R&D Tax Incentives: Slovenia, 2020

Design of R&D tax relief provisions

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.

Table 1. Main design features of R&D tax incentives in Slovenia, 2020

	R&D tax allowance
Type of instrument	Volume-based
Eligible expenditures†	Current, machinery & equipment
Headline rates (%)	100
Refund	No
Carry-over (years)	5 (carry-forward)
Thresholds & ceilings	The total reduction of the tax base due to tax reliefs and tax losses from preceding tax periods cannot exceed 63% of the tax base for current the tax period.

Note: For more details, see OECD R&D Tax Incentive Compendium and Eligibility of current and capital expenditure for R&D tax relief
Source: OECD, R&D Tax Incentives Database, http://oe.cd/rdtax, March 2021.

Key features:

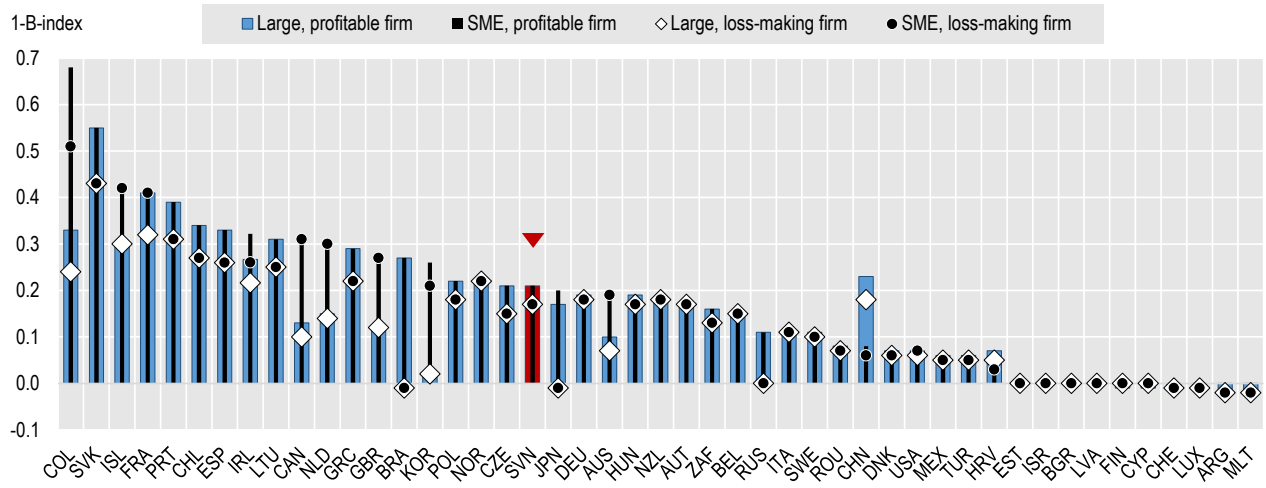
- In the case of insufficient tax liability, unused credits can be carried-forward for five years.
- As of 2020, an upper ceiling applies to the total reduction of the tax base due to tax reliefs and tax losses from previous tax periods which cannot exceed 63% of the tax base in the current tax year.

Generosity of R&D tax support in 2020

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 2020, the R&D tax subsidy rate of profit-making (loss-making) SMEs in **Slovenia** is estimated at 0.21 (0.17), above (below) the OECD median of 0.20 (0.18). The tax subsidy rate for large enterprises is equal to 0.21 (0.17) in the profit (loss)-making scenario, above the OECD median of 0.17 (0.15).

Figure 1. Implied tax subsidy rates on R&D expenditures: Slovenia, 2020

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 based on headline tax credit/allowance rates (see methodology and country-specific notes), providing an upper bound value of the generosity of R&D tax support, not reflecting the effect of thresholds and ceilings that may limit the amount of qualifying R&D expenditure or value of tax relief.
Source: OECD, R&D Tax Incentives Database, http://oe.cd/rdtax, March 2021.

Recent developments in R&D tax relief provisions

Regular reforms of R&D tax incentives lead to continuous changes in the availability, scope and generosity of R&D tax incentives. Such reforms relate to the launch of new tax incentives, the R&D definition adopted for tax purposes, changes in tax credit and allowance rates, adjustments of thresholds or upper ceilings on qualifying R&D expenditure or tax relief amounts, or changes in the terms and availability of refunds.

In 2020, changes in the availability and scope of R&D tax incentives represented the most frequent type of policy reform (OECD, 2020), along with adjustments to the headline R&D tax credit/allowance rates and adjustments of thresholds or upper ceilings on qualifying R&D expenditure or tax relief amounts. In response to the COVID-19 pandemic, several countries increased the generosity of R&D tax relief or introduced modifications to the administration of R&D tax incentives to facilitate and accelerate R&D funding.

In 2020, **Slovenia** undertake **one change** in the design of its R&D tax relief provisions, introducing a limitation on the total reduction of the tax base due to tax reliefs and tax losses from preceding tax periods.

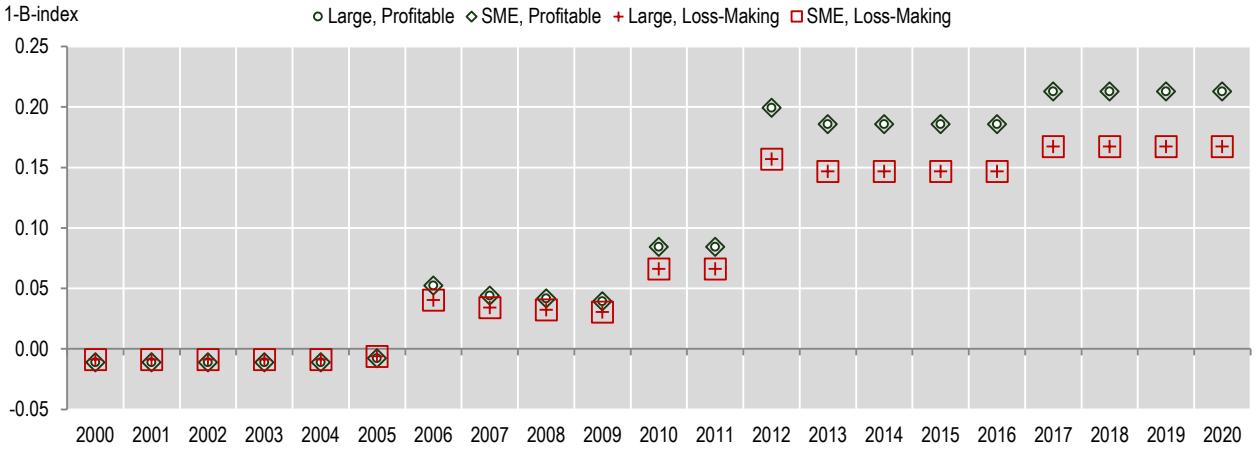
Trends in the generosity of R&D tax support

The generosity of R&D tax incentives has increased in **Slovenia** over the 2000-20 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 2. Implied tax subsidy rates on R&D expenditures: Slovenia, 2000-20

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 based on headline tax credit/allowance rates (see methodology and country-specific notes), providing an upper bound value of the generosity of R&D tax support, not reflecting the effect of thresholds and ceilings that may limit the amount of qualifying R&D expenditure or value of tax relief.

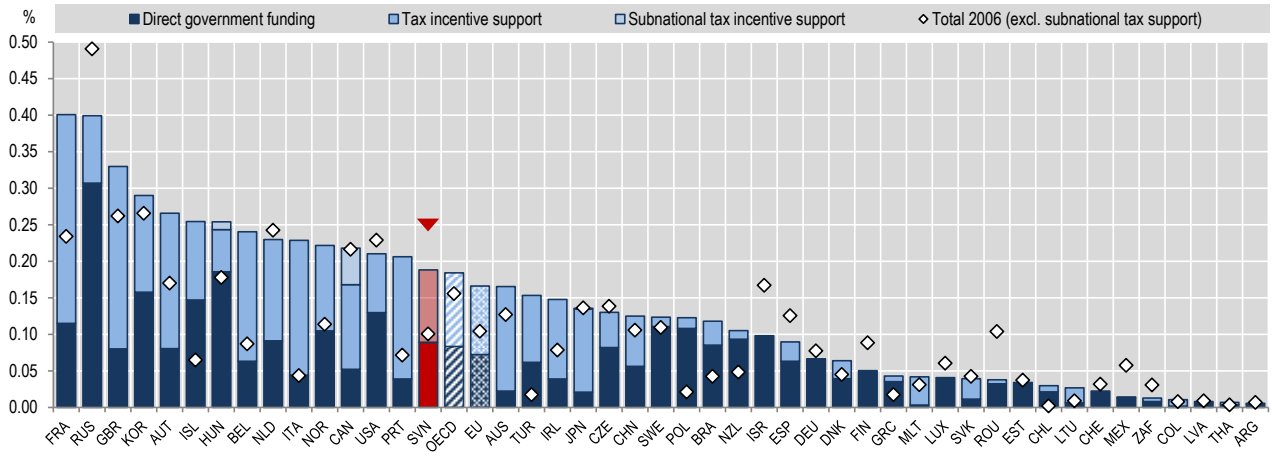
Source: OECD, R&D Tax Incentives Database, http://oe.cd/rdtax, March 2021.

Policy support for business R&D: the policy mix

Slovenia is placed above the OECD average in terms of total government support to business R&D as a percentage of GDP, at a rate equivalent to 0.19% of GDP in 2018.

Figure 3. Direct government funding of business R&D and tax incentives for R&D, 2018 (nearest year)

As a percentage of GDP



Note: Data on subnational tax support are only available for a group of countries.

Source: OECD, R&D Tax Incentives Database, http://oe.cd/rdtax, March 2021.

Key points:

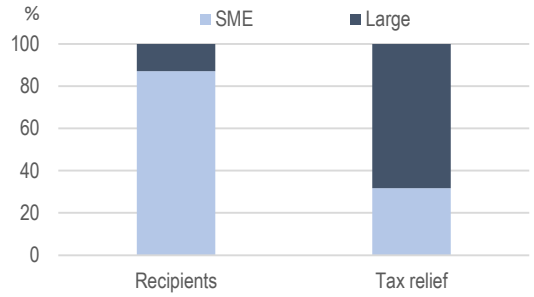
- From 2006 to 2018, government support for BERD as a percentage of GDP increased in **Slovenia** by 0.09 percentage point (pp), while the OECD average increased by 0.03 pp.
- From 2006 to 2018, business R&D intensity in **Slovenia** increased from 0.93% to 1.44%.
- In 2018, R&D tax incentives accounted for 53% of total government support for BERD in **Slovenia**.

Distribution of R&D tax relief recipients and government tax relief for R&D

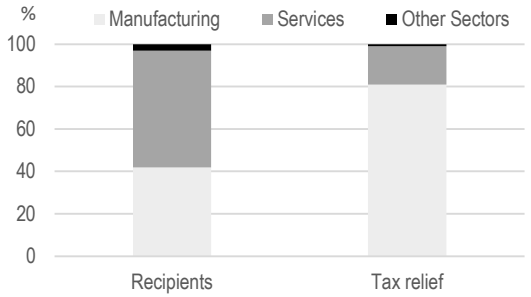
The distribution of R&D tax relief recipients and government tax relief for R&D expenditures (GTARD) provide insights into what types of firms claim and benefit from tax relief.

Figure 4. Number of R&D tax relief recipients and value of government tax relief for R&D, 2018

By firm size*, share in percent



By industry**, share in percent



Note: Figures refer to the R&D tax allowance. *SMEs are defined as firms with 1-249 employees, a balance sheet total less than EUR 20 000 000 and a net turnover less than EUR 40 000 000. **Economic activity is classified based on NACE Rev.2.

Source: OECD, R&D Tax Incentives Database, http://oe.cd/rdtax, March 2021.

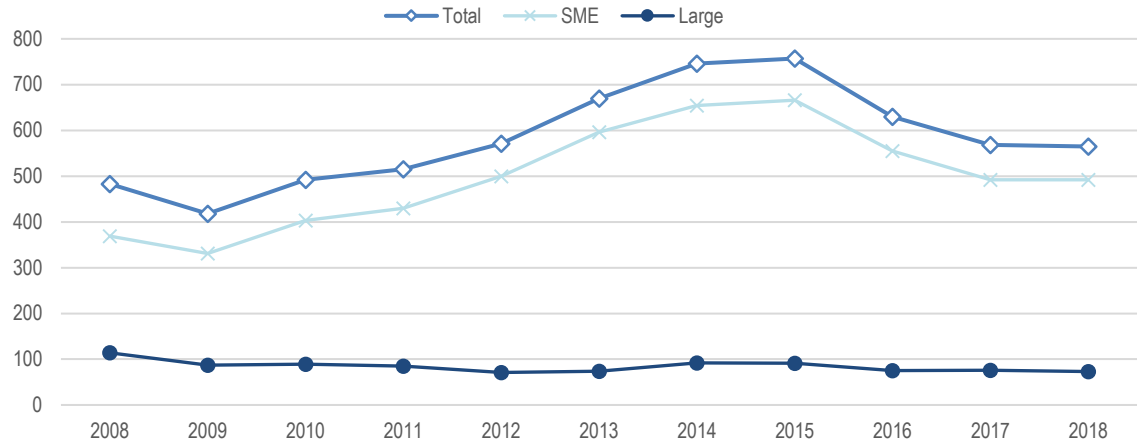
Key points:

- In **Slovenia**, SMEs accounted for 87% of R&D tax relief recipients in 2018, while the share of R&D tax support accounted for by SMEs amounted to around 32% in this year. 68% of R&D tax benefits were allocated to large firms, comprising 13% of the population of R&D tax relief recipients in 2018.
- In 2018, firms in services represented around 55% of R&D tax relief recipients in **Slovenia**, followed by firms in manufacturing with a share of 42%. The share of R&D tax benefits accounted for by the latter amounted to 81% in that year, while this share amounted to 18% in the case of firms in services.

Trends in the uptake of R&D tax incentives

Over the period 2008-2018, the number of R&D tax relief recipients increased in **Slovenia**, with a peak of around 760 R&D tax relief recipients in 2015. The number of R&D tax relief recipients dropped thereafter and amounted to 565 in 2018, reaching the 2008 level of R&D tax incentive uptake. The fluctuations in the number of R&D tax relief recipients over this period are primarily driven by SMEs which accounted on average for around 85% of R&D tax relief recipients during these years. The number of large firms receiving R&D tax support stayed fairly constant during the 2008-18 period, ranging from around to 75 to 100 recipients.

Figure 5. Number of R&D tax relief recipients, Slovenia, 2008-2018



Note: Figures refer to the R&D tax allowance.

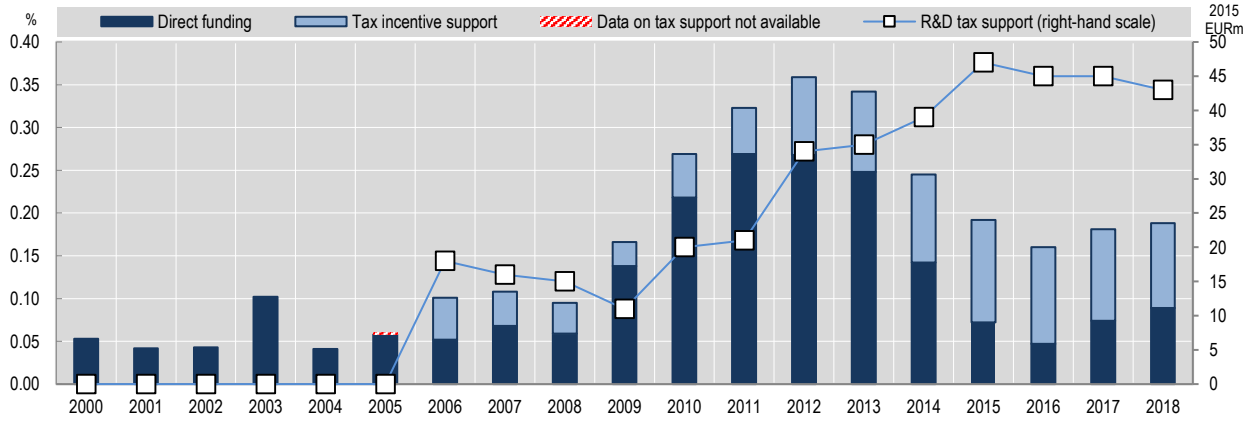
Source: OECD, R&D Tax Incentives Database, http://oe.cd/rdtax, December 2020.

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 6. Direct funding of business R&D and tax incentives for R&D, Slovenia, 2000-18

As a percentage of GDP, 2015 prices (right-hand scale)



Source: OECD, R&D Tax Incentives Database, http://oe.cd/rdtax, March 2021.

- The cost of government tax support for R&D rose (in 2015 prices) from EUR 18 million in 2006 to EUR 43 million in 2018.
- As percentage of GDP, R&D tax support has increased since 2009, reaching 0.10% of GDP in 2018.
- Direct funding 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 0.09% of GDP in 2018.
- The share of R&D tax incentives in total government support varied notably over the 2000-18 period, amounting to 48% in 2006, 19% in 2010 and 53% in 2018.

Please cite this note as: OECD (2021). "R&D Tax Incentives: Slovenia, 2020", www.oecd.org/sti/rd-tax-stats-slovenia.pdf, Directorate for Science, Technology and Innovation, March 2021.

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