R&D Tax Incentives: Slovenia, 2018

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

- In the case of insufficient tax liability, unused credits can be carried-forward for five years.
- No ceiling applies on 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, 2018†

<table>
<thead>
<tr>
<th>Type of Instrument</th>
<th>R&amp;D tax allowance</th>
</tr>
</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>
</tr>
</tbody>
</table>


Recent developments and trends
Differences in the design of R&D tax incentives drive a significant variation in the expected generosity of tax relief per additional unit of R&D investment across OECD and partner economies and over time. In 2018, the R&D tax subsidy rate of profit-making (loss-making) SMEs in Slovenia is estimated at 0.21 (0.17), above the OECD median of 0.20 (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 0.13 (0.10).

The generosity of R&D tax incentives has increased in Slovenia over the 2000-18 period, looking at each of the four scenarios considered. Following the introduction of an R&D tax allowance in 2005, the allowance rates were raised from 20% to 40% in 2010 and from 40% to 100% in 2012. Both led to a marked increase in the implied R&D tax subsidy rate estimated for profitable and loss-making firms. The smaller 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, 2000-18


Note: Implied marginal tax subsidy rates, presented for different firm size and profitability scenarios, are calculated 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 relief. For more information on the calculation of implied subsidy rates, see http://www.oecd.org/sti/rd-tax-stats/index-methodology.pdf, and for notes regarding the modelling of the country-specific time series, see http://www.oecd.org/sti/rd-tax-stats/index-notes.pdf.

Disclaimer: http://oe.cd/disclaimer
Public support for business R&D: the policy mix

Governments adopt various instruments to incentivise R&D by business. In addition to direct support such as grants and buying R&D services, 30 out of the 36 OECD countries provided fiscal incentives in 2018.

Figure 2. Direct government funding of business R&D and tax incentives for R&D, 2016 (nearest year)
As a percentage of GDP

- **Slovenia** ranks twelfth among OECD and partner economies in terms of total government support to business R&D as a percentage of GDP, equivalent to 0.19% of GDP in 2015.
- From 2006 to 2015, government support for BERD as a percentage of GDP increased in **Slovenia** by 0.09 percentage points, while the OECD median (2006-2016) increased by 0.02 percentage points.
- From 2006 to 2015, business R&D intensity in **Slovenia** increased from 0.92% to 1.68%.
- In 2016, R&D tax incentives accounted for 63% of total government support for BERD in **Slovenia**.

Trends in government support for business R&D

Over the last decade, a general trend towards non-discretionary instruments such as R&D tax incentives has been observed. This trend is far from uniform and the policy mix can vary by country and over time.

Figure 3. Direct funding of business R&D and tax incentives for R&D, Slovenia, 2000-15
As a percentage of GDP, 2010 prices (right-hand scale)

- 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.
- As percentage of GDP, R&D tax support has increased since 2009, reaching 0.12% of GDP in 2015.
- 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 0.07% of GDP in 2015.
- The share of R&D tax incentives in total government support varied notably over the 2000-15 period, amounting to 48% in 2006, 19% in 2010 and 63% in 2015.


© OECD 2019