutions or others;
- Goods and services provided by not-for-profit organizations with political, trade union, religious, patriotic, philosophical, humanitarian, or civil aims, in return for a membership fee, unless such exemption would distort competition;
- Sport or physical education activities provided by not-for-profit organizations;
- Cultural activities and related goods provided by public institutions and other cultural establishments recognized by public authorities; and
- Goods and services provided in connection with occasional fundraising events on behalf of organizations that perform exempt (above-mentioned) activities, unless such exemption would distort competition.

The supply of indicated goods or services is *not* exempt if:

- It is not essential to the transaction exempted, or if the exempted activities can be provided without the goods or services; or
- The basic purpose is to obtain additional income in direct competition with taxable entities liable for VAT (VAT Act Article 42).

The supply of all above-mentioned goods and services (except occasional fundraising events) by organizations, that are not public bodies, is exempt from VAT under one or more of the following conditions on a case-by-case basis:

- The purpose is not to obtain profit, and any profit that results will be allocated to providing the goods and services, or improving their provision, and will not be distributed; or
- The organization is managed mostly on a voluntary basis by persons with no direct or indirect interest in the results of these activities; or
- The organization charges prices accredited by the public authorities, or, if approval is not needed, charges prices no higher than this and no lower than prices charged by taxable persons; and/or
- It is not likely that the exemption would distort competition, such as by giving taxable persons a less favorable position in the market (VAT Act Article 43).

b) Other activities, including insurance and reinsurance, immovable properties except newly constructed immovable property, letting of residential houses and apartments, financial services, tax stamps and similar stamps, betting, gambling, and lotteries (VAT Act Article 44).

c) Imports of certain type of goods, including the following:

- Certain goods, donated free of charge and without any commercial intention to public authorities or to charitable or philanthropic organizations, for free distribution to the needy;
- Certain goods, imported by public authorities or by charitable or philanthropic organizations, for free distribution to victims of disasters or wars or to be made available to such victims while remaining the property of the importing organizations; and
- Certain goods for educating, training, or employing the handicapped, if they were donated free of charge and with no commercial intention and if they were imported directly by an organization that will use them.

d) Exemptions linked to the export of goods to organizations which export the goods as part of their philanthropic or charitable activities performed outside of the EU.

Taxpayers' donations for humanitarian, cultural, scientific, health, educational, sport, and religious purposes, which are paid to organizations established for performing these activities, are not subject to VAT except when the amounts represent payment for goods or services (VAT Act Article 51). [\[3\]](#)

2. RATE

The general VAT rate is 22 percent. Some goods and services, however, are taxed at a lower rate of 9.5 percent.

3. EXCLUSION

Legal persons are not liable to VAT taxation if the value of their taxed transactions during the previous 12 months does not exceed, or is unlikely to exceed, EUR 50,000 (approximately \$56,800) (VAT Act Article 94).

E. OTHER TAXES

Under the Inheritance and Gift Tax Act, private-law legal persons established under the relevant law for performing religious, humanitarian, charitable, health, social welfare, educational, research or cultural activities or for protection and rescue activities, are exempt from paying inheritance and gift tax, if the gift or inheritance is intended to pursue such activities. [\[4\]](#)

NPOs are not exempt from paying real property transaction taxes. The standard rate is 2 percent of the value of the real estate.

F. DOUBLE TAX TREATIES

There is a double tax treaty between the United States and Republic of Slovenia.

VI. KNOWLEDGEABLE CONTACTS

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FOOTNOTES

[1] Public institutes also can be created under state administration regulations or by municipal/city decision; this Note, however, is limited to public institutes established and governed pursuant to the Institutes Act.

[2] The Personal Income Tax Act defines public interest purposes as humanitarian purposes (including human rights protection), protection from natural and other disasters, disability, charitable, ecological, cultural, sporting, religious and other purposes. Eligible beneficiaries, according to a decree on the appropriation of personal income tax for donations, are: NPOs that acquire the status of an organization in the public interest; associations that acquire the status of a disability organization; associations and other organizations that acquire the status of a humanitarian organization; foundations; religious communities; political parties and representative trade unions. In 2018, there were approximately 6,500 beneficiaries on the list (which is managed by the Ministry of Finance).

[3] A taxpayer must pay an entry tax on goods and services, even if those goods and services will later be used in transactions that are exempt from VAT. NPOs operating in areas in which the payment of VAT is exempted thus pay an entry VAT. Although they may not avoid this obligation, they cannot add it to the price when charging for their goods or services. In addition they must, like any other taxpayer, keep complete records as provided by law, because an NPO itself is not exempt, although its activity is.

[4] Private-law legal persons include associations, private institutes, foundations, and funds.