SOCIAL ENTREPRENEURSHIP ACT

I. GENERAL PROVISIONS

Article 1

(Contents)

(1) This Act lays down the definition, objectives and principles of social entrepreneurship, the activities of social entrepreneurship and the terms of employment relating to social enterprises, the conditions under which legal entities acquire the status of a social enterprise, the method of acquiring the status of a social enterprise and its withdrawal, specific operating conditions of social enterprises, the records kept regarding social entrepreneurship, and its supervision.

The Act also regulates the planning and incentives for the development of social entrepreneurship, the cooperation of social partners and organisations of civil society in adopting the development documents, the role of municipalities in planning and implementing social entrepreneurship development policies, and the powers in the field of social entrepreneurship.

Article 2

(Definitions)

The terms used herein shall have the following meaning:

- **non-profit legal entity** – shall mean a society, institute, foundation, company, cooperative society, European cooperative society or other legal entity governed by private law not established for the sole purpose of generating profit, which does not distribute assets or the generated profit or excess revenue over expenditure, except to a limited scope in accordance with legislation;

- **members of a social enterprise** – shall mean persons who have the right to manage a social enterprise, such as founders and/or owners of a social enterprise, provided that individuals are allowed to have equity holdings in a social enterprise, and persons who entered into a membership of a social enterprise, provided that a social enterprise is a membership organisation;

- **stakeholders** – shall mean workers employed in a social enterprise, volunteers who carry out voluntary work in a social enterprise, and persons who use the products or services of a social enterprise provided within its social
entrepreneurship activities on the basis of a contract or other legal relation lasting for at least one year;

- social entrepreneurship activities – shall mean activities that serve the public interest by offering additional products and services to increase the quality of life or living environment, strengthen social solidarity and cohesion or assure the achievement of one or more other objectives referred to in the second paragraph of Article 3 of this Act; as a rule, these are the activities that cannot be permanently performed in the market without allowances or incentives from public funds, whereas the incentives and allowances are not deemed to distort competition;

- special conditions of employment – shall mean the requirements of this Act relating to the employment of persons classified as the most disadvantaged groups in the labour market under this Act, thus achieving one or more goals of social entrepreneurship referred to in the second paragraph of Article 3 of this Act and serving the public interest;

- permanent employment of workers – shall mean, at a minimum, part-time employment of a worker for indefinite or fixed period of at least 12 months.

Article 3

(Definition of social entrepreneurship and its objectives)

(1) Social entrepreneurship shall represent the permanent performance of social entrepreneurship activities or other activities, which are subject to special conditions of employment, in the manufacture and sales of products or the provision of services on the market, for which the generation of profit is neither an exclusive nor a main objective.

(2) Social entrepreneurship shall strengthen social solidarity and cohesion, promote the participation of the people, support voluntary work, improve society's capacity for innovation in addressing social, economic, environmental and other issues, ensure the additional supply of products and services in the public interest, develop new employment possibilities, provide additional jobs and enable social integration and vocational reintegration of the most disadvantaged groups in the labour market (social entrepreneurship objectives).

Article 4

(Social entrepreneurship principles and requirements)

A non-profit legal entity may engage in social entrepreneurship provided that it is established and operates pursuant to the following principles and requirements (hereinafter: the principles), which indicate its public benefit nature and social character:

- it is established by the voluntary decision of its founders (autonomous initiative);
its sole purpose is not to generate profit (non-profit purpose of establishment);
it is established with the main purpose of continuously engaging in social entrepreneurship or other activities with a view to employing the most disadvantaged groups in the labour market and thus serving the public interest (performance of activities in the public interest);
it is managed independently (independence);
the manufacture and sale of its products or the provision of its services in the market are largely organised according to market principles (market orientation);
it typically involves voluntary work (voluntary work participation);
individual founders or owners do not exercise dominant influence over decision-making; decisions are adopted by all members according to the principle one member-one vote, and irrespective of the capital share (equality of members);
the stakeholders are involved in decision making (stakeholder participation in management);
assets, profit and excesses revenue over expenditure are used for the purposes of social entrepreneurship or other non-profit purposes, profit or excesses revenue distribution is not allowed or is limited in accordance with this Act (non-profit operation);
it provides for the transparency of its financial operation and for internal control over its inventory management and financial operations (operations transparency);
it permanently performs its activities for the benefit of its members, users and the wider community (operating for the public benefit).

Article 5

(Area and activities of social entrepreneurship)

(1) Social entrepreneurship activities shall be performed in the following areas:

- social assistance;
- family assistance;
- protection of persons with disabilities;
- science, research, education;
- provision and organisation of youth work;
- protection and promotion of health;
- ensuring social inclusion, promotion of employment and vocational training of unemployed people and persons at risk of unemployment;
- job brokerage for people referred to in Article 6 herein, including the activity of hiring out such workers to another user;
- organic food production;
- nature conservation, landscaping, environmental protection and animal protection;
– promotion of the use of renewable energy sources and the development of the green economy;
– tourist services for people otherwise excluded from or limited by their living conditions in accessing them, provided in a manner that respects the values of sustainability, accessibility and solidarity (social tourism);
– shops for socially disadvantaged people (social shops), shops selling the products of small producers from the most undeveloped environments, based on ethical, transparent and equal business relationships between producers and traders aimed at ensuring fair pay for the producers and their survival (fair trade), and shops with services and products from social entrepreneurship activities;
– culture, technical culture and preservation of cultural, technical and natural heritage;
– amateur sport and physical activities for recreational purposes and socialisation;
– protection and rescue activities;
– promotion of local communities’ development;
– support services for social enterprises.

(2) Special Acts may define other areas of social entrepreneurship activities.

(3) The Government of the Republic of Slovenia (hereinafter: the Government) shall determine the social entrepreneurship activities referred to in the first and second paragraphs of this Article, taking into account the criteria defined in the fourth indent of Article 2 hereof, in a decree issued on a proposal of the minister responsible for labour, family and social affairs (hereinafter: the responsible minister). The proposal shall be submitted by the responsible minister after having obtained the prior consent of all ministers responsible for areas or social entrepreneurship activities, and following a preliminary consultation with social partners, social enterprises and other civil society organisations.

(4) The acts governing the areas in which the social entrepreneurship activities are carried out and other acts may specify allowances and incentives to foster the social entrepreneurship activities.

**Article 6**

**(Special conditions of employment)**

(1) Notwithstanding the provisions of the preceding Article, social entrepreneurship shall also include the performance of other activities if carried out with the purpose of employing the most disadvantaged groups in the labour market, among which are classified disadvantaged workers, severely disadvantaged workers and disabled workers pursuant to Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty, in particular the following:
a) persons recognised as disabled by a decision issued by a competent body;
b) unemployed persons having limitations recognised by a decision of a competent body, which result from physical, mental or psychological impairment or illness, and cause them to have substantially reduced prospects of obtaining, keeping or advancing in employment;
c) unemployed persons who have been unemployed for the previous 24 months or more (hereinafter: long-term unemployed people);
d) unemployed persons, registered with the Employment Service of the Republic of Slovenia (hereinafter: the Employment Service) for more than six months if employed for the first time after having finished their education or after having finished their traineeship following their university studies, higher education or higher vocational programmes or if their early stage researcher status terminated (hereinafter: first-time job seekers);
e) unemployed persons:
  – older than 55 years of age;
  – Roma community members;
  – minors who failed to complete their primary or lower vocational education;
  – people released from prison not more than one year ago and not engaged in regular paid employment for more than six months, or persons on conditional release, or refugees participating in the integration programmes, or persons in alcohol or drug addiction treatment programmes, or those who finished such a programme two years ago, or homeless people (hereinafter: the hard-to-employ).

(2) For the purposes of establishing the quota referred to in the second indent of the second paragraph of Article 8 of this Act, the most disadvantaged group in the labour market shall include the long-term unemployed for 24 months after having been employed by a social enterprise, and the first-time job seekers and the hard-to-employ referred to in the second, third and fourth indent of point (e) of the preceding paragraph for further period not exceeding 12 months after having been employed by a social enterprise.

Article 7

(Competences in the field of social entrepreneurship)

(1) The Social Entrepreneurship Council (hereinafter: the Council) shall be established by the Government with a view to preparing the social entrepreneurship development policy, analysing the development needs of social entrepreneurship, encouraging the participation of municipalities in formulating and implementing social entrepreneurship development policies on the local and regional levels, preparing the development documents and analysing, evaluating and monitoring the implementation of the measures and the social entrepreneurship development policy. One representative from each ministry responsible for the areas referred to in Article 5 and Article 6 of this Act and one representative of the government office responsible
for local self-government and regional policy shall be appointed to the Council by the Government. It shall also appoint one representative of the social partners on a proposal of the representative trade union confederations, two representatives of the social enterprises, and one representative of the professional institutions on a proposal of the civil society organisations. The Council shall coordinate policies regarding social entrepreneurship with the ministries, government offices, municipalities, social partners and civil society organisations. With a view to performing its tasks, the Council shall:

- draw up a social entrepreneurship development strategy (hereinafter: the strategy) and submit its opinion on the programme of measures;
- monitor the implementation of the strategy and the programme of measures;
- direct and monitor the work of the implementing authorities and promote the lawful, effective and efficient use of the budget and EU funds.

(2) The expert tasks for the Council shall be carried out by the ministries and government offices in their respective areas of work.

(3) The ministry responsible for labour, family and social affairs (hereinafter: the responsible ministry) shall coordinate the expert tasks referred to in the preceding paragraph, monitor the operations of social enterprises and the implementation of the measures to promote the social entrepreneurship. With a view to carrying out its tasks, the responsible ministry shall:

- prepare a programme of measures for the implementation of the strategy in cooperation with the other ministries and government offices;
- prepare analysis, reports and other expert material for the Council in cooperation with other ministries and government offices;
- identify and monitor the fulfilment of the conditions set out by this Act in respect of the operations of the social enterprises and conditions to prohibit a non-profit legal entity from operating as a social enterprise;
- keep the records referred to in Article 42 of this Act.

(4) The measures referred to in the first indent of the first paragraph of this Article shall be implemented by the following implementing authorities: ministries, government offices, public funds, public institutes or other legal entities under public law identified by the Government in the strategy. The implementing authorities shall monitor the use of funds earmarked for the incentives given to the social enterprises pursuant to this Act.

(5) Courts or state authorities responsible for the entry of a non-profit legal entity in the register pursuant to a special Act (hereinafter: the registration authority) or for issuing consent to its establishment shall also have to verify whether a non-profit legal entity that intends to operate as a social enterprise fulfils the requirements stipulated by this Act, and shall do so within the registration procedure or the procedure for granting consent to its establishment.
The implementing authorities referred to the fourth paragraph of this Article may select other organisations to implement individual measures and provide services under the measures through a public tender carried out in accordance with the regulations governing public procurement. They shall also supervise the implementation of the contract award agreement at the selected organisations.

The measures and services referred to in the preceding paragraph may be performed by a legal entity under public law, or a legal entity under private law selected in the public tender.

II. SOCIAL ENTERPRISE

Article 8

(Social enterprise)

(1) A non-profit legal entity shall operate as a social enterprise, subject to acquiring the status of a social enterprise.

(2) A non-profit legal entity may acquire the status of a social enterprise if:

- established with a view to permanently performing the social entrepreneurship activities and employing at least one worker in the first year of its operation and at least two workers in subsequent years (hereinafter: social enterprise of Type A); or
- established with a view to employing persons referred to in Article 6 of this Act and being engaged in a particular activity by permanently employing at least one third of these workers out of the total staff (hereinafter: Type B social enterprise); and
- all other conditions stipulated by this Act and the act governing the legal structure of particular types of a non-profit legal entities are fulfilled.

(3) A non-profit legal entity may only maintain the status of a social enterprise subject to proving that it has started to pursue a legitimate social entrepreneurship activity or other activity and has employed the number of workers referred to in the first indent or has complied with the staff structure requirement referred to in the second indent of the previous paragraph within the time limits specified in the first paragraph of Article 19. To maintain the status of a social enterprise, the annual report of the Type A social enterprise shall disclose at least 40% of its total revenue from social entrepreneurship activity after the second calendar year of its operation, and at least 50% of the total revenue after the third and all subsequent years of its operation.

(4) A social enterprise shall at all times operate according to the principles of social entrepreneurship stipulated by this Act.

Article 9
(Limitations)

(1) A for-profit company may not establish a social enterprise with a view to transferring to it a part of the company or its activities; however, it may establish such an enterprise to create new jobs for its redundant workers.

(2) A non-profit legal entity may not acquire the status of a social enterprise if it is part of a political party. Likewise, a non-profit legal entity dominantly influenced in its decision-making by one or more for-profit companies, legal entities under public law or local communities may not acquire such status.

(3) Regardless of its already acquired status of a sheltered workshop or employment centre under regulations governing the vocational rehabilitation and employment of people with disabilities, a non-profit legal entity may not acquire the status of a social enterprise if it is in a bankruptcy, forced settlement or winding-up procedure or has an outstanding tax debt or unpaid social security contributions for its workers at the time of the registration of the amendments to its memorandum or articles of association restructuring it into a social enterprise.

Article 10

(Associations of social enterprises)

Social enterprises may decide to form associations of social enterprises.

Article 11

(Non-profit operation)

(1) The profit and excess revenue over expenditure generated by social enterprise activities shall be used by a social enterprise for carrying out the aforementioned activities or for other purposes specified by this Act.

(2) Sharing of the profit and excess revenue over expenditure shall not be allowed unless otherwise provided by the law governing the legal structures of particular types of non-profit legal entities. In this case, a social enterprise may choose to distribute the profit or excess revenue over expenditure amongst its members, management and workers up to the maximum of 20% of the total profit or excess revenue over expenditure generated in a relevant year, and only if excess revenue does not represent the non-expended public funds, and provided that such distribution is envisaged by its memorandum or articles of association. The social enterprise distributing a part of its profit or excess revenue shall not be allowed to exclude its workers from participating in the profit sharing.

(3) Indirect profit or excess revenue distribution shall include the following:
– payment of bonuses to responsible persons, members of the board or other bodies or to workers;
– payment of wages exceeding 30% of the basic wages for respective tariff classifications fixed by sectoral collective agreements (hereinafter: basic wages), unless this sum fails to amount to a minimum wage, or a social enterprise demonstrates its need for specific occupations;
– reimbursement of expenses exceeding the amounts specified by a regulation governing the reimbursement amount for work-related expenses and other expenditure excluded from the taxable amount, unless otherwise provided by a special Act.

(4) The reimbursement of work-related expenses and the costs of training of volunteers shall not be deemed indirect profit distribution if it does not exceed the amounts specified in the third indent of the preceding paragraph or comparable training costs for workers.

Article 12

(Social enterprise instrument)

(1) In addition to the contents stipulated by acts governing the legal structure of particular types of non-profit legal entities, a memorandum or articles of association of a social enterprise shall also identify the non-profit purpose of establishing a legal entity and the method of applying other principles that define its public benefit nature and social character, which are specified by this Act. If the social enterprise defines which groups referred to in Article 6 of this Act it shall employ, it shall be obliged to identify the pursuance of social entrepreneurship activities or other activities as its activity or task and shall have to separate these activities from other activities or tasks and define the method of the disposal of property and use of profit or excess revenue in accordance with Article 26 of this Act.

(2) Its memorandum or articles of association shall also:

– define the management method embedding the principle of equality;
– identify persons responsible for managing the social entrepreneurship activities, conditions for their appointment or election, and their responsibilities;
– provide for a supervisory body to supervise the operations in accordance with the provisions of this Act, its memorandum or articles of association and other internal acts and in line with the principles of good management and to monitor the accuracy of its material and financial operations and annual report; it shall also lay down the method of election or appointment of the supervisory body members, their term of office and competencies, powers and responsibilities;
– stipulate that it shall employ workers in accordance with the provisions of the first and second indent of the second paragraph of Article 8 of this Act;
– specify if volunteers shall participate in its work;
specify the method of stakeholders' participation in management (consultation, mandatory opinion, etc.);
define the rules on keeping its books of account and drafting financial statements and stipulate that this rules be regulated by a special act; and
specify requirements to change its legal form and conditions related to the holding of assets in the case of winding up in accordance with the provisions of this Act.

Article 13

(Liability)

Responsibility for liabilities of a social enterprise shall be established by laws governing the legal structure of particular types of non-profit legal entities.

Article 14

(Application for social enterprise registration)

(1) In addition to the contents and enclosures detailed by specific regulations, an application for the registration of a non-profit legal entity that intends to operate as a social enterprise shall also include the following:

- a decision by the founders or competent body of a non-profit legal entity to operate as a social enterprise;
- the names, personal registration numbers, nationality and permanent or temporary addresses of all authorised representatives and the scope of powers for societies;
- evidence of the potential sum for the commencement of the operation or the value of the society's assets.

(2) Same applies also to an application for the registration of the amendments to a memorandum or articles of association restructuring a non-profit legal entity into a social enterprise.

(3) In the procedure, the registration authority shall ex officio verify personal data of the authorised representatives and founders in official records; in the case of the registration of the amendments to a memorandum or articles of association restructuring a non-profit legal entity into a social enterprise, it shall also establish whether a legal entity is in a bankruptcy, forced settlement or winding-up procedure or has an outstanding tax debt or unpaid social security contributions for its workers.

Article 15

(Social enterprise registration)
(1) In the registration procedure, the registration authority shall also establish whether a memorandum or the articles of association of a non-profit legal entity that intends to operate as a social enterprise comply with the provisions of Article 12 of this Act. The compliance with the conditions shall also be established when registering the amendments to a memorandum or articles of association restructuring a non-profit legal entity into a social enterprise.

(2) When the conditions referred to in the preceding paragraph are complied with and no limitations referred to in Article 9 of this Act apply to the non-profit legal entity concerned, the registration authority shall issue an act relating to the entry of the non-profit legal entity or the relevant amendments into the register and shall also decide that a note 'social enterprise' be added to the company name or the name of the non-profit legal entity in the register.

Article 16

(Mutatis mutandis application of provisions)

Provisions of Articles 14 and 15 of this Act shall apply mutatis mutandis in the procedures for the issue of consent to the articles of association or amendments thereto when consent of the responsible minister is required to acquire the legal personality of a non-profit legal entity or to restructure this entity into a social enterprise and to enter it into the public records.

Article 17

(Registration authority obligation)

(1) The registration authority or the ministry referred to in the preceding Article shall forthwith submit one copy of the act to the ministry responsible for setting up the records of social enterprises and exercising supervision.

(2) One copy of the act shall also be submitted to the responsible ministry when a social enterprise submits an application to register the amendments to its memorandum or articles of association that might represent a reason to prohibit it from operating as a social enterprise.

Article 18

(Acquisition of the status of a social enterprise)

(1) A non-profit legal entity shall acquire the status of a social enterprise and shall be able to take up its social enterprise activity when a note 'social enterprise' is added to the company name, or the name of the non-profit legal entity is entered in the register or public records.
(2) In its legal transactions, the non-profit legal entity referred to in the preceding paragraph shall use the company name or the name together with the note 'social enterprise' or the abbreviation 'so.p.'.

(3) Other legal entities shall not be allowed to use the wording 'social enterprise' or its abbreviation 'so.p.' with their company name or name.

Article 19

(Reporting)

(1) A social enterprise shall submit evidence of the commencement of its activity to the responsible ministry within one year of acquiring the status. A Type A social enterprise shall submit evidence of the employment of at least one worker after the end of the first year of operation and evidence of the employment of at least two workers after the end of the second year of operation. A Type B social enterprise shall submit evidence of the employment of workers and its staff structure within two years of acquiring the status.

(2) A social enterprise shall report to the responsible ministry by 31 March of the current year on a possible failure to generate the prescribed revenue threshold from social entrepreneurship activities in the previous financial year. The failure to comply with the staff headcount or staff structure requirements shall be reported by the social enterprise within three months of having fallen below the number of workers, or after a change in its staff structure has occurred. It shall also indicate the reasons for failing to generate the revenue threshold or maintain the prescribed number of workers or staff structure.

(3) The report referred to in the preceding paragraph shall be accompanied by a plan to restructure the social enterprise so as to comply with the required annual revenue threshold in the subsequent year or an employment plan with a timetable to cover the bridging period.

(4) The use of the public funds granted as incentives, exemptions or allowances to social enterprises shall be subject to reporting by a social enterprise in accordance with the implementing regulations issued pursuant to this Act, special regulations or the existing contractual obligations.

Article 20

(Prohibition of operation and the termination of the status)

(1) The responsible minister shall ex officio issue a decision prohibiting a social enterprise to operate as such in the following circumstances:

- a social enterprise fails to commence its operation or meet the requirement on the prescribed number of employees or staff structure or fails to submit
evidence thereof in time limits specified in the first paragraph of the preceding Article;

- a social enterprise distributes assets, directly or indirectly distributes profit or excess revenue or allocates them in contravention of the provision of Article 26 of this Act;

- a social enterprise uses public funds granted as incentives, exemptions or allowances to social enterprises for the purposes other than their intended use;

- a social enterprise has been subject to offence proceedings for a serious tax offence and a final decision on its default is issued;

- a social enterprise fails to submit on time its annual report to the Agency of the Republic of Slovenia for Public Legal Records and Related Services for two subsequent years;

- a social enterprise fails to fulfil its reporting obligation referred to in the second and fourth paragraph of the preceding paragraph, notwithstanding a warning by the responsible ministry;

- a social enterprise ceases to perform social entrepreneurship activities or other activities carried out in its social enterprise status or fails to maintain the prescribed number of employed workers or staff structure;

- a social enterprise fails to operate in accordance with its memorandum or articles of association and thus operates in contravention of the principles of social entrepreneurship referred to in Article 4 of this Act, or adopts the amendments to its memorandum or articles of association that render the application of these principles impossible;

- a social enterprise submits a written waiver of its status.

(2) A social enterprise shall be deemed not to be permanently engaged in the social entrepreneurship activities if it actually ceases to carry them out or if it fails to generate the revenue threshold from activities referred to in the third paragraph of Article 8 of this Act for a period of more than two years.

(3) A social enterprise shall be deemed to permanently fail to employ the prescribed number of workers if it does not engage an appropriate number of new workers within six months of the number of its workers having fallen below the number stipulated by the first indent of the second paragraph of Article 8 of this Act. A social enterprise shall be deemed to permanently fail to ensure the appropriate staff structure if it does not employ an adequate number of workers referred to in Article 6 of this Act within six months of its staff structure having become inappropriate.

(4) A final decision to prohibit an entity to operate as a social enterprise shall be forwarded by the responsible minister to the registration authority, which shall delete from the register of companies, or other register, or public records a note 'social enterprise', added to the company name or the name of the non-profit legal entity, and enter the number and date of the final decision.

(5) All types of incentives granted to a non-profit legal entity pursuant to this Act shall cease as of the day a decision becomes final. Any unused public funds or funds gained through the exemption from the obligation or allowances shall be returned by the
Article 21

(Monitoring of the operation and implementing regulations)

(1) Unless otherwise provided by other Act, the expert monitoring of the operations of the social enterprises and their compliance with the requirements of this Act shall be ensured by the responsible ministry.

(2) The implementing authorities that grant funds to the social enterprises on the basis of this Act or other regulations governing the incentives to social enterprises shall report to the responsible ministry on:

- the type and purpose of funds granted to social enterprises;
- the proper use of granted funds;
- the recovery procedures instigated to ensure the repayment of unduly obtained or improperly used or unused funds, if any.

(3) When, in exercising its function, a supervisory body finds any reason giving rise to the prohibition to a social enterprise from operating as a social enterprise, it shall forthwith submit a written report thereof, accompanied by all gathered evidence, to the responsible minister.

(4) An implementing regulation shall be prepared by the responsible minister, detailing the method of monitoring the operations of social enterprises and their compliance with the requirements, detailed contents of the application referred to in Article 14, the evidence and reports referred to in Article 19 and the evidence referred to in the preceding Article of this Act, the eligibility conditions of the beneficiaries referred to in Article 35 to receive incentives from individual measures to promote the social entrepreneurship development, the entitlement conditions of the social enterprises to the specific incentives referred to in Article 37 and Article 38 of this Act, the method of monitoring the eligibility and reporting obligation of a social enterprise entitled to the incentives referred to in Article 37 and Article 38 of this Act, the method of supervising the use of funds from the incentives and exemptions granted to a social enterprise pursuant to this Act and the method of repayment of unduly obtained or used or unused funds with accrued interest. The responsible minister shall also adopt an implementing regulation laying down detailed conditions to be fulfilled by the organisation referred to in the sixth paragraph of Article 7 of this Act.

III. SPECIFIC OPERATING CONDITIONS OF SOCIAL ENTERPRISES

Article 22
(Accounting)

(1) Notwithstanding the provisions of other Acts governing the rules on keeping the books of account and drafting financial statements, a social enterprise partly engaged in activities other than that of a social enterprise shall separately disclose relevant revenue and expenditure data.

(2) The financial means gained by a social enterprise through incentives, exemptions and allowances granted pursuant to this Act or other regulations shall be disclosed in a separate account.

(3) In agreement with the minister responsible for the economy and the minister responsible for finance, the Slovenian Institute of Auditors shall prescribe the accounting standard for social enterprises. The accounting standard shall define the contents and the method of preparing a social enterprise’s annual report and annexes thereto with a view to establishing whether a social enterprise operates in compliance with the principles of social entrepreneurship referred to in the third, sixth, seventh, tenth, eleventh and twelfth indents of Article 4 of this Act, and shall in particular provide for:

- revenue from the social entrepreneurship activities to be delimited from revenue from other activities and sources and the proportion to the total amount be defined;
- revenue and expenditure from incentives, allowances and exemptions granted pursuant to this Act and other Acts be disclosed;
- the number of workers employed in the period of at least nine month in a year or the number of workers and a staff structure required by the second indent of the second paragraph of Article 8 of this Act and the number of volunteers be disclosed, unless otherwise provided by a special Act;
- profit or excess revenue be distributed by purpose;
- an explanation regarding the attainment of the objectives of social entrepreneurship activities and the purpose of the social enterprise (business report).

(4) Other issues relating to the keeping of the books of account and drafting of financial statements of social enterprises shall be governed by the regulations on accounting for legal entities and the accounting standards for particular types of non-profit legal entities.

(5) The supervisory body referred to in the third indent of Article 12 of this Act shall assess the completeness and accuracy of the data disclosed in the annual report of a social enterprise. Prior to adopting the annual report, it shall also examine the correctness and legality of the financial and material operations of a social enterprise and the regularity of the keeping of the books of account. It shall also assess the attainment of the objectives of social entrepreneurship activities defined by this Act and the memorandum or articles of association, the regularity of the distribution of
profit or excess revenue and the use of the public funds granted or of the funds generated through allowances and exemptions.

(6) The assessment prepared by the supervisory body shall be appended to the annual report.

Article 23
(Rights of members)

(1) Notwithstanding the provisions of the special Acts regulating the legal status of particular types of non-profit legal entities, members of a social enterprise shall apply the principle of equality in decision making.

(2) Each member shall have one vote.

Article 24
(Workers, volunteers and users participation in management)

(1) The workers and volunteers who are not members of a social enterprise shall be given the possibility of participating in its management by at least influencing the decisions of importance to their work and the quality of products or services provided by the social enterprise. The users who are not members of a social enterprise shall be given the possibility of influencing the decisions referring to the quality of products or services provided by the social enterprise.

(2) The issues decided on with the participation of persons referred to in the preceding paragraph, the right to be informed, the time limits, the method of informing and the detailed definition of the method of participation in decision making shall be regulated by a social enterprise according to its general act and with the prior consent of its representatives.

(3) If the representatives referred to in the preceding paragraph are not trade union representatives, the workers shall adopt rules for appointing their representatives.

Article 25
(Work in a social enterprise)

(1) A social enterprise shall ensure constant compliance with the staff headcount and structure requirements. If it is temporarily and for objective reasons prevented from fulfilling these requirements, it shall prepare a staff plan with a timetable to cover the bridging period and shall harmonise it with the responsible ministry with a view to meeting all conditions within a six-month period.

(2) The employment contract with the worker referred to in Article 6 of this Act, for whom a social enterprise receives wage subsidies from the public funds in accordance
with this Act, may not be terminated on grounds of failure to achieve the results expected if poor results are entirely due to the reasons prompting the worker's classification into an especially vulnerable group.

(3) Volunteers may permanently or temporarily participate in the work of a social enterprise. Volunteers shall have the right to participate in all the training programmes necessary to carry out their work and to develop the social enterprise, and shall also be entitled to the reimbursement of all work-related costs. They shall also have the right to receive compensation in accordance with a special Act.

**Article 26**

*(Distribution of profit and excess revenue)*

(1) Profit and excess revenue generated by a social enterprise shall be earmarked:

- for fixed capital formation for the pursuit of activity;
- to maintain and increase the number of jobs;
- to offset a decline in revenue caused by an increased amount of sick leave taken by the workers referred to in Article 8 of this Act and their reduced work efficiency;
- for the education and training of workers and volunteers;
- for other development and non-profit activities, if not carried out to the exclusive benefit of the members, for the founding or co-founding of a social enterprise or for the purposes of developing social entrepreneurship in the local community identified in its memorandum or articles of association;
- to increase its assets;
- for distribution if permitted under this and other Acts.

(2) Profit or excess revenue allocation or distribution, if permitted, shall be decided by the supreme management body of the social enterprise.

**Article 27**

*(Status changes)*

(1) Pursuant to the Acts regulating the legal status of particular types of non-profit legal entities, a social enterprise may only join or merge with another social enterprise.

(2) A demerger or other restructuring of a social enterprise shall be allowed when legal entities that emerge from the demerger or other restructuring of the social enterprise meet the conditions to acquire the status of a social enterprise.

(3) When the requirement referred to in the preceding paragraph is not complied with, the entry of the change into the register or the issue of consent referred to in Article 16 of this Act shall be rejected.
Article 28

(Winding up of a social enterprise)

(1) Notwithstanding the provisions of other Acts, the assets that remain, after having concluded the winding-up procedure, and having repaid the creditors and potential voluntary or compulsory shares, may be transferred to another social enterprise, another non-profit legal entity or a municipality.

(2) A municipality may only use the assets referred to in the preceding paragraph for the social entrepreneurship purposes.

IV. AN ENVIRONMENT CONducive TO SOCIAL ENTREPRENEURSHIP DEVELOPMENT

Article 29

(Social entrepreneurship development planning)

(1) The planned development of social entrepreneurship in the Republic of Slovenia shall be ensured by a strategy. Following the consultations with the social partners, social enterprises and other civil society organisations, a four-year strategy shall be adopted by the Government.

(2) The strategy shall include an analysis of the needs and potential social entrepreneurship development directions, basic development policies, strategic development objectives and the main areas of the development of social entrepreneurship, the role of the state and its institutions as well as municipalities in the implementation of the policy and in achieving development objectives.

(3) The responsible ministry shall cooperate with all ministries responsible for the areas of social entrepreneurship activities in drafting of a programme of measures to implement the social entrepreneurship development strategy for an individual calendar year or planning period (hereinafter: the programme of measures), which shall — in respect of each measure — specify the following:

- objectives;
- contents;
- target groups to which a measure is aimed;
- conditions for participating in an activity and the method of carrying out the activity;
- types and amount of eligible expenses within an activity;
- the implementation period of activities;
- implementing authorities for individual measures or their subcontractors;
- sources and amounts of funding and an indication of whether an activity represents state aid;
- method of reporting; and
- criteria to assess the attainment of objectives.
(4) The programme of measures referred to in the preceding paragraph shall be adopted by the Government following a prior opinion of the Council.

(5) The measures shall be planned to enable coordinated assistance for setting-up a social enterprise, assistance for starting its operations, assistance for ensuring its liquidity and development, and shall also be concerned with the implementation of active employment policy measures and other development documents adopted by the Government.

(6) Should needs or funding scope requirements change during a planning period necessitating amendments to the strategy or the programme of measures, the amendments shall consequently be adopted in the manner in which such documents are adopted.

Article 30
(Implementation of the social entrepreneurship development policy)

The implementation of the social entrepreneurship development policy shall be ensured by the ministries and government offices in their respective areas of work. The implementation of the policy shall also include proposing and adopting regulations that enable or facilitate the operation of a social enterprise in its individual areas and activities, eliminating administrative barriers to the operation of social enterprises and facilitating the transfer of public powers to social enterprises, if stipulated by legislation.

Article 31
(Competencies of a municipality)

(1) Pursuant to the provisions of this Act and the Act governing the promotion of balanced regional development, municipalities may plan, fund and implement the policies to develop social entrepreneurship in their respective territories or at the level of a development region.

(2) The Government shall promote the development of social entrepreneurship at the local level through the Council, ministries and Government offices.

Article 32
(Promoting the development of social entrepreneurship)

(1) Social entrepreneurship shall be promoted through the implementation of the measures to promote social entrepreneurship, the measures to create an entrepreneurship-friendly environment, the measures to encourage employment and the measures to facilitate access to resources for investments in social enterprises stipulated in the programme of measures referred to in Article 29 of this Act.
(2) The measures to promote social entrepreneurship shall include financial and other measures to develop social entrepreneurship information and education systems, to ensure funds for establishing a fund for the promotion of development of social entrepreneurship, to develop social enterprise support services, including the services for setting-up social enterprises and consultant services for restructuring of social enterprises that temporarily fail to comply with the requirements of this Act, to involve municipalities in the implementation of policies and measures, to seek new business opportunities for social enterprises, including the provision of market analysis for social entrepreneurship and the identification of potential for social enterprises to carry out public services.

(3) The measures to create an entrepreneurship-friendly environment for social enterprises shall include financial and other measures to ensure spatial, technical and other conditions for setting-up social enterprises and their operation, including business incubators for social enterprises, to co-fund the commencement of the social enterprise activities and to create new jobs, and to co-fund the setting-up of new social enterprises providing support services for social enterprises; the measures shall be targeted at persons who set-up social enterprises and to social enterprises.

(4) The measures to encourage employment in social enterprises shall include the implementation of the active employment policy measures targeted to social enterprises or to the persons setting up a social enterprise or the persons from the most vulnerable groups in the labour market to be employed in a social enterprise and expected to benefit from social entrepreneurship.

(5) The measures to facilitate access to resources for investments in social enterprises intended for setting up social enterprises and their operation shall include the provision of favourable loans, guarantees and subsidies from the budget through the funds for the promotion of development of social entrepreneurship and European resources for social enterprises.

Article 33

(Provision of funds)

The funds for the implementation of measures referred to in the preceding Article shall be provided by the budget of the Republic of Slovenia and other national and European resources in a manner stipulated by legislation and regulations.

Article 34

(Funding of the provision of services)

The funding of service provision for the implementation of measures referred to in Article 32 of this Act shall be provided to the implementing authorities referred to in the sixth paragraph of Article 7 of this Act on the basis of a concluded contract.

Article 35
(beneficiaries)

(1) Persons who intend to set-up a social enterprise, social enterprises or persons to be employed in a social enterprise shall be entitled to incentives under individual measures referred to in Article 32 of this Act.

(2) The beneficiaries shall claim the incentives referred to in the preceding paragraph from the implementing authorities specified in the programme of measures referred to in the third paragraph of Article 29 of this Act.

V. SPECIAL INCENTIVES TO SOCIAL ENTREPRENEURSHIP

1. Special employment incentives

Article 36

(Special employment incentives for persons with disabilities)

Social enterprises that employ people with disabilities shall be entitled to the same financial incentives as the employers that exceed the quota for employing people with disabilities.

Article 37

(Special employment incentives to other most vulnerable groups in the labour market)

(1) A social enterprise employing persons referred to in Article 6 of this Act other than persons with disabilities shall be entitled to wage subsidies for these workers and to other types of support defined by a decree referred to in Article 6 of this Act as support to deprived workers, severely deprived workers and persons with recognised limitations that result from physical, mental or psychological impairment.

(2) A social enterprise shall be entitled to the full incentives referred to in the preceding paragraph if it concludes an employment contract with the worker referred to in point b of the first paragraph of Article 6 of this Act for indefinite period or for a period of at least 12 months, and with other persons from the most vulnerable groups for a period of entitlement to wage subsidies pursuant to the decree referred to in the preceding paragraph.

(3) When the duration of employment is less than 12 months or less than 24 months for groups classified as severely deprived workers, the assistance shall be appropriately and proportionally reduced.

2. Other special incentives
Article 38

(Special management incentives)

A social enterprise shall be eligible for the co-funding of education and training of persons responsible for its management and for working with vulnerable groups for the period of the first two years after having acquired the status of a social enterprise and in accordance with the programme of measures. A social enterprise temporarily failing to comply with the criteria under this Act shall be eligible for co-funding of consultant services for the restructuring of social enterprises.

Article 39

(Grounds for the implementation of special incentives)

(1) The special incentives referred to in the preceding two Articles shall be implemented on the basis of the strategy and the programme of measures and in line with the funds earmarked in the adopted budget of the Republic of Slovenia.

(2) The responsible ministry shall define the special incentives as a state aid scheme prior to the entry into force of this Act.

Article 40

(Claiming special incentives)

(1) The special incentives referred to in Articles 37 and 38 of this Act shall be claimed in a manner stipulated by the programme of measures referred to in the third paragraph of Article 29 of this Act.

(2) The claims for special incentives referred to in the preceding paragraph shall be decided by the implementing authorities specified in the programme of measures referred to in the third paragraph of Article 29 of this Act.

Article 41

(Other incentives)

Other incentives, exemptions, allowances or facilities for social enterprises, aimed at putting social enterprises on an equal competitive footing with other business entities and not deemed to distort competition, shall be defined by special Acts.

VI. REGISTER

Article 42

(Register of social enterprise)
(1) The register of social enterprises shall be kept by the responsible ministry. The entry into the register shall be carried out on the basis of the enforceable act referred to in the second paragraph of Article 15 and in Article 16 of this Act, while the deletion from the register shall be carried out on the basis of the enforceable act referred to in the first paragraph of Article 20 of this Act, or when a social enterprise is liquidated.

(2) The register shall include the following data:

- the company name or name, the registered office, and business address of the social enterprise;
- the full names, personal registration numbers, nationality, and permanent or temporary addresses of all authorised representatives;
- the registration number of the social enterprise;
- the legal form of the social enterprise;
- the number and date of issue and date of enforceability of the act referred to in Articles 15 or 16 of this Act, and an indication of the authority that issued the instrument;
- the social entrepreneurship area and activities performed by the social enterprise or the most vulnerable groups referred to in Article 6 of this Act employed in the relevant activity by the social enterprise;
- the amount of the start-up capital or potential sum for the commencement of the operation or the value of a society's property;
- the number and date of issue and enforceability of the act referred to in the first paragraph of Article 20 of this Act or the date and manner of a social enterprise's liquidation;
- the data referred to in the first and third indents of this paragraph on successors in title for a restructured social enterprise.

(3) The register may be kept as a computerised database.

(4) The register shall be made public. Notwithstanding the provisions of the Act governing the protection of personal data, the personal names and residence addresses of all authorised representatives of a social enterprise shall be made public.

(5) The register shall be kept for the purpose of collecting, processing, transmitting and publicising data on social enterprises of importance to legal transactions.

VII. SUPERVISION

Article 43

(Supervision)

(1) The implementation of the provisions of this Act, the violation of which shall be considered an offence, shall be supervised by:
the Labour Inspectorate of the Republic of Slovenia, responsible for supervising the implementation of provisions of the second paragraph of Article 24 and the first and second paragraphs of Article 25 of this Act;

the Tax Administration of the Republic of Slovenia, responsible for supervising the implementation of the provisions of the first and second paragraphs of Article 22 of this Act;

the Market Inspectorate of the Republic of Slovenia, responsible for supervising the implementation of the provisions of the third paragraph of Article 18 of this Act;

the Agency of the Republic of Slovenia for Public Legal Records and Related Services, responsible for supervising the implementation of the provisions of the sixth paragraph of Article 22 of this Act; and

the responsible ministry responsible for supervising the implementation of the provisions of Articles 11 and 26 of this Act through the inspections of the electronic register and business operations of a social enterprise and on-site inspections of the documents of a social enterprise, conducted within the framework of its powers.

(2) With respect to the social enterprises subject to auditing of the operations under other regulations, the responsible ministry shall entrust the supervision of the implementation of the provisions of Articles 11 and 26 of this Act to persons who may provide auditing services pursuant to the act regulating auditing. The responsible ministry shall determine the scope of the supervision and provide funding for these tasks from the national budget.

(3) With a view to performing the tasks referred to in the preceding paragraph, the Slovenian Institute of Auditors shall prepare relevant guidelines for auditing.

(4) Notwithstanding the provision in the fifth indent of the first paragraph herein, the Tax Administration of the Republic of Slovenia shall act as the minor offence authority for violations of the provisions of Articles 11 and 26 of this Act.

Article 44

(Authorities competent to decide on a minor offence)

(1) The minor offences under this Act shall be decided on by the Labour Inspectorate of the Republic of Slovenia, the Tax Administration of the Republic of Slovenia, the Market Inspectorate of the Republic of Slovenia, and the Agency of the Republic of Slovenia for Public Legal Records and Related Services in expedited proceedings and within the limits of their respective powers under this Act.

(2) The Tax Administration of the Republic of Slovenia shall forward a final offence decision sanctioning a social enterprise for a particularly serious tax offence to the responsible ministry.

VIII. PENAL PROVISIONS
Article 45

(1) A fine of €5 000 to €20 000 shall be imposed for an offence on a social enterprise if:

1. it distributes profit, excess revenue or assets in contravention of the provision of Article 11 of this Act;
2. it fails to keep the accounting books in accordance with the first and second paragraphs of Article 22 of this Act;
3. it fails to append the assessment prepared by the supervisory authority referred to in the sixth paragraph of Article 22 of this Act to the annual report, submitted to Agency of the Republic of Slovenia for Public Legal Records and Related Services;
4. its general act (the second paragraph of Article 24 of this Act) fails to regulate the issues decided on with the participation of persons referred to in Article 24 of this Act, the right to be informed, the time limits, the method of informing and the detailed definition of the method of participation in decision making;
5. it temporarily fails to comply with the staff headcount and structure requirements and does not prepare a plan for the bridging period or fails to harmonise it with the responsible ministry (the first paragraph of Article 25 of this Act);
6. it terminates the employment contract with a worker in contravention of the second paragraph of Article 25 of this Act;
7. it earmarks profit and excess revenue in contravention of the provision of Article 26 of this Act.

(2) A fine of €400 to €3 000 shall also be imposed on the responsible person of the social enterprise for the offence referred to in the preceding paragraph.

Article 46

(1) A fine of €2,000 to €10 000 shall be imposed on a legal entity other than a social enterprise, which uses the wording 'social enterprise' or its abbreviations 'so.p.' with its company name or name.

(2) A fine of €600 shall also be imposed on a responsible person of the legal entity referred to the preceding paragraph.

Article 47

The offence authority may impose a fine in any amount within the range stipulated for the offence in question by this Act.

IX. TRANSITIONAL AND FINAL PROVISIONS

Article 48

(1) The Government shall issue the decree referred to in the third paragraph of Article 5 of this Act in six months of the entry into force of this Act.
(2) The Government shall adopt a strategy for the 2012–2015 planning period and a programme of measurements for 2012 and 2013 by 1 January 2012 at the latest.

(3) The Government shall appoint the council referred to in Article 7 of this Act in six months of the entry into force of this Act. Notwithstanding the provisions of the first paragraph of Article 7 of this Act, two representatives of non-governmental organisations shall be appointed to the council until 1 January 2013 in the places of two representatives of social enterprises.

(4) The Government shall adopt the decree referred to in the third paragraph of Article 5 of this Act without prior consultation with social enterprises.

Article 49

(1) The responsible minister shall issue the implementing regulation referred to in the third paragraph of Article 21 of this Act by 1 January 2012 at the latest.

(2) The Slovenian Institute of Auditors shall submit the accounting standards referred to in the third paragraph of Article 22 of this Act to the ministers responsible for economy and finance for approval by 31 October 2011 at the latest.

(3) After having obtained the approval referred to in the preceding paragraph, the Slovenian Auditing Institute shall publish the accounting standards in the Official Gazette of the Republic of Slovenia.

Article 50

With a view to carrying out the tasks laid down in this Act, the responsible ministry shall set up a special organisational unit for social entrepreneurship within six months of the entry into force of this Act.

Article 51

This Act shall enter into force on the fifteenth day of its publication in Uradni list Republike Slovenije (Official Gazette of the Republic of Slovenia) and shall become applicable on 1 January 2012.

No. 300-01/10-53/162

Ljubljana, 7 March 2011

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National Assembly
of the Republic of Slovenia
Vasja Klavora, m.p.
Vice-President