



Tax overview in Croatia

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Foreign investors' status

- According to the Company Act, domestic and foreign companies do business under equal conditions. A foreign investor may establish or participate in establishing a company and may acquire rights and/or commitments as any domestic investor. Foreign investors headquartered or with residence in a non-WTO member country need to meet the reciprocity condition.
- The Constitution of the Republic of Croatia provides several guarantees for foreign investors. It is specially stipulated that all rights acquired by investing capital will not be restricted by law or other legal act and that foreign investors are guaranteed the free transfer and repatriation of profits and invested capital.
- A foreign person who wishes to acquire property in Croatia has the right to do so only if there is a mutual opportunity for Croatian person in that country. This restriction does not apply to nationals and legal entities from Member States of the European Union. These persons acquire the property rights under the assumptions valid for the acquisition of property rights for citizens of the Republic of Croatia and legal entities with HQ in the Republic of Croatia, except for the exempted real estate, i.e. On agricultural land determined by a special law and protected parts of nature under a special law. A foreign investor can set up a company in Croatia which will allow the investor to acquire real estate without limitations.

Types of companies in the Republic of Croatia

Limited Liability Company (LLC) | Društvo s ograničenom odgovornošću (d.o.o.)

This is the basic form of business in Croatia. It is a legal entity for small and medium business formed by at least one shareholder with a minimum share capital of at least EUR 2.850 divided into stakes, with minimal individual representation per investor of HRK 200. The members' liability is limited in the amount of invested capital. In case the Croatian d.o.o. is facing troubles such as liquidation or bankruptcy, the personal assets of the members are protected. The documents standing at the base of the private limited liability company are the articles of incorporation (in case there are more than two founders) or the statement of establishment (in case there is only one founder) and must contain: details regarding the representatives, the name of the company and the address of the registered office, the activities performed by it, details regarding the authorized capital, amount of each member's contribution, details on the availability date (if necessary), details regarding the rights and obligations of the members and procedures which needs to be followed in case of liquidation or transformation.

Foreign investors' status and types of companies in the Republic of Croatia *(continued)*

Public Limited Liability Company (PLC) | Dioničko društvo (d.d.)

The public limited liability company is incorporated in Croatia by at least one founder with a minimum share capital of approximately EUR 25.000 divided into shares and it is designed for large businesses. The nominal value per share cannot be less than HRK 10. The similarity with the Croatian private limited liability companies comes from the fact that the liability of the members is limited by the contribution to the capital. The management of this type of company is assured by the management board (with at least one manager), the supervisory board (with at least three members) and the general meeting of the shareholders. The last one is the main body for taking major decisions related to the appointment of all the other bodies of the company, the revision of the foundation deeds, the increase or decrease of capital.

General partnership

A general partnership is a type of business adopted by two or more partners fully liable to cover with their personal assets the company's debts in case of liquidation and who can benefit from the profits after paying all the specific corporate taxes. The name of the Croatian general partnership must be composed by the name of the partners followed by the termination "JTD". No share capital is necessary to start this business.

Limited partnership

A limited partnership is a form of business incorporated in Croatia by two or more persons with different statutes in the business. There is at least one general partner, fully liable with his assets for the company's debts and one limited partner with liability limited by his contribution to the entity's capital. Only the general partner may represent the partnership on the market. Just like in the case of the general partnership, there is no need to submit a minimum share capital at registration. Usually, the name of this type of partnership is formed by the general partners' names followed by the termination "KD".

Representative office

A representative office in Croatia may be set up by a foreign person who does an economic activity and a national or international economic association.

Setting up the Limited Liability Company (LLC)

Step 1 FINA

- Name of the Company

Choose a name of your company at HITRO.hr, service that helps you check the registry to find out whether your name is already taken or not. When checking the name for your company, court registry website sudreg.pravosudje.hr should be used. "Company name" is the name under which company operates and does transactions.

Step 2 Public notary

- Notarization of documents

Public notary must notarize some of the attached documents as well as the application to the court register. All founders and other persons whose signatures are to be verified must be present. After the notarizing is done, the notary may forward all the notarized documents to HITRO.hr's offices electronically.

Step 3 FINA

- Submission of the documents
- Payment
- Registry at National Bureau of Statistics

Registration into the court register application, as well as all other notarized documentation must be submitted to the HITRO.hr counter in FINA. After finalization of payments, HITRO.hr will forward the application to the Commercial Court electronically. If the delivered documentation is full and correct, the Commercial Court will register the company in the court register within 24 hours, and electronically deliver the Personal identification number of the newly formed company to the HITRO.hr office. At HITRO.hr you will receive the "RSP form" which you have to fill out to obtain the identification number and national business classification.

Step 4 FINA

- Opening the account
- e-Pension
- e-Health
- Registering with the relevant Tax Authority

The decision of entry in Court register and national business classification with written identification number can be collected at HITRO.hr. The necessary first registrations of the company, its owners, and employees with the Croatian Pension Insurance Institute and the Croatian Health Insurance Institute can be arranged and executed electronically at the HITRO.hr counter. After the company has been entered into the Court Register and the Register of the Central Bureau of Statistics, the applicant must register the company with the relevant Tax Authority, whose jurisdiction is determined on the basis of the company's registered address.

Setting up a branch office

Foreign companies can establish a branch office in Croatia as a way of running their business in the Republic of Croatia. The branch office is not a legal person. The branch office is set up by special decision brought by the relevant body of the company in accordance with the statement about the establishment of the company which must be notarized. The branch office operates under its own company and should state its head office and the head office of the founder.

In order to successfully register a branch office, the following documents and certified translations in Croatian language must be enclosed:

- Excerpt from the Court Register in which legal entity form and date of establishment of founder of the branch office is visible
- Decision of the owner to establish a branch office
- Notarized shortened financial statement of the last two years of business operations
- Information about persons authorized to represent the branch office and the scope of their power
- Certified transcript of the statement of establishment in accordance with the legislation of the country where the founder has its registered office

Setting up a Representative Office

A representative office in Croatia may be established by a foreign person that does the economic activity and a national or international economic association. A representative office can be set up to do market research and to represent the company that founded it. Representative office does not have the status of a legal entity and is considered as a part of the founder. It cannot perform activities in the scope of activities performed by the founder, nor can it contract the deals for the founder, it only performs tasks on the order of the founder. Exceptionally, representative offices of foreign airlines may also perform the sale of transport of documents in accordance with international agreements concluded by Croatia and international conventions.

A representative office is registered in the Foreign Party Representative Registry in the Republic of Croatia kept by the Ministry of Economy, Entrepreneurship and Crafts. A representative office may start its activities only after the registration is completed.

After the Croatian entry in the EU, economic entities that come from other EU Member States, and since 2014 also from other European Economic Area states, no longer have the possibility to open representative offices in the Republic of Croatia and can only open a domestic company or register a branch.

The Croatian Tax system



- Tax treatment for residents and non-residents is equalized. The Republic of Croatia shall ensure all entrepreneurs, whether they are domestic or foreign, the same legal position in the market. The Croatian tax system is harmonized with the tax systems of EU member states and is based on a set of direct and indirect taxes. In Croatia, the tax year corresponds in most cases with the calendar year.

Type of taxes in Croatia

1. National taxes
 - Value Added Tax (VAT)
 - Corporation Profit tax
 - Special taxes and duties
2. County taxes
 - Inheritance and gift tax
 - Tax on road and motor vehicles
 - Tax on vessels
 - Tax on machines for amusement and games
3. City / Municipal taxes
 - Surtax on income tax
 - Consumption tax
 - Tax on holiday houses
 - Tax on use of public land
 - Real estate transfer tax
4. Joint taxes
 - Income tax (porez na dohodak)
5. Taxes on winnings from games
 - Lottery games
 - Casino games
 - Betting games
6. Fee for organising award games
 - Fee for organising award games

Agreements for the avoidance of double taxation

Agreements which the Republic of Croatia has concluded and assumed that apply:

- | | | |
|--------------------------|---------------|------------------------|
| • Albania | • Island | • San Marino |
| • Armenia | • Israel | • SAR |
| • Austria | • Italy | • Serbia |
| • Azerbaijan | • Jordan | • Slovakia |
| • Belarus | • Korea | • Slovenia |
| • Belgium | • Kosovo | • Spain |
| • Bosnia and Herzegovina | • Kuwait | • Sweden |
| • Bulgaria | • Latvia | • Swiss |
| • Canada | • Lithuania | • Syria |
| • Chile | • Luxembourg | • Turkey |
| • China | • Macedonia | • Turkmenistan |
| • Czech Republic | • Malaysia | • United Arab Emirates |
| • Denmark | • Malta | • Ukraine |
| • Estonia | • Mauritius | • United Kingdom |
| • Finland | • Morocco | |
| • France | • Moldova | |
| • Georgia | • Montenegro | |
| • Germany | • Netherlands | |
| • Greece | • Norway | |
| • Hungary | • Oman | |
| • India | • Poland | |
| • Indonesia | • Portugal | |
| • Iran | • Qatar | |
| • Ireland | • Romania | |
| | • Russia | |

Value Added Tax (VAT)

- An entrepreneur is liable to Value Added Tax if he supplies goods and services whose value in the previous calendar year exceeds HRK 300.000,00, regardless of the fact if they have been paid that much and whether they have been in a business for a whole year or just few months. In this case, an entrepreneur is obliged to enter the Register of VAT payers in the tax administration no later than January 15 of the current year. The VAT rates are 25%, or 13% or 5%.
- **VAT is calculated and paid at the rate of 25%.**
- **VAT is charged at a reduced rate of 13% on deliveries of the following goods and services:**
 - Accommodation services in hotels or similar facilities (houses, campsites...)
 - Newspapers and magazines that have a media statute
 - Edible oils and fats of vegetable and animal origin
 - Baby car seats, baby food and diapers
 - Public water supply and public drainage
 - Concert tickets
 - Deliveries of electricity to the end users
 - Urns and coffins
 - Seedlings and seeds
 - Fertilizers and pesticides
 - Products used as an animal feed, excluding pet food
 - Delivery of live animals
 - Delivery of fresh or chilled meat and fish
 - Delivery of fresh or chilled vegetables
 - Delivery of fresh eggs in shell
- **VAT is charged at a reduced rate of 5% on deliveries of the following goods and services:**
 - All types of bread
 - All types of milk (cow, sheep, goat) that are marked under the same name
 - Books of professional, scientific, artistic and cultural content
 - Medicines approved by the competent authority for medicines and medical devices
 - Medical equipment, supplies and other devices used to mitigate the disability treatment only for personal use of disabled people prescribed by the regulations of the Croatian Health Insurance
 - Cinema tickets
 - Newspapers that have media status, published daily
 - Scientific journals

** Note: The 24% tax rate will take effect on January 1, 2020. From that date onwards VAT is calculated and paid at the rate of 24% instead of 25%.*

- **Following services that are of a public interest are exempt from VAT:**
 - Universal post service
 - Hospital medical care and related services
 - Medical care within the medical profession
 - Delivery of human organs, blood and breast milk
 - Services provided by dental technicians and delivery of dental substitutes by dental technicians
 - Services and supply of goods related to the welfare, including those provided by nursing homes for elder
 - Services and supply of goods related to child and youth protection
 - Education of kids and youth
 - Teaching privately held by teachers
 - Services closely related to sport or physical education provided by a non-profit
 - Transport services for sick and injured
 - Public radio and television activities

** Note: The taxpayer cannot deduct the tax contained in the invoices for goods received and services rendered that are exempt from VAT in that country*

VAT – key facts:

- All taxpayers can enter the VAT system voluntarily if they have in the previous calendar year achieved deliveries of goods and services in the amount less than HRK 300.000,00. The decision to voluntarily enter the VAT system obliges the taxpayer to be in the VAT system for the next 3 calendar years.
- Taxpayers who make only deliveries cannot be VAT taxpayers. Those are usually services of doctors of medicine and dentistry, medical treatment services in healthcare institutions, rental housing etc.
- Entrepreneur himself must determine and calculate the VAT liability for the taxation period and present it on the prescribed form which is submitted to the relevant branch of the Tax administration according to his residence or usual residence, by the 20th day of the current month after the taxation period has passed, whether or not taxable deliveries were made during that period.
- An entrepreneur is entitled to a pre-tax deduction, and if in the taxation period the pre-tax is greater than the tax liability, he is entitled to a refund of the difference between the tax paid and the tax liability.
- A fine between 1.000 and 200.000 HRK will be imposed on a taxpayer if he:
 - Does not calculate VAT
 - Does not calculate VAT in case of transfer of tax liability
 - Does not display all the required information on the receipt
 - Does not list inventories of goods for which the VAT rate changes

Corporation profit tax

Taxpayers:

- A taxpayer is a company and other legal person resident of the Republic of Croatia, who carries out economic activities independently, continually and for the purpose of making profit, income or other economic assessable benefits.
- A taxpayer is also a domestic business unit of a foreign entrepreneur (non-resident).
- A taxpayer is also a natural person who earns income under the rules on income taxation, if he/she declares that he/she will pay profit tax instead of revenue tax.
- A taxpayer is also a natural person who generates income from craft and other craft-related activities according to the rules on income tax:
 1. If in the previous tax period it has received a total revenue of more than HRK 3.000.000 or
 2. If it meets two of the three following conditions:
 - In the previous tax period it has earned profit in excess of HRK 400.000
 - It has fixed assets in excess of HRK 2.000.000
 - It employed more than 15 workers on average in the previous tax period

Entities exempt from paying profit tax:

- Government bodies, regional self-government bodies, the Croatian National Bank, and local self-government bodies are not obliged to pay profit tax unless otherwise provided by the law.
- State institutions, regional self-government institutions, state institutes, religious communities, political parties, trade unions, arts associations, tourist boards, sports clubs, sports societies and associations, and foundations are not subject to profit tax.
- Investment funds without legal personality established and operating in accordance with the law under which they were founded are not liable to corporate profit tax.

Corporation profit tax rates:

- The profit tax base is profit, which is determined as the difference between income and expense before profit tax.
- Profit tax is paid on the tax base determined at the rate of:
 - 12% if the revenues up to HRK 3.000.000 are achieved in the tax period, or
 - 18% if in the tax period revenues are equal to or greater than HRK 3.000.000,01.

Change in profit tax rate:

Profit tax rate
base is reduced by

- Income from dividends and profit sharing.
- Unrealized profits from value adjustments of shares (increase of financial asset value), if these were included as profit in the profit and loss (P&L) account.
- Income from collected written-off claims that were included in the tax base in the previous tax periods but not excluded from the tax base as recognised expenditure.
- The amount of depreciation not recognised in previous tax periods, up to the amount prescribed by the Corporate Income Tax Act.
- The amount of tax relief or tax exemption in line with special regulations (i.e. costs of education, costs of research and development (R&D), costs of a new employee's salary).
- For reinvested profit, other than that earned in the banking or the financial non-banking sector.

Profit tax rate base
is increased by

- Unrealized losses from value adjustments of shares (decrease of financial asset value), if these were included as expenses in the P&L account.
- The amount of depreciation in excess of the amounts prescribed by the Corporate Income Tax Act.
- Asset shortfalls exceeding the amount prescribed by the Croatian Chamber of Economy or Croatian Chamber of Trades and Crafts, in accordance with the VAT Act and on the basis of which no personal income tax was paid.
- The costs of forced collection of tax and other levies.
- Fines imposed by competent bodies.
- Late payment interest charged between associated persons.
- Donations in excess of the amounts prescribed by the Corporate Income Tax Act.
- Other

Withholding tax:

- Withholding tax is a tax that taxes income earned by a non-resident in a Republic of Croatia.
- Withholding tax base is the gross amount of compensation paid by a domestic payer to a non-resident foreign recipient.
- The withholding tax referred to in the first bulletpoint shall be payable on interest, dividends, profit shares and other intellectual property rights.
- Withholding tax is also paid on market research, tax and business consulting services and audit services paid to non-residents.
- Withholding tax is payable at the rate of 15% except for dividends and shares in profit for which the withholding tax is paid at the rate of 12%.
- Withholding tax shall also be paid by the business units non-resident entrepreneur when paying fees referred to in bulletpoint 3 to the parent company.

Special taxes and duties

1) Special tax on motor vehicles

- **The subject of taxation** are motor vehicles that have not been accounted for and paid special tax in the Republic of Croatia, which are registered in accordance with special regulations:
 - Passenger cars and other motor vehicles designed primarily for the transportation of persons, including motor vehicles such as station wagons, vans and race cars
 - Motorcycles (including mopeds) bicycles and similar utility vehicles, with or without the side trailer
 - „Pick-up” vehicles with double cabin, irrespective of their classification under the Combined Nomenclature
 - „ATV” vehicles, irrespective of their classification in the Combined Nomenclature

** Motor vehicles exclusively powered by electric power, motor vehicles with a carbon dioxide (CO₂) emission of 0 grams per kilometer and motor vehicles manufactured more than 30 years ago that are under the “oldtimer” category are not subject to special tax on motor vehicles.*

** The special tax is determined on the basis of the carbon dioxide (CO₂) emissions expressed in grams per kilometer, the selling price of the motor vehicle, the engine power in kilowatts, the engine volume in cubic centimeters and the level of exhaust emissions.*

2) Special tax on coffee and soft drinks

- **The subject of taxation** are coffee and soft drinks placed on the market of the Republic of Croatia. For the purposes of this Law, the following products are considered coffee:
 - Roasted coffee under the tariff codes KN 0901 21 i KN 0901 22
 - Coffee extracts, essences and coffee concentrates under the tariff codes KN 2101 11
 - Preparations with a basis of extracts, essences or coffee concentrates under the tariff code KN 2101 12
 - Coffee substitutes containing coffee under the tariff code KN 0901 90 90
 - Beverages and non-alcoholic beverages containing coffee, extracts, essences and coffee concentrates under the tariff code KN 2202.
- **Tax amount:**
 - 6 HRK/kg for roasted coffee
 - 20 HRK/kg for coffee extracts, essences and concentrates
 - 40 HRK/hectolitre for soft drinks
 - 240 HRK/hectolitre for syrups and concentrates intended for the preparation of soft drinks
 - 400 HRK/100 kg for powders and granules intended for the preparation of soft drinks

4) Tax on motor vehicle insurance premiums

- **The taxpayers** of this law are insurance companies that run contracts with legal and natural persons and collect insurance premiums for motor vehicle liability and motor vehicle insurance directly and indirectly through intermediaries or agents.
- **The tax base** the motor liability insurance premium that an insurance company collects from legal or natural person when signing a contract for mandatory motor vehicle insurance.
- **Tax rate/amount is:**
 - 15% of the contracted motor insurance premium
 - 10% of the contracted premium of "kasko" motor vehicle insurance premium
- **Tax exemptions** – diplomatic and consular representations do not pay tax on motor insurance companies.
- **A taxpayer will be fined between HRK 5.000 – 50.000 if he:**
 - Does not calculate tax on motor insurance premiums
 - Does not apply the prescribed tax rate on the prescribed base
 - If the tax on motor insurance premiums is not calculated within the prescribed period
 - If you do not pay the motor insurance premium tax into the prescribed account

3) Excise duties (trošarine)

- **The subject of excise taxation is:**
 - Alcohol and alcoholic beverages, tobacco, energy and electricity energy
 - Tobacco products
 - Products subject to specific control measures
- **Excise duty payers is:**
 - Imported of excise goods
 - Manufacturer of excise goods outside the postponement system
 - A seller from another Member State or his tax representative when selling at a distance
 - Supplier of electricity or natural gas when delivering to the final customer in the Republic of Croatia
 - A supplier when importing or bringing in electricity or natural gas for his own consumption
 - Manufacturer when using electricity for his own consumption
 - Gas producer when he uses the gas produced for his own consumption
 - Supplier when delivering solid fuels to the final consumer in the Republic of Croatia or when using solid fuels for own consumption
 - A person who places tobacco products on the territory of the Republic of Croatia

Inheritance and gifts tax

• Inheritance and gift taxes are paid on:

- Cash
- Monetary claims and securities
- Movable property if the individual market value of the movable property is greater than HRK 50.000 at the date of determining the tax liability

** The inheritance and gift tax is not paid if on the inherited or donated cash, monetary claims, securities and movable property another tax is paid under a special regulation.*

- **Taxpayers** of inheritance and gift tax are natural and legal persons who on the territory on the Republic of Croatia inherit, receive or acquire on other grounds, without compensation, the assets for which the inheritance and gift tax is paid.

- If the heir renounces the inheritance or cedes it in the inheritance proceedings, the inheritance and gift tax shall be paid by the person to whom the inheritance was due or ceded.

- **Inheritance and gift tax is payable at the rate of 4%.**

• Inheritance and gift taxes do not pay:

- Spouse, descendants and ancestors
- Natural and legal persons to whom the Republic of Croatia or the local self-government unit grants or rents property free of charge as a compensation or for other reasons related to the Homeland War
- Republic of Croatia, religious communities, foundations and non-profit legal entities registered for humanitarian assistance

Tax on road motor vehicles

• Tax on automobiles is:

If the automobile power is		You have to pay (in HRK)		
Over kw	Up to kw	2 > years old	2 – 5 years old	5 - 10 years old
0	55	300	250	200
55	70	400	350	250
70	100	600	500	400
100	130	900	700	600
130	130+	1500	1200	1000

• Tax on motorcycles is:

If the motorcycle power is		You have to pay (in HRK)		
Over kw	Up to kw	2 > years old	2 – 5 years old	5 - 10 years old
0	20	100	80	50
20	50	200	150	100
50	80	500	400	300
80	80+	1200	1000	800

** Road motor vehicle tax is paid once a year by the owners of the motor vehicle at the date of registration.*

Tax on vessels

- The tax on vessels is paid by legal and natural persons who own the vessel.

Tax for vessels without cabin

Boat size in meters		You have to pay (in HRK)		
Over	Up to	Up to 30 kw	30 to 100 kw	> 100 kw
5	7	-	200	400
7	10	100	300	500
10	-	200	450	600

Tax for power-driven cabin vessels

Boat size in meters		You have to pay (in HRK)		
Over	Up to	Up to 30 kw	30 to 100 kw	100 to 500 kw
5	7	-	200	300
7	10	200	400	500
10	12	300	500	1000
12	-	400	1000	3000

Tax on coin operated machines for amusement

- The subject of excise taxation is:
 - Amusement machines for use in entertainment clubs, restaurants, public facilities and other public spaces
- The taxpayer for coin operated machines for amusement is a legal or natural person who puts the amusement machines into use in amusement clubs, restaurants, public facilities and other public spaces.
- The tax on amusement slot machines is paid at a monthly rate of HRK 100 per slot machine.
- Tax is not paid on billiard machines if they have a prominent Croatian Billiard Association stamp prominently displayed.
- The tax on slot machines is paid according to where the slot machine is put into use.
- Tax on slot machines for amusement is the revenue of the local government unit according to the place where the gaming machine is put to use.

Surtax on income tax

- **To taxpayers, the representative body of local self-government may, by its decision, prescribe the payment of surtax on profit tax, as follows:**
 - Municipality at a rate of up to 10%
 - City with less than 30.000 inhabitants at up to 12%
 - City with more than 30.000 inhabitants at a rate of up to 15%
 - City of Zagreb at a rate of 18%
- The surtax on profit tax shall be paid at the rate determined by the representative body of the local self-government unit by its decision and shall belong to the local self-government unit in the area of residence or habitual residence of the profit tax payer.

The consumption tax

- **Consumption tax is paid on consumption of alcoholic beverages, natural wines, beer and non-alcoholic beverages in hospitality objects.**
- **Consumption taxpayer** is a legal and natural person providing hospitality services
- **The consumption tax base** is determined by selling price of drinks sold in hospitality objects that are not included in value added tax (VAT).
- **Consumption tax is paid at the rate of 3%.**

Tax on holiday houses

- **Tax on holiday houses is paid by legal and natural persons who own holiday homes.**
- Tax on holiday houses is paid from HRK 5 to 15 / m² of usable area of the holiday house. The amount of tax on holiday house is determined by a decision of the representative body of the local self-government unit.
- **The tax on holiday houses is not paid for:**
 - Holiday houses that cannot be used because of war devastation, natural disasters, old age, or wear and tear
 - Holiday houses while they are used to house refugees

Tax on the use of public land

- **Tax on the use of public lands is paid by legal and natural persons who use the public lands.**
- The tax shall be paid in the amount, in the manner and under the conditions prescribed by the representative body of the local self-government unit by its decision.
- What is considered a public area is determined by the decision of the representative body of the local self-government unit.
- The tax on the use of public lands is the revenue of the local government unit in whose territory the public land is used.

Income tax

- **Income is the difference between receipts received in the tax period and expenses incurred in the same tax period.**
- **Taxpayer is:**
 - An income earner
 - Each individual separately for his or her share of the jointly generated income if more than one natural person collectively generate income
 - Heir for all tax liabilities arising from the income earned by the decedent until his death
- **The income taxed under the provisions of this Law is:**
 - Non-independent work income
 - Income from self-employment
 - Income from property and property rights
 - Income from capital
 - Other income
- The income from self-employment, which the resident earns at home and abroad and the non-resident abroad, is reduced by:
 - Salaries amount of newly employed persons
 - Amount of State aid for education
 - R&D expenditures
- **Income tax rate/amount:**
 - 24% up to HRK 360.000 per year (HRK 30.000 per month)
 - 36% over HRK 360.000 per year (above 30.000 per month)

Flat taxation of entrepreneurial activity

- **A taxpayer is an entrepreneur who receives income from the independent business activity, and who meets all of these conditions:**
 - Total receipts in the previous year did not exceed HRK 149.500
 - Is not subject to VAT
 - Does not have any separate business units or manufacturing facilities
 - Does not perform the independent business of hospitality or trade
- ** Activities of natural persons who are registered to perform manufacturing activities and who sell their products on the market are not considered to be trade activity.*
- An entrepreneur who starts self-employed business activity and wants to determine income and income tax on a flat taxation principle is obliged to report the start of the business activity within 8 days from the start of the self-employment.
- An entrepreneur who performs self-employed business activity and determines income on the basis of the books of account and wants to proceed to the determination of flat taxation income, must submit a report to the competent branch of the Tax administration by the end of the current year for the next year, and no later than 15 days after the end of the calendar year.

Contributions to mandatory insurance

- **An entrepreneur (craftsman) is obliged to pay contributions for mandatory insurance on the basis of performing craft activity.**

Incentives and credit institutions



Investment Promotion Act – Types of incentives

Type of incentive

Conditions for obtaining the incentive

Tax incentives for micro-companies

- For investments of micro-companies of at least EUR 50.000, the corporate profit tax rate is reduced by 50% from the prescribed profit tax rate for a period of 5 years from the start of the investment, provided that at least 3 new jobs related to the investment project are created within the period of 3 years.

Tax incentives for small, medium and large enterprises

- For company investments in the amount of EUR 150.000 to 1 million, the corporate profit tax rate is reduced by 50% for the prescribed corporate profit tax rate for up to 10 years from the start of the investment. However, at least 5 new jobs linked to the investment have to be created within the period of 3 years from the start of the investment.
- For company investments in the amount of EUR 1 to 3 million, the corporate profit tax rate is reduced by 75% of the prescribed corporate profit tax rate for up to 10 years from the start of the investment, provided that at least 10 new jobs linked to the investment project are created.
- For investments of the company in the amount greater than EUR 3 million, the corporate profit tax rate is reduced by 100% of the prescribed corporate profit tax rate for up to 10 years from the start of the investment, provided that at least 15 new jobs linked to the investment project are created.

Incentives for development and innovation activities, business support activities and activities of high value added services

- For investments in development and innovation activities, the incentives for job creation will be increased in the amount of 50% of the amount prescribed by this Law.
- For investments in business support activities and activities of high value added services, the incentives for job creation will be increased in the amount of 25% of the amount prescribed by this Law.
- Investments in R&D activities will receive grants for the purchase of equipment/machinery in the amount of 20% of the real eligible cost of the purchase of machinery/equipment, with a maximum amount of EUR 500.000 provided that the equipment/machinery purchased must be of high quality technology.

Type of incentive

Conditions for obtaining the incentive

Incentives for the CAPEX of an investment project

- The investment project for which the incentive is granted is an investment in the long-term assets of the incentive beneficiary's business unit in the amount of minimum EUR 5 million, provided that at least 50 new jobs related to the investment project are created within a period of 3 years from the start of the investment.
- Beneficiaries of job creation grants in counties with an unemployment rate of 10 to 20%, according to the Bureau of Statistics for the previous year, will be granted a grant of 10% of the real eligible cost of investing in fixed assets up to EUR 500.000.
- Beneficiaries of job creation grants in counties where the unemployment rate is higher than 20% according to the Bureau of Statistics for the previous year, will be granted a grant of 20% of the real eligible costs of investing in fixed assets up to EUR 1 million.

Incentives for labor intensive investment projects

- The investment project for which the incentive is granted for labor-intensive investment projects is an investment in long-term assets of incentive beneficiaries that allow the creation of at least 100 new jobs related to the investment project within the period of 3 years from the start of the investment.
- The beneficiary of the incentive that realizes the project for creating at least 300 new jobs related to the investment project will be granted an increase of subsidies for the cost of new jobs creation by 50% of the amount stipulated by this Law.
- The beneficiary of the incentive that realizes the project for creating at least 500 new jobs related to the investment project will be granted an increase of subsidies for the cost of new jobs creation by 100% of the amount stipulated by this Law.

Incentives for investment projects through the economic activation of inactive assets of the Republic of Croatia

- An investment project approved for support for the economic activation of inactive assets owned by the Republic of Croatia is an investment in the long-term assets of the beneficiary of the incentive in the amount of at least EUR 3 million, provided that at least 15 new jobs related to the investment project are created within 3 years from the start of the investment.
- During the period of realization, the beneficiary of the incentive is obliged to make a direct tangible investment in inactive assets which was leased to him without compensation in the amount of at least 50% of the amount of the estimated inactive assets at the moment of leasing without compensation.

Type of incentive

Conditions for obtaining the incentive

Incentives for eligible costs of new jobs related to the investment project

- Beneficiary of the incentive for creation of new jobs in counties where the unemployment rate is less than 10% according to the Bureau of Statistics for the previous year will be given a grant for justified job creation costs of 10% of the costs associated with investing in job creation of up to EUR 3.000.
- Beneficiary of the incentive for creation of new jobs in counties where the unemployment rate is from 10 to 20% according to the Bureau of Statistics for the previous year will be given a grant for justified job creation costs of 20% of the costs associated with investing in job creation of up to EUR 6.000.
- Beneficiary of the incentive for creation of new jobs in counties where the unemployment rate is higher than 20% according to the Bureau of Statistics for the previous year will be given a grant for justified job creation costs of up to 30% of the costs associated with investing in job creation of up to EUR 9.000.

Incentive for justified costs of training related to the investment project

- The beneficiary of the incentive will be given cash to train workers in the new workplace associated with the investment project.
- Eligible costs covered by incentive are: trainer costs, operating costs associated with trainers and trainees directly related to the project, costs of advisory services related to the project.
- The incentive intensity does not exceed 50% of the eligible costs, and can be increased by 10 percentage points for persons with disabilities and medium-sized enterprises, and by 20 percentage points for small and micro companies.

European Bank for Reconstruction and Development (EBRD)

- EBRD has undertaken a number of initiatives over the years aimed at strengthening of small and medium enterprises (SMEs).
- EBRD differentiates between loans for larger and smaller projects.
- **Larger projects:**
 - Amount: from EUR 3 to 250 million
 - Payback period: up to 10 years
 - Interest rate: A fixed rate associated with a variable rate such as LIBOR
 - Basis for loan: Different combinations of insurance instruments are possible depending on the project
- **Smaller projects:**
 - Amount: from EUR 5 to 15 million
 - Payback period: up to 12 months
 - Interest rate: variable
 - Basis for loan: Different combinations of insurance instruments are possible depending on the project

European Investment Bank (EIB)

- Through long-term project financing, guarantees and advice, the EIB advances the objectives of the European Union.
- The EIB finances projects aimed at the development of less developed regions, the modernization or redeployment of businesses, the development of new activities and of common interest to more Member States.
- **Companies with up to 3 thousand employees:**
 - Purpose: long-term investments in tangible and intangible assets and current assets
 - Amount: up to EUR 12,5 million
 - Payback period: from 2 to 10 years
 - Interest rate: fixed interest rate from 2,5 to 3,5%
 - Deadline for loan usage: up to 12 months
 - Grace period: up to 36 months
- **Companies with more than 3 thousand employees:**
 - Purpose: long-term investments in tangible and intangible assets and current assets
 - Amount: from EUR 40 thousand to 25 million
 - Payback period: from 4 to 10 years
 - Interest rate: fixed interest rate from 2,5 to 3,5%
 - Deadline for loan usage: up to 12 months
 - Grace period: up to 36 months

Croatian Bank for Reconstruction and Development (HBOR)

- **HBOR is a development and export bank established for the purpose of reconstruction and development of the Croatian economy.**
- **HBOR credits, secures exports from political and commercial risks, issues guarantees and provides business advisory services to strengthen the Croatian economy.**
- **Entrepreneurship of young people, women, beginners:**
 - Purpose: investments in fixed assets and 30% in working capital
 - Amount: from HRK 80.000 to 700.000
 - Payback period: up to 12 years
 - Interest rate: fixed of 2,50% with the possibility of lowering it
 - Deadline for loan usage: up to 12 months
 - Grace period: up to 24 months
- **Investment loans:**
 - Purpose: long-term investments in tangible and intangible assets and current assets
 - Amount: minimum of HRK 200.000
 - Payback period: up to 14 years
 - Interest rate: fixed from 1,5% to 3% with the possibility of lowering it
 - Deadline for loan usage: up to 12 months
 - Grace period: up to 36 months

Croatian Bank for Reconstruction and Development (HBOR) – ESIF loans for growth and development

- **Users:**
 - SMEs that have been operating on the territory of the Republic of Croatia for at least 2 years before applying for a loan, that are meeting all eligibility requirements and are planning investments in eligible sectors
- **Loan usage:**
 - Basic assets (tangible and intangible assets and current assets)
 - The working capital is financed exclusively in the system of low value supports
- **Loan method:**
 - Through the commercial bank
- **Loan amount:**
 - From EUR 100 thousand to 3 million
- **Payback period:**
 - Up to 12 years including the grace period of up to 2 years
- **Interest rate:**
 - On part of ESIF loan principal 0 %
 - On part of the principal of a commercial bank by the agreement of a commercial bank
- **Maximum amount:**
 - EUR 18,75 million for eligible costs in Continental Croatia
 - EUR 26,25 million for eligible costs in Adriatic Croatia

Commercial banks – short term loans

- **Allowed exceeding on a transaction account:**
 - Financing of day-to-day operations, i.e. simpler day-to-day liquidity management
- **Revolving loan:**
 - Maintaining liquidity and financing the occasional need for additional working capital
- **Loan for working capital:**
 - Financing of current expenses or procurement of goods, materials and raw materials.
 - Loan for working capital is also suitable for financing seasonal jobs
- **Short-term business financing loan:**
 - Financing of seasonal jobs, contracted jobs for the delivery of goods and services, needs for working capital, investments in agriculture and refinancing of loans with the same purpose
- **Loans for agricultural development:**
 - Financing of seasonal jobs in agriculture, contracted jobs for delivery of agricultural products, other types of short-term services in agriculture, other needs for working capital in agriculture on the basis of documentation, and refinancing loans with the same purpose
- **Loans to entrepreneurs:**
 - Financing seasonal jobs, financing contracted operations for the supply of goods and services, financing other working capital needs based on documentation, refinancing other bank loans etc.

Commercial banks – short term loans

- **Long-term investment loan:**
 - Purchase of land, infrastructure, construction of business facilities, construction of farms, purchase of equipment, machinery, vehicles and other investment in fixed assets
- **Loans for financing long-term working capital:**
 - Financing of long-term working capital
- **Long-term mortgage loans:**
 - Mortgage loans
- **Loan for tourism development:**
 - Purchase, construction, arrangement or adaptation of tourist capacities
 - Purchase of vessels and rent equipment, refinancing of loans for the same purpose and refund of investment in fixed assets for the above purposes
- **Loan for agricultural development:**
 - Purchase of land, construction and extension of facilities, construction of farms, purchase of machinery and equipment, personal vehicles for business purposes, seeds, fertilizers and herds
- **Loans to entrepreneurs in certain professions:**
 - Purchase of land, infrastructure improvement, construction of facilities for business or for the purpose of business expansion, extension of residential and business facilities, procurement of equipment, means of transportation and ICT equipment



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