

Zvone Zupan

DEZAP

Employee ownership association of Slovenija

**SLOVENIAN LAW ABOUT
FINANCIAL PARTICIPATION OF
EMPLOYEES**

EVEN RECONINGS: DO THE NEW PROVISIONS FOR FINANCIAL PARTICIPATION MAKE IT WORTH IT?

SLOVENIAN PARLIAMENT

adopted in the end
of the February 2008



**Law about financial participation
of employees
(ZUDDob)**

TWO FORMS OF DISBURSEMENT

- 1) by dividends (only to share owners/business asset owners)
- 2) by financial participation as income resulting from employment relationship

TWO SCHEMES ARE PROVIDED

- **Monetary scheme**
- **Share scheme**

Financial disbursement



Possible in every
type of capital
corporate entity

Rewarding in
terms of shares



Possible only in
companies listed
on the stock
exchange market



Scheme must be opted in advance



Transition from one scheme to another is not possible before
expiry date

PRINCIPLE OF EQUALITY OF EMPLOYEES



Equal conditions and criteria for establishing the amount of participation for all employees

(does not mean that all employees will receive identical disbursements)

Conditions and criteria:

1. must be establish in advanced
2. must include (apart from other, optional criteria) criteria on the amount of salary of the employee and number of days the employee was present at work
3. chosen criteria must be laid down in the contract



Disbursed amount must not exceed:

- ❖ 5.000,00 EUR (gross value)
- ❖ 20 % of profit made in one year
- ❖ 10 % of gross amount of salaries disbursed in the company in one year



TAX ASPECTS OF FINANCIAL PARTICIPATION FOR THE COMPANY AND EMPLOYEES

SHARE SCHEME

ADVANTAGES:

- **Company does not need to provide financial payment for employees – it rewards them by stock ownership**

➡ very important for companies in process of growing, when considerable amount of business assets are required)

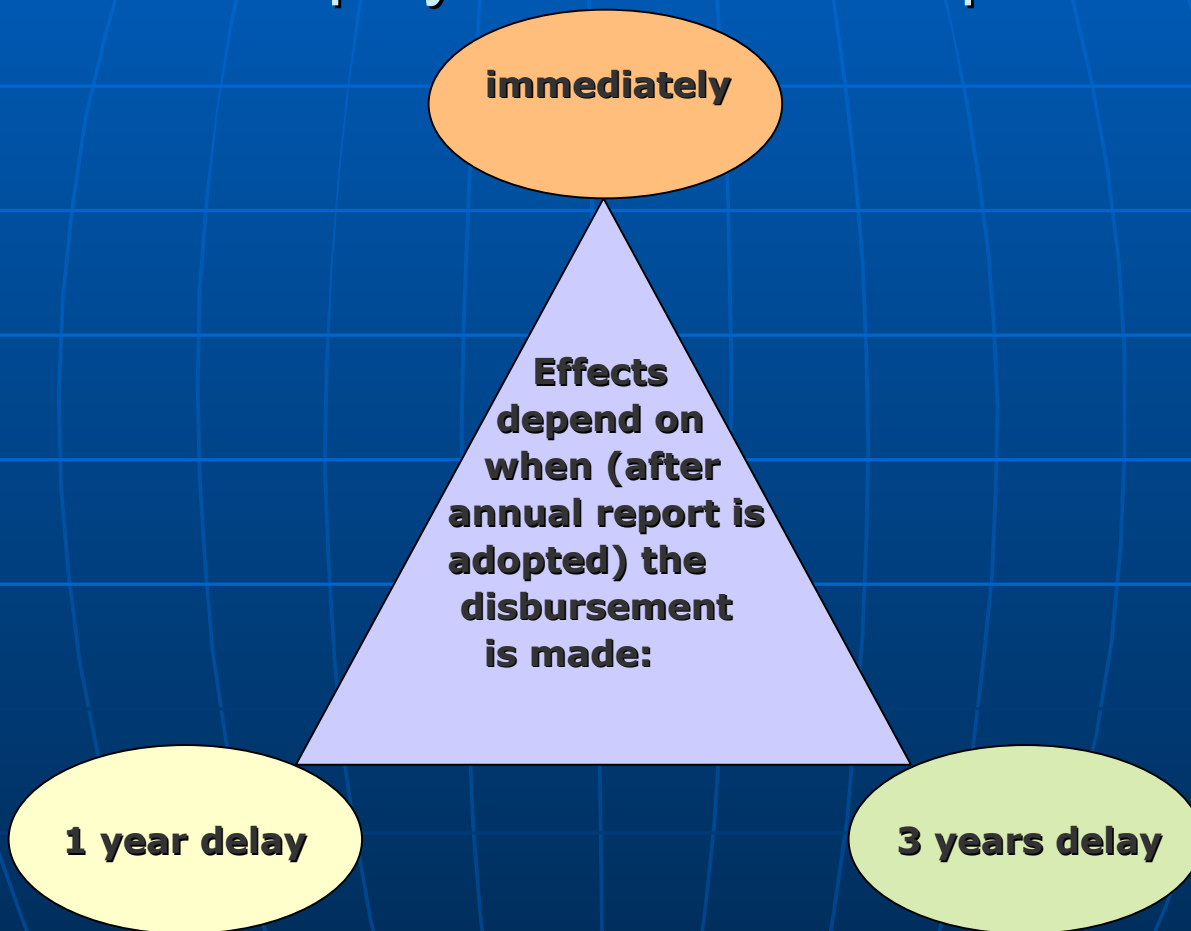
- **Employees are inspired to work hard and possibly become partners**

BUT

possibilities for the company to opt for this scheme are incredibly limited (only companies on stock exchange market)

➡ **that is the main deficiency of the ZUDDob**

MONETARY SCHEME - income from employment relationship



TIME OF DISBURSEMENT	TIME ZONE	EFFECT FOR EMPLOYEE	EFFECT FOR COMPANY
	<p>Business year 07</p> <p>1.1.07 31.12.07 31.8.08</p> <p>Annual report 2007 is adopted</p>		
IMMEDIATE	<p>1.9.08 31.08.09</p>	Received income is fully taxed according to personal income tax	No decrease in tax base is possible
1 YEAR DELAY	<p>1.9.09 31.8.12</p>	Tax base reduced by 70%, only remaining 30% is taxed	Tax base is decreased by 70% of all disbursed amount, but only until tax base reaches zero
3 YEARS DELAY	<p>1.9.12</p>	Tax-free	Tax base is decreased by 100% of all disbursed amount, but only until tax base reaches zero

Seventh European meeting of employee ownership Brussels, 23-24 may 2008

CONCLUSION

TREE MAIN PARTIES

1. **EMPLOYEE** → gain very little
2. **COMPANY** →
3. **STATE** → but state?



- **EMPLOYEE** wishes to receive the disbursement immediately, but it is tax effective only if he waits
- **COMPANY** first has to pay corporate income tax, only later disbursements may result in tax savings. On the other hand currently charged rewards (stimulations and similar) are immediate expenditure.
- **STATE** will gain in every case

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THANK YOU FOR YOUR ATTENTION!