R&D Tax Incentives: Slovenia, 2019

Design features

Slovenia provides R&D tax relief through a 100% R&D tax allowance on the volume of qualifying R&D expenditure which includes current expenditure and machinery & equipment acquisition costs.

- In the case of insufficient tax liability, unused credits can be carried-forward for five years.
- No upper ceiling applies to the amount of qualifying R&D expenditures or value of R&D tax relief.

Table 1. Main design features of R&D tax incentives in Slovenia, 2019

<table>
<thead>
<tr>
<th>Type of instrument</th>
<th>Volume-based</th>
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</thead>
<tbody>
<tr>
<td>Eligible expenditures†</td>
<td>Current, machinery &amp; equipment</td>
</tr>
<tr>
<td>Headline rates</td>
<td>100</td>
</tr>
<tr>
<td>Refund</td>
<td>No</td>
</tr>
<tr>
<td>Carry-over (years)</td>
<td>5 (carry-forward)</td>
</tr>
<tr>
<td>Thresholds &amp; ceilings</td>
<td>-</td>
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</tbody>
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†For additional information: OECD R&D Tax Incentive Compendium and Eligibility of current and capital expenditure for R&D tax relief

Recent developments and trends

Differences in the design of R&D tax incentives drive significant variation in the expected generosity of tax relief per additional unit of R&D investment. In 2019, the R&D tax subsidy rate of profit-making (loss-making) SMEs in Slovenia is estimated at 0.21 (0.17), above (equal to) the OECD median of 0.19 (0.17). The tax subsidy rate for large enterprises is equal to 0.21 (0.17) in the profit (loss)-making scenario, well above the OECD median of 0.14 (0.10).

The generosity of R&D tax incentives has increased in Slovenia over the 2000-19 period, across each of the four scenarios considered. Following the introduction of an R&D tax allowance rate in 2005, the allowance rates were raised from 20% to 40% in 2010 and from 40% to 100% in 2012. Both uplifts led to a marked increase in the implied R&D tax subsidy rate estimated for profitable and loss-making firms. Small fluctuations in R&D tax subsidy rates - observable from 2005 onwards and most recently in 2017 - are connected to changes in corporate income tax (CIT) rates as the value of tax allowances is directly linked to the rate of CIT.

Figure 1. Evolution of the generosity of the tax incentive: Slovenia, 2000-19

1-B-Index, by firm size and profit scenario

Note: Implied marginal tax subsidy rates, presented for different firm size and profitability scenarios, are calculated (see methodology and country-specific notes) based on headline tax credit/allowance rates. Headline tax credit/allowance rates provide an upper bound value of the generosity of R&D tax incentives, not reflecting the effect of thresholds and ceilings that may limit the amount of qualifying R&D expenditure or value of R&D tax relief.

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Public support for business R&D: the policy mix

Slovenia ranks sixteenth among OECD and partner economies in terms of total government support to business R&D as a percentage of GDP, at a rate equivalent to 0.15% of GDP in 2017.

Figure 2. Direct government funding of business R&D and tax incentives for R&D, 2017 (nearest year)
As a percentage of GDP

- From 2006 to 2017, government support for BERD as a percentage of GDP increased in Slovenia by 0.05 pp, while the OECD median increased by 0.015 pp.
- From 2006 to 2017, business R&D intensity in Slovenia increased from 0.92% to 1.39%.
- In 2017, R&D tax incentives accounted for 71% of total government support for BERD in Slovenia.

Trends in government support for business R&D

Since the introduction of an R&D tax allowance in 2005, the importance of R&D tax incentives has increased in Slovenia, both in absolute and relative terms.

Figure 3. Direct government funding of business R&D and tax incentives for R&D, Slovenia, 2000-17
As a percentage of GDP, 2010 prices (right-hand scale)

- The cost of this support rose (in 2010 prices) from EUR 17 million in 2006 to EUR 43 million in 2017.
- As percentage of GDP, R&D tax support has increased since 2009, reaching 0.11% of GDP in 2017.
- Direct funding of BERD remained fairly stable between 2000 and 2008. From 2009 onwards, it increased sharply and reached its peak in 2012 (0.27% of GDP) to revert back to 0.04% of GDP in 2017.
- The share of R&D tax incentives in total government support varied notably over the 2000-17 period, amounting to 48% in 2006, 19% in 2010 and 71% in 2017.


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