

# FOREIGN INVESTMENT REGIME

## Residents and non-residents

Slovenian legislation does not distinguish between foreign and domestic investors, but between residents and non-residents. The Foreign Exchange Act defines residents as:

- companies and other legal persons with their seats registered in Slovenia, with the exception of their branches in other countries that perform profitable business;
- branches of foreign companies registered in Slovenia if they are engaged in profitable business;
- individual entrepreneurs and natural persons who run their own business and have their seat or permanent residence in Slovenia;
- natural persons with a permanent residence in Slovenia;
- natural persons with a temporary residence in Slovenia based on a permit valid for a minimum of 6 months, with the exception of foreign nationals employed in diplomatic and consular missions in Slovenia and members of their families; and
- Slovenian diplomatic, consular and other representations abroad financed from the national budget, Slovenian nationals employed in such representations, and members of their families.

All other persons are considered to be non-residents.

## The principle of national treatment

The treatment of foreign companies and entrepreneurs in Slovenia is regulated by the Companies Act in a chapter on foreign undertakings.

A foreign undertaking is defined as a natural or legal person that performs a profitable activity in Slovenia and has their residence or place of business abroad.

Foreign undertakings must conduct their business activities through an entity registered in Slovenia.

The Companies Act stipulates that, as a principle, with regard to its rights, obligations and responsibilities, a foreign undertaking is equated with domestic undertakings or entrepreneurs with registered office in Slovenia in respect of business conduct in Slovenia, unless otherwise provided by applicable legislation.

## The protection of foreign investors

Slovenia accepts the principles of the OECD Draft Convention on the Protection of Foreign Property of 1967. The repatriation of capital and transfer of profits are free after the payment of tax duties and other obligations. Expropriation, nationalisation or any other measure with an equivalent effect is prohibited except for public purposes, on a non-discriminatory basis, under due process of law and in exchange for prompt, adequate and effective compensation.

## Sectoral limitations

Slovenia has a liberal foreign investment regime. The movement of capital is fully liberalised and in line with the EU rules. In the field of inward direct investment, all sectors are open to investors from the EEA, while restrictions on investments by non-EEA residents apply to the operation of games of chance, maritime transport (ship registration, cabotage, pilotage and towage) and air transport. Further, non-EEA institutions may not establish branches for the purpose of providing depositary services to resident collective investment funds.

In the field of cross-border trade in services there are restrictions on non-EEA service providers in insurance services (except reinsurance, retrocession and the transfer of social security and social insurance payments); and most banking and other financial services (except settlement, clearing and depositary services, and advisory and agency services). Reciprocity is required for non-EEA residents in areas such as cross-border transport and real-estate investments.

Branches of third-country credit institutions which are located within the EEA and want to provide payment services are according to Payment Services Directive (2007/64/EC) obliged to establish a company in the EEA and subsequently apply for an authorisation.

## Real-estate investment

Companies established or purchased by foreign nationals in Slovenia have the same property rights as companies established by domestic persons (the principle of national treatment). That is why they may own real estate without limitation. For non-residents, the following rules apply:

The EU and EEA: Since Slovenia's accession to the European Union, EU citizens and legal entities may freely and unconditionally invest in and acquire real estate in the territory of Slovenia. Pursuant to the Agreement on the European Economic Area the same regime applies to citizens and legal entities from Iceland, Liechtenstein, Norway and Switzerland.

OECD countries: Pursuant to the Convention on the Organisation for Economic Co-operation and Development along with Supplementary Protocols Nos. 1 and 2 to the Convention, since July 2010, when Slovenia became an OECD member, the same regime as for citizens and legal entities of EU countries applies to citizens and legal entities of non-EU OECD countries. The non-EU OECD countries are Australia, Canada, Chile, Iceland, Israel, Japan, Mexico, Norway, New Zealand, Switzerland, Turkey, South Korea and the USA.

EU candidate states: Pursuant to the Act governing the conditions for acquiring title to property by natural persons and legal entities of EU candidate countries, the citizens and legal entities of EU candidate states which are not OECD members (i.e. Montenegro, Macedonia and Serbia) may acquire real estate in Slovenia according to the principle of reciprocity.

Third countries: Citizens and legal entities from all other countries may only own real estate if they have both inherited it and if the reciprocity principle is observed under the conditions set out in the Inheritance Act.

Persons with the status of a Slovenian without Slovenian citizenship may acquire real estate on the same conditions as Slovenian citizens according to the conditions laid down in the Act Regulating Relations between the Republic of Slovenia and Slovenians Abroad.

There are no restrictions on the leasing of real estate by foreign nationals. Leasehold may be acquired for up to 99 years.