

# THE OECD TAX-BENEFIT MODEL FOR SLOVENIA

Description of policy rules for 2018



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## Preface

The [OECD Tax-Benefit model \(TaxBEN\)](#) incorporates detailed policy rules for tax liabilities and benefit entitlements as they apply to individual families across OECD member countries. Its main use is to calculate the amount of taxes that people are liable to pay, and the government transfers they are likely to receive, in different family and labour-market situations. The model includes legal policy rules that are relevant for people of **working age** (from 18 years old until the statutory retirement age) and their dependent children. Income tax liabilities and benefit entitlements are calculated for a broad set of *stylised* families (“vignettes”, e.g. a married couple of 40 years old adults with two children aged 4 and 6 respectively). Model users are free to change many of these characteristics, including the age and number of children, activity status of adult members, hours of work, current and past earnings levels, unemployment duration, social contribution records, and housing-related costs. The model has been updated annually since the early 2000s for most OECD countries.

TaxBEN’s policy scope includes the main taxes on employment income (earnings), social contributions paid by individuals and by employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits and support for non-parental childcare are included for a sub-set of countries and years. The most important policy areas that are outside the scope of the model include taxes on wealth (e.g. taxes on immovable and unmovable properties, including local taxes), indirect taxes (e.g. VAT), early-retirement benefits, sickness benefits and in-kind transfers (e.g. free school meals, subsidised transport and free health care).

This report describes the taxes and benefits that are included in the model and focuses on the rules that are relevant for family, individual and labour-market circumstances that are within its scope. The **Annex** provides information on other cash benefits and taxes on employment incomes that can be relevant for some members of the working-age population, but which are not included in the TaxBEN model.

### Reading notes and further details on the scope and content of this report

- **The reference date for policy rules described in this report is January 1, 2018.**
- **Guidelines for completing and updating this report** are provided [here](#).
- Further information on the model, model results, and references to reports and analytical uses is available on the [project website](#). A [methodology](#) document provides a full description of the assumptions underlying the model as well as the model choices that users can make. The symbol  in the text provides a link to a glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- In order to facilitate transparency between the policy descriptions and the associated code in the model, the variable names are indicated in the text in square brackets using the following format: **[variable name]**, for instance: **[AW]** for the average wage.

## The OECD tax-benefit model for Slovenia: Policy rules in 2018

### 1. Reference wages

The 2017 average wage **[AW]** is EUR 18,839.<sup>1</sup>

The minimum wage **[MIN]** in 2018 (in force since 1 January 2018) is EUR 842.79 per month. The annual minimum wage is computed by multiplying the minimum monthly wage (as of January 1, 2018) by 12, i.e. EUR 842.79 \* 12 = EUR 10,113.

### 2. Unemployment benefits

#### 2.1. Unemployment insurance (Zavarovanje za primer brezposelnosti)

Variable names: **[UI\_p; UI\_s]**

This is an unemployment insurance benefit. It is contributory, not means-tested and is taxable. 

##### 2.1.1. Eligibility conditions

**Age:** No age conditions.

**Contribution/employment history:** Unemployment insurance rights may be obtained by an unemployed person who was insured for at least nine months in the previous 24 months before the unemployment occurred. Those with an insurance period ranging from six to nine months in the previous 24 months who are aged under 30 are also eligible.

**Behavioural requirements and related eligibility conditions:**  TaxBEN assumes that the following compulsory conditions are satisfied when simulating unemployment benefits.<sup>2</sup> The conditions for receipt of unemployment benefits are that the claimant:

- is unemployed involuntarily (i.e. through no fault of their own or against their will),
- is registered at the Employment Service of Slovenia,
- applied for benefits within 30 days of the termination of employment,
- is capable of work,
- is actively seeking employment and
- is prepared to accept any appropriate or suitable employment offered by the Employment Service or another provider of employment brokerage services.

Benefits can be terminated if the claimant ceases to be registered with the public employment service, refuses to enter an active employment policy programme or breaches

<sup>1</sup> AW refers to the Average Wage estimated by the [Centre for Tax Policy and Administration](#). For more information on methodology see the latest [Taxing Wages publication](#).

<sup>2</sup> Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see Immervoll and Knotz (2018, forthcoming), [Langenbacher \(2015\)](#) and [Venn \(2011\)](#).

an obligation arising from the contract on the entry in an active employment policy programme, refuses to accept appropriate or suitable employment, does not make efforts during a job interview, does not provide information requested, engages in occasional or regular illegal employment, or refuses to sign an employment plan. Since January 2018, there has been a gradual sanctioning of violations of obligations regarding active job search. Recipients of unemployment benefit will be sanctioned by reduction of unemployment benefit for 30% of the last paid amount for the first violation of the obligation, and the benefit will cease to be paid after a second violation.

### *2.1.2. Benefit amount*

**Calculation base:** The cash benefit assessment basis is the average monthly salary during the eight months prior to the month unemployment begins. For those under 30, the assessment basis is the average monthly salary during the five months prior to the month unemployment begins.

**Benefit amount:** Unemployment benefit rates are as follows:

- For the first three months: 80% of the reference basis, or 60% if the claimant fails to register as unemployed within the notice period
- For the following nine months: 60% of the reference basis.
- After 12 months: 50% of the reference basis.

The benefit amount is subject to minimum and maximum amounts. The minimum benefit amount is EUR 350, though this does not apply if the claimant was previously working part time. The maximum benefit amount is EUR 892.50 (before tax).

### *2.1.3. Benefit duration*

Unemployment benefit duration depends upon the claimant's insurance contribution record as follows:

- 2 months if the insurance period ranges from six to nine months (only for those aged under 30).
- 3 months for insurance of 1 to 5 years,
- 6 months for insurance of 5 to 15 years,
- 9 months for insurance of 15 to 25 years,
- 12 months for insurance of 25 years or more,
- 19 months for those aged over 50 with an insurance period of more than 25 years,
- 25 months for insured persons over 55 years of age with an insurance period of more than 25 years.

Benefits can be reclaimed after obtaining a new insurance period of at least 9 months (or at least 6 months for those aged under 30). However, in this case the insurance period from which the right to cash benefit had been already assessed and the insurance period used to receive cash benefits shall not be included in the insurance period for the assessment of benefit duration. This provision does not apply to those who are older than 57 years of age, or have accumulated an insurance period of more than 35 years.

#### 2.1.4. Means test

The benefit is not means-tested.

#### 2.1.5. Tax treatment

The benefit is taxable.

#### 2.1.6. Interactions with other components of the tax-benefit system

Unemployment insurance benefits can be received alongside all other benefits, however they are included in the income definition for the means tests for social assistance, housing benefit and family benefits.

#### 2.1.7. Combining benefit receipt and employment/starting a new job

If a recipient of unemployment insurance benefits works part time (less than 20 hours a week), they can retain a proportionate part of the cash benefit (i.e. if they work for 20% of a full-time work week, their benefits are reduced by 20%). If a benefit recipient starts a full time job, they continue to receive 20% of the last paid net cash benefit until their entitlement would have expired, or until 12 months after the start of the employment.

Unemployment insurance benefit recipients can also receive payment for work done on the basis of a contract other than employment contract (e.g. a service contract). In this case, half of earnings above EUR 200 per month are deducted from the unemployment benefit amount. This situation is not simulated in the TaxBEN model.

### 3. Social assistance and housing benefits

#### 3.1. Financial social assistance (*denarna socialna pomoč*)

Variable name: **[SA]**

This is a non-contributory benefit, means-tested and not taxable.

Financial Social Assistance is a social benefit which acts as a final safety-net. It is provided to individuals and families who are unable to secure their material needs for reasons beyond their control. The purpose of Financial Social Assistance is to provide for minimum needs at a level which allows basic subsistence. There are two types of Financial Social Assistance: Ordinary (described in this Section and simulated in the TaxBEN model) and Extraordinary (not simulated and described in the Annex).

##### 3.1.1. Eligibility conditions

All Slovenian citizens who have permanent residence in the Republic of Slovenia, foreigners who have permit for permanent residence in the Republic of Slovenia and permanent residence, persons granted international protection and their family members who have on the basis of the right to family reunification a residence permit in the Republic of Slovenia and have their permanent or temporary residence in the Republic of Slovenia, and those entitled on the basis of international agreements ratified by the Republic of Slovenia may apply for Financial Social Assistance.

There is no age restriction for Financial Social Assistance, however those above normal retirement age (63 for women and 65 for men) can apply for Supplementary Allowance.

Financial Social Assistance is not granted to persons whose income is below the minimum income for reasons which they could or can influence or who, without valid reasons, reject, avoid or abandon activities which could or can lead to employment or to another method of increasing their family's income. This could include termination of a job for specified reasons, failure to register with the body responsible for employment, unjustified rejection of an appropriate work, unjustified abandonment of the exercise of a right which could influence the social situation of the person or his or her family members, unwillingness to accept the call for concluding the contract on means of support, refusal to conclude or failure to implement the contract on the active addressing of individual social problems, serving a prison sentence or the loss of the means of subsistence or of any income for the reasons within the claimant's control.

Recipients of Financial Social Assistance must accept any employment after receiving Financial Social Assistance for 9 of the previous 12 months.

The Act on exercising the rights from public funds defines the order of rights to be claimed from public funds. The first right to be claimed is Child Allowance (in case the individual has children), and the second is Financial Social Assistance (followed by the Supplementary Allowance and State Scholarship). This means that in case of a family with children, the family must claim Child Allowance first and then this income is taken into account when calculating Financial Social Assistance Entitlement.

### 3.1.2. Benefit amount

The level of Financial Social Assistance is linked to the Basic Minimum Income (*osnovni minimalni dohodek*). The amount of Financial Social Assistance and Supplementary Allowance is therefore adjusted in parallel with adjustments of the Basic Minimum Income. As of January 1 2018, the Basic Minimum Income was set at EUR 297.53 per month.

The amount of the Financial Social Assistance for a single person is the difference between the BMI and the person's total income. For a family, it is determined as the difference between the BMI for the whole family, i.e. by the sum of the amounts of minimum income for each family member (outlined below) and the family's total income.

The minimum monthly income for each family member is as follows:

- first adult, or a single person or an adult who is in institutional care: 100% of the BMI, or EUR 297.53,
- first adult, or a single person who is working between 60 and 128 hours per month: 128% of the BMI, or EUR 380.84,
- first adult, or a single person who is working more than 128 hours per month: 156% of the BMI, or EUR 464.15,
- a single person aged between 18 and 26, registered with the Employment Service living at the same address as their parents, provided that the parents have means to support themselves: 70% of the BMI, or EUR 208.27,
- every next adult person working less than 60 hours per month: 57% of the BMI, or EUR 169.59,
- every next adult person working between 60 and 128 hours per month: 71% of the BMI = EUR 211.25,

- every next adult person working more than 128 hours per month: 85% of the BMI = EUR 252.90,
- first, oldest child: 76% of the BMI, or EUR 226.12,
- every subsequent child: 66% of the BMI, or EUR 196.37,
- increase for each child in a single-parent family if no subsistence benefits for child support are received: 20% of the BMI, or EUR 59.51.

### 3.1.3. *Benefit duration*

The duration of Financial Social Assistance can be up to 3 months when granted for the first time. It can then be prolonged for 6 months if circumstances remain unchanged. In special cases (families with someone above normal retirement age and other relevant circumstances) benefits may be granted for a maximum of 12 months. Permanent assistance is given to those whose social status is not likely to improve and who fulfil other specified conditions, such as those above normal retirement age, with a permanent incapacity for work, or permanent unemployability and no property. However, Financial Social Assistance may be renewed if the circumstances giving rise to entitlement remain unchanged.

### 3.1.4. *Means test*

The monthly amount of Financial Social Assistance is therefore defined as the difference between corresponding thresholds and total monthly income of an individual or family. This includes earnings, unemployment benefits and family benefits, minus income tax and social security contributions. It also includes inheritance, gifts, income from agricultural and entrepreneurial activities and all wages and earnings of an individual or his family members which are subject to income tax, as well as non-taxable personal earnings. However, the following income sources are not taken into account:

- subsidies paid from the State budget for specific purposes,
- housing subsidies for young families,
- one-off cash assistance under the legislation governing the protection against natural and other disasters,
- one-off solidarity assistance from a trade union,
- compensation for damaged things that were available for defence needs or protection against natural disasters,
- income associated with agricultural and forestry activity,
- scholarships and other benefits paid to students,
- benefits for covering tuition fees, transport and housing,
- support for education or training fees and transport or lodging costs,
- transport to work and food allowances,
- cash assistance from humanitarian and disability organisations and charities up to the amount of the minimum income for the individual or family

Child allowance is taken into account, with the exception of the additional amount for a one-parent family, and the addition for children who are not enrolled in kindergarten, minus 20% of the amount of child allowance for the first child in the first income bracket (EUR 22.86 per month in 2016).

Furthermore, all real estate and personal property (e.g. financial assets and vehicles) are also taken into account with some exceptions, such as the family's primary residence, personal vehicles worth less than EUR 8,330.84, bank loans received by the person exclusively for the purchase or construction of housing, cash worth up to three times the Basic Minimum Income for a single person, or, for a family up to three times the Basic Minimum Income with a limit of EUR 2,500.00. Note, however that the TaxBEN model does not simulate these conditions relating to assets, and thus implicitly assumes that the family's total assets are under these thresholds.

### 3.1.5. Tax treatment

The benefit is not taxable.

### 3.1.6. Interaction with other components of the tax-benefit system

Financial Social Assistance can be received alongside all other benefits, but is included in the income definition for the housing benefit means test.

### 3.1.7. Combining benefit receipt and employment/starting a new job

No restrictions, but earnings from work are included in the income definition for the means test (see Section 3.1.4 above).

## 3.2. Housing benefit (*subvencija najemnine*)

Variable name: **[HB]**

This is a non-contributory benefit, means-tested and not taxable.

### 3.2.1. Eligibility conditions

Housing benefit (HB) can be claimed by households who are renting and whose income is under certain threshold.

### 3.2.2. Benefit amount

Housing benefit is based on the actual rent paid by a household up to a maximum. The maximum rent varies by household size as follows:

Size of the Household	Upper limit of HB per month (in EUR)
1 member	85
2 members	125
3 members	152
4 members	180
5 members	208

6 members	235
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In all cases, the claimant must pay 20% of the rent. If the claimant's ability to pay is less than 20% of the rent, then they are entitled to HB of 80% of the rent.

### 3.2.3. *Benefit duration*

No limit.

### 3.2.4. *Means test*

The amount of housing benefit depends on the household's income and ranges from 1% to 80% of the rent for the property up to a maximum (see Section 3.2.2 above). The claimant's ability to pay is calculated the difference between 70% of Net Income and the Basic Minimum Income (BMI) for the household (the BMI is described in section 3.1.2 above). Net Income includes earnings net of social security contributions and income taxes, unemployment benefits, family benefits and social assistance.

### 3.2.5. *Tax treatment*

Housing Benefit is not taxable.

### 3.2.6. *Interaction with other components of the tax-benefit system*

It is possible to receive housing benefit together with all other benefits. Other benefits are included in the income definition for the means test as described in Section 3.2.4 above.

### 3.2.7. *Combining benefit receipt and employment/starting a new job*

Housing benefit receipt can be combined with employment if the means-test and other eligibility conditions are satisfied. There are no special rules for those who find employment during receipt of housing benefit.

## 4. Family benefits

### 4.1. *Family benefit (družinski prejemek)*

Variable name: **[FB]**

This is a non-contributory benefit, it is means-tested and is not taxable.

#### 4.1.1. *Eligibility conditions*

The claimant (one of the parents or another guardian) must have a dependent child aged under 18.

#### 4.1.2. *Benefit amount*

The aim of child benefit is to provide parents with low incomes when the income per family members does not exceed the maximum limit of income bracket. All amounts are net income (as defined in Section 4.1.4 below).

**Child benefit amounts in 2018 (EUR/month):**

Income bracket	Income per family member as a % of average earnings (EUR)	Amount of child benefit for each child under 12			Amount of child benefit for each child in secondary school (age 13-18)		
		1st child	2nd child	3rd and subsequent child(ren)	1st child	2nd child	3rd and subsequent child(ren)
1	Up to EUR 185.43	114.31	125.73	137.18	114.31	125.73	137.18
2	over EUR 185.44 to EUR 309.05	97.73	108.04	118.28	97.73	108.04	118.28
3	over EUR 309.06 to EUR 370.86	74.48	83.25	91.98	74.48	83.25	91.98
4	over EUR 370.87 to EUR 432.67	58.75	67.03	75.47	58.75	67.03	75.47
5	over EUR 432.68 to EUR 545.98	48.04	56.06	64.03	48.04	56.06	64.03
6a	over EUR 545.99 to EUR 576.90	30.44	38.10	45.71	30.44	38.10	45.71
6b	over EUR 576.91 to EUR 659.30	30.44	38.10	45.71	43.44	51.10	71.17
7	over EUR 659,31 to EUR 844,73						
		22,83	30,44	38,10	28,83	36,44	49,65
8	Over EUR 844,74 to EUR 1.019,86	19,88	27,50	35,11	22,88	30,50	39,89

For lone parent families, these amounts are increased by 30%.

If a pre-school child does not attend kindergarten, the amount of the child benefit is increased by 20%. This 20% increase is paid for children aged under 6.

In addition to child benefit there are following supplementary allowances available (note that these are not included in the TaxBEN model):

- Child birth allowance: one-time payment on the birth of a child of EUR 280 in 2016.
- Parental allowance: financial assistance for 365 days after the birth of a child or longer in special circumstances (e.g. birth of twins or triplets or premature birth) to parents when they are not entitled to parental leave benefits after the birth of the child. In 2016, parental allowance is EUR 252.04 per month.

There is also a large family allowance is an annual benefit for families with three or more children. In 2018, large family allowance for three children is EUR 395 and for four or more children EUR 480. It is paid as a lump sum payment once a year. It is only paid if income per person in the household is less than EUR 648.47 per month.

#### 4.1.3. Benefit duration

As long as the eligibility conditions hold.

#### 4.1.4. Means test

The benefit amount depends on the income bracket a family fits into (see Section 4.1.2). The income bracket depends on net income per family member, i.e. earnings net of tax and social security contributions plus unemployment benefits divided by family size.

#### 4.1.5. Tax treatment

The benefit is not taxable.

#### 4.1.6. Interaction with other components of the tax-benefit system

The benefit can be received together with any other benefit, though is included in the income definition for the means tests for social assistance and housing benefit.

#### 4.1.7. Combining benefit receipt and employment/starting a new job

No restrictions, but amount of benefit received depends on earnings from work (see Section 4.1.4 above).

## 5. Childcare for pre-school children

The **reference date** for the policy rules described in this section is **July 1, 2018**.<sup>3</sup>

In Slovenia, pre-school education is not compulsory. The curriculum is divided in two cycles (from ages 1 to 3, and from 3 to 6). Different types of programme are available including full-day, half-day and shorter programmes. Families can also use child minders, pre-school education at home, or care for children in their homes on an occasional basis. The Curriculum for Pre-school Institutions includes six areas of activities: movement, language, art, nature, society and mathematics. The goals set in individual fields of activities provide the framework for teachers to select of contents and activities.

### 5.1. Gross childcare fees

Variable name: `[SIcc_cost]`

The price of the program for which parents pay a certain percentage is determined by the municipality on the suggestion of the kindergarten. The kindergarten calculates the price on the basis of identified costs of education, care and food in the kindergarten. The Ministry of Education, Science and Sport collects data on kindergarten fees and parents' payments. In 2018, the average price for the 1st age group (for children between one and three years of age) was EUR 445.78 and for the 2nd age group (children from three years of age to the age of entering basic compulsory school) EUR 335.33. These are the values of gross childcare costs used in the TaxBEN model.

From September 2018, new type of short program of at least 240-hours per year and entirely state-financed will be available for children not enrolled in pre-school education one year before entering primary school.

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<sup>3</sup> The childcare module of the tax-benefit model is updated every three year (next update: 2018).

### 5.1.1. Discounts for part-time usage (not modelled)

Part time programmes are available, but in practice almost all (97%) children who attend kindergarten in Slovenia do so full time.

## 5.2. Fee discounts and free provision

Variable name: `[cc_subsidy]`

Payments of parents depend on family income per person as a proportion of the net average salary in Slovenia.

### 5.2.1. Eligibility

Discounts are given to parents or guardians of younger than age of 18, who legally resides in the Republic of Slovenia and actually lives in the Republic of Slovenia when the income per family member does not exceed the maximum limit of income class pursuant to Parental Protection and Family Benefits Act.

The right to child benefit shall not be granted to one of the parents for the child who in order to obtain education, schooling or training lives in an institution which provides fulltime care free of charge.

### 5.2.2. Amount of discount or free provision

There are 9 payment brackets. The 1st bracket contains families with the lowest incomes, who are exempt of kindergarten fees payment; the 9th comprises those whose average monthly income per person amounts to more than EUR 1,019.87 and who pay 77% of the kindergarten program fee.

For families with two or more children in kindergarten, the fee for the second child is 30% of the fee paid for the oldest child, and all subsequent children are exempt from paying fees.

### 5.2.3. Variation by income

The income brackets for 2018 are as follows:<sup>4</sup>

Income bracket	Average net monthly income per family member	Payment (% of the program price)
1.	Under EUR 185,43	0%
2.	Over EUR 185,44 to EUR 309,05	10%
3.	Over EUR 309,06 to EUR 370,86	20%
4.	Over EUR 370,87 to EUR 432,67	30%
5.	Over EUR 432,68 to EUR 545,98	35%

<sup>4</sup> Source: Ministry of Labour, Family, Social Affairs and Equal Opportunities.

6.	Over EUR 545,99 to EUR 659,30	43%
7.	Over EUR 659,31 to 844,73	53%
8.	Over 844,74 to EUR 1.019,86	66%
9.	Over EUR 1.019,87	77%

The income is calculated by dividing total family income annual income (including earnings net of income tax and social security contributions and all benefits) by the number of persons and 12 (to get an average monthly income amount).

Municipalities may further reduce kindergarten fees to be paid by parents. This possibility is not taken into account in the TaxBEN model.

### ***5.3. Child-care benefits for formal centre-based care***

Variable name: [\[cc\\_benefit\]](#)

There are no special childcare benefits to parents of children in public kindergartens.

#### *5.3.1. Eligibility*

#### *5.3.2. Benefit amount*

#### *5.3.3. Benefit duration*

#### *5.3.4. Means test*

#### *5.3.5. Tax treatment*

#### *5.3.6. Interaction with other benefits*

#### *5.3.7. Combining benefit receipt and employment/starting a new job*

### ***5.4. Child care allowance for children not using child care centers***

Variable name: [\[HEMOCARE\]](#)

See Section 4.1.2: if a pre-school child does not attend kindergarten, the amount of the child benefit is increased by 20%. This 20% increase is paid for children aged under 6.

### ***5.5. Tax concessions for childcare expenditures***

None.

*5.5.1. Eligibility**5.5.2. Maximum amount**5.5.3. Variation by income**5.5.4. Impact on overall income tax calculation***6. In-work benefits**

Variable name: **[IW]**

A new into-work benefit was introduced in Slovenia in January 2018. Under this scheme, recipients of unemployment benefits can in certain circumstances continue to receive some payments when they move into full-time work.

*6.1.1. Eligibility conditions*

To be entitled to the benefit, a claimant must be a recipient of unemployment benefits and have a low- or middle level of education or be educated for a profession for which there is low demand<sup>5</sup> who has moved into full-time employment (other than employment in public works programmes).

*6.1.2. Benefit amount*

The benefit amount is 20% of the last unemployment benefit amount.

*6.1.3. Benefit duration*

The benefit can be received until unemployment benefit entitlement would have expired, or for 12 months, whichever is shorter.

*6.1.4. Means test*

No.

*6.1.5. Tax treatment*

The benefit is taxable.

*6.1.6. Interaction with other components of the tax-benefit system* **7. Social security contributions and payroll taxes***7.1. Social security contributions*

Variable names: **[SOCSEC\_p; SOCSEC\_s; SSCR\_p; SSCR\_s]**

There are four compulsory social security insurance schemes in Slovenia:

- pension and disability insurance;

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<sup>5</sup> It is assumed that this condition is met in the TaxBEN model.

- health insurance;
- unemployment insurance and
- maternity leave insurance.

Persons liable to pay contributions are insured individuals (including employees, the self-employed, farmers, and others), employers and other persons.

In general both employers and employees pay compulsory social security contributions.

The base for employee and employer social security contributions is gross wages and salaries (with no limitations), including other income from employment (such as vacation payments, fringe benefits and remuneration of expenses related to work above a certain threshold).

The system of health insurance is divided into compulsory health insurance, voluntary health insurance for additional coverage, and insurance for services that are not a constituent part of compulsory insurance.

The pension and disability insurance system covers:

- compulsory pension and disability insurance based on the intergenerational solidarity;
- compulsory supplementary pension insurance (occupational pension insurance);
- voluntary supplementary pension insurance on the basis of personal pension savings accounts.

Compulsory social security contributions are deductible from income for the purposes of income tax (see Section 8).

Employee social security contribution rates are as follows:

Pension insurance	15.50%
Health insurance	6.36%
Unemployment insurance	0.14%
Maternity leave	0.10%
<b>Total</b>	<b>22.10%</b>

Employer social security contribution rates are as follows:

Pension insurance	8.85%
Health insurance (including insurance against injuries at work and occupational diseases)	7.09%
Unemployment insurance	0.06%
Maternity leave	0.10%
<b>Total</b>	<b>16.10%</b>

For employer contributions, there is a minimum base of EUR 10 542.64 per year. If earnings are below this level, contributions are charged on the basis of this earnings level, and employers also have to pay the employee contribution rate on the difference between actual earnings and this earnings level.

Self-employed individuals are obliged to pay social security contributions (SSC) on the basis of their profits (though note that the situation of a self-employed person is not

simulated in the TaxBEN model). They are obliged to pay SSC on a monthly basis. There is no consolidation on a yearly level.

The base for social security contributions for the self-employed is profits made in previous year reduced by 25%. If the self-employed person makes a loss or a profit (reduced by 25 %) that is less than the 60 % of average wage (AW), then they have to make a minimum contribution based on 60 % of the AW. The maximum insurance (contribution) base is 350% of the AW. Self-employed individuals can opt to pay their SSC at a higher insurance (contribution) base than the one calculated on the basis of their profit but no higher than the amount equal to 350% of the AW.

The contributions rates for the self-employed are as follows:

Pension insurance	24.35%
Health insurance (including insurance against injuries at work and occupational diseases)	13.45%
Unemployment insurance	0.20%
Maternity leave	0.20%
<b>Total</b>	<b>38.20%</b>

## 8. Taxes

Personal income tax is levied on six categories of income: income from employment, business, basic agriculture and forestry, rental and royalties, capital (interest, dividends and capital gains) and other income. Only income from employment and unemployment insurance benefits are included in the tax base in the TaxBEN model.

Personal income tax is assessed on an individual basis: each individual is treated as a separate taxpayer and is taxed at progressive rates.

### 8.1. Personal income tax

Variable name: `[IT_p; IT_s]`

#### 8.1.1. Tax allowances

Standard allowances that reduce the aggregated taxable base for a resident taxpayer on an annual level include a general allowance of EUR 3,302.70 in 2018 for all resident taxpayers. This is increased for those with lower incomes: there is an additional EUR 3,217.12 allowance for resident taxpayers with incomes up to EUR 11,166.37 (so their total allowance is EUR 6,519.82) which is tapered away for resident taxpayers with incomes between EUR 11,166.37 and EUR 13,316.83 (in this income range, the total allowance is calculated by the following equation:  $3,302.70 + [19,922.15 - 1.49601 \times \text{total income}]$ ).

There are also family allowances that are granted to residents with dependents. The allowances for 2018 are as follows:

- EUR 2,436.92 for the first dependent child;
- EUR 2,649.24 for the second child;
- EUR 4,418.54 for the third child;
- EUR 6,187.85 for the fourth child;

- EUR 7,957.14 for the fifth child;
- EUR 1,769.30 for the sixth and subsequent children;
- EUR 8,830.00 for a dependent child who requires special care;
- EUR 2,436.92 for any other dependent family member.

The family allowance for a dependent child can be granted only to one parent.

The allowance for another dependent family member can be claimed in respect of a dependent spouse who is not employed and performs no business activities, has no income of their own or has an income which is less than the level of special relief for a maintained family member (EUR 2,436.92 in year 2018). This allowance can also be claimed in respect of a separated or divorced spouse, if they have been granted the right to maintenance from the taxpayer under a court order or other agreement. (Note that this last scenario is not simulated by the TaxBEN model).

There is also a special deduction for voluntary supplementary pension insurance: premiums paid by a taxpayer or his employer up to a maximum of 24% of compulsory contributions for pension and disability insurance paid by a taxpayer, or EUR 2,819.09 can be deducted in 2018. (Note that this deduction is not simulated by the TaxBEN model).

There is a disabled person's allowance of EUR 17,658.84 in 2018 (again, this is not simulated in the TaxBEN model).

There are also a number of non-standard tax reliefs applicable to income from employment (though again note that these are not simulated by the TaxBEN model):

- travel to work costs (up to the costs of public transport),
- meals during the work (up to EUR 6.12 per day),
- a daily allowance for expenses during business travel (limited),
- expenses for business travel (documented),
- expenses for hotel during business travel (documented),
- compensation for the use of an employee's own possessions and property when working at home,
- compensation for the use of an employee's own tools and other equipment (except private vehicles),
- compensation for a separate residence (up to EUR 334 per month);
- a long-service bonus jubilee award for the total work period or for the total work period with the last employer (different according to the years of service), retirement bonus and one-off solidarity assistance.

Resident students are granted special allowance of EUR 3,302.70 for income earned by pupils or students for temporary work done on the basis of a referral issued by a special organization dealing with job-matching services for pupils and students. (Note that this deduction is not simulated by the TaxBEN model).

### 8.1.2. Tax base

In the TaxBEN model, the income tax base is gross income from employment plus unemployment insurance benefits less employee social security contributions. Tax allowances are then deducted before the rates below are applied.

### 8.1.3. Personal income tax schedule

The tax schedule for the year 2016 is as follows:

<b>Income band (EUR)</b>	<b>Rate</b>
up to 8,021.34	16%
8,021.34 to 20,400.00	27%
20,400.00 to 48,000.00	34%
48,000.00 to 70,907.20	39%
above 70,907.20	50%

### 8.1.4. Tax credits

There are the following income tax credits (not simulated in the TaxBEN model):

- 13.5% of the pension received from compulsory pension and disability social insurance.
- 13.5% of the compensation received from compulsory disability social insurance as disabled worker.

## Annex: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in Slovenia that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

### *Extraordinary financial social assistance*

In cases where a families, for reasons beyond their control, found themselves in a position of material need, they can be granted Extraordinary Financial Social Assistance:

This type of Financial Social Assistance is granted in exceptional circumstances only, when a person finds him or herself in a situation of temporary material deprivation, caused by extraordinary living expenses which he or she cannot cover with his or her own income. It is awarded on a discretionary basis.

The monthly amount of Extraordinary Social Assistance cannot exceed the amount of Basic Minimum Income for that family type, while the amount of one-off Extraordinary Assistance in one calendar year cannot exceed the amount of five Basic Minimum Incomes from which three can be granted only for extraordinary costs incurred due to natural disasters or *force majeure*.

There are also two specific types of Extraordinary Financial Social Assistance: Special Extraordinary Financial Social Assistance after the Death of a Family Member (*posebna oblika izredne denarne socialne pomoči po smrti družinskega člana - posmrtnina*) and Special Extraordinary Financial Social Assistance for Covering Funeral Expenses (*posebna oblika izredne denarne socialne pomoči kot pomoč pri kritju stroškov pogreba - pogrebnina*). The purpose of these two types of extraordinary assistance is to provide financial assistance to relatives of the deceased and to partially cover funeral costs.

Special Extraordinary Financial Social Assistance after the Death of a Family Member and Special Extraordinary Financial Social Assistance for Covering Funeral Expenses are one-off payments payable to those who are entitled to Financial Social Assistance in the event of death of their spouse, cohabitant, child, stepchild or parents and who are fulfilling the conditions for receiving Financial Social Assistance. The Special Extraordinary Financial Social Assistance after the Death of a Family Member equals 100% of the BMI (which is EUR 297.53). The Special Emergency Financial Social Assistance for Covering Funeral Expenses equals 200% of the BMI (i.e. EUR 595.06), but cannot exceed the actual costs of the funeral.

### *Partial payment for lost income*

Partial payment for lost income is a personal benefit that is paid to one of the parents of a child with severe problems with mental development or a severe disability relating to mobility who has terminated their employment or started to work part time in order to care and safeguard the child. The monthly amount of partial payment for lost income is EUR 734.15. This payment is subject to income tax and social security contributions.

*Special Child Care Allowance for a Child in Need of Special Care*

This is an additional allowance of EUR 100 per month. For a child with severe disturbances in mental development and children with severe disability in movement, who need special care, the allowance is EUR 200. The Special Child Care Allowance for a Child in Need of Special Care is not taxed.